



2012

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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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Flint Water/KWA Decision Points and Timeline

In November 2012, all major stakeholders (city officials, EM Kurtz, county officials, DWSD, DEQ & Treasury) met to discuss a regional effort to build a new water pipeline from Lake Huron to Genesee County.

Flint and Genesee Co. had been getting water from DWSD under a 30-year contract that, at that time had expired.

Genesee Co. was planning to build a new pipeline from Lake Huron (Karegnondi Water Authority, KWA) and eventually provide service to the City of Lapeer, Lapeer County, and Sanilac County.

County officials believed that continuing to buy water from DWSD would cost the region more than \$2.1 billion over the next 25 years but that building a pipeline and developing the KWA would reduce regional cost by approximately \$200 million over that time.

Genesee County officials said it was cheaper to build their own system than to continue to pay more each year to the DWSD and the proposal was about delivering the best quality water to residents in the least expensive way.

EM Ed Kurtz had been exploring options for water since his appointment in August 2012 (to replace Mike Brown).

Mayor Walling and City Council were fully supportive of the move to KWA, though under the emergency manager Act, the State Treasurer had to approve deals >\$50,000.

Prior to the meeting, Treasury suggested a high-level response to media inquiries about the meeting:

Treasury officials will be meeting with Genesee County and Detroit officials tomorrow to get the details of the proposed pipeline plan. Until the ultimate costs

are known and the various studies have been conducted, the benefits to the citizens of Flint and Genesee County cannot be determined.

In December of 2012, then State Treasurer Andy Dillon requested an independent review of the KWA proposal. Consulting engineers Tucker, Young, Jackson, and Tull, Inc. conducted a review that supported the County and City preference to join KWA (I'M AWAITING A COPY OF THIS REPORT TO ENSURE ACCURACY ON THIS POINT).

In March of 2013, the City was pushing for a decision, given the need to hit tight construction season timelines/deadlines.

In late March, Kurtz submitted a resolution to join KWA to the State Treasurer. It was received on March 29, 2013. The Treasurer and DEQ staff thoroughly reviewed the resolution (Under PA 436, the Treasurer must approve contracts >\$50K that were not competitively bid).

DWSD was allowed an opportunity to make a "last, best offer" to keep Flint with the DWSD.

On April 11, 2013, the Treasurer sent his approval to Flint (attached). The effective date for the approval was April 16, 2013 as a condition of the approval was Mr. Kurtz's consideration of the final DWSD offer.

On April 16, 2013, Flint EM Kurtz sent a letter to the State Treasurer, indicating that the DWSD last best offer was not sufficient (attached).

Following Mr. Kurtz announcement of the City's decision to join KWA, Treasury worked from the following talking points.

- This is a decision made by the City of Flint and its elected leaders and is a local decision that affects the local water supply.
- Flint EM Ed Kurtz kept the city's elected officials involved throughout the decision-making process and all agree this is best for the citizens and businesses in Flint.
- The change is expected to save Flint ~\$100m over the next 25 years, and possibly as much as \$300m.
- The Departments of Treasury and Environmental Quality have approved the financial and environmental soundness of KWA's plan.
- Flint accounts for only 2% of DWSD's capacity.

City of Flint, Michigan



BUDGET for Fiscal Year 2012-2013

Michael K. Brown, Emergency Manager

City of Flint FY13 Budget

It is well known that the City of Flint is confronted with a financial emergency. It has been in state receivership since November 2011. The City is projected to have more than an \$18 million deficit by June 30, 2012. Cash flow is extremely narrow, and any major unexpected expense or revenue loss at this time could be catastrophic.

The Emergency Manager is committed to seeing Flint not only return to financial solvency, but become the thriving municipality it once was, attracting residents, businesses, and visitors.

The challenge is great – financial insolvency; a population base reduced by 50%; declining property values; high numbers of vacant houses and persons in poverty, crumbling infrastructure, and high crime.

The first step to recovery is to stabilize the City's finances, in order to provide basic services to our citizens. With a focus on a next year's budget that is realistically balanced on attainable revenue estimates, and with assistance from the state to address the accumulated deficits from past years, our journey into the future can begin.

It will not be easy. The current level of expenses for city services significantly exceeds the current amount of revenues which will be received, and choices for new revenues are limited. Consequently, while efforts continue to identify new sources of revenue, current services and workforce will be reduced significantly. Where new sources of revenue are found and implemented, it will mean increased costs to taxpayers. There is no other choice – expenses must be reduced, revenues must be increased, or a combination of both must occur.

This budget is based on conservative assumptions regarding revenues and expenses. If there is uncertainty about a revenue stream, it is not included. When projecting expense items over which the City has little direct control, they have been projected on the high side. The result can be characterized as a "worst case" budget. However, since the budget is a flexible plan, new developments – such as additional revenue sources – can be added if and when they become available.

THE FY13 BUDGET

The FY13 Budget for the City of Flint totals \$195 million for all funds, including \$58 million for the General Fund plus Special Revenue Funds, Capital Improvement and Enterprise Funds. It provides for a workforce of 539 employees. The amount of funds available, and the size of the workforce afforded by those revenues, are significantly less than in the current and prior years.

As this budget process began, there was a projected gap of some \$25 million between the amount of funds projected to be received and the cost of continuing all services and positions in the same manner as currently done. This gap has been closed by a mixture of revenue increases and expenditure decreases.

REVENUES

City services are funded by a mix of property taxes, income taxes, state and federal shared revenues, and fees, charges, and assessments. The current property tax rate for city services is 15.5 mills, or \$15.50 for each \$1,000 of taxable value. Residents and businesses also pay a 1% income tax, while non-residents pay one-half that amount, the limit set by state law.

The revenue stream supporting city services in this budget is different from the current year's in some significant ways:

- With property values continuing to decrease, property tax revenues are decreased by more than 20%. These revenues are decreased even further as the 3 mill levy for waste collection is eliminated in favor of a new waste collection fee designed to cover the entire cost of that service.
- State shared revenue remains at the reduced level legislated by the state beginning in FY12.
- Revenues from some major grant sources – the SAFER grant for firefighters and the MOTT grant for community policing – are not included, as there is no certainty those funds will be received.
- Revenues from a new city-wide special assessment will reduce the cost burden on the City's General Fund while providing funding for the operation, maintenance, and improvement of the City's street lighting system.
- Additionally, it is necessary to increase water and sewer rates significantly in order to have sufficient funds to operate the system. A system capable of serving more than 200,000 users is now utilized by less than half that number. The systems are old, in need of repair, and costly to maintain. Costs from the primary supply source - the Detroit Water System – have also increased significantly over the past several years. While there have been significant increases in rates over the past few years, they have not been sufficient to cover the operating costs of the systems. While there are currently significant and positive efforts being made to make the systems more efficient and cost effective, they will not affect the cost of operating the systems this year.

The impact of these changes in the revenue stream will vary on taxpayers, businesses and residents. Compared to the current year, many taxpayers will see an increase in their total payments for city services, with the amount varying to the extent that their property values have reduced.

However, when compared to total payments for city services made in 2005 – before the precipitous drop in property values began - many taxpayers will still be paying less. It appears that owners of property with a taxable value of more than \$53,450 in 2005 will still pay less for city services in FY13 than they paid in FY2005. Property owners with a taxable value of less than \$53,450 in 2005, however, will pay more for city services in FY13 than they paid even in FY2005.

Unfortunately, with the tools at hand for raising revenues at this time, it is not possible to spread the impact differently. Alternatives such as raising the property tax millage or the income tax rate require voter approval and, in the case of the income tax, state legislative approval as well. However, these alternatives are being evaluated for future use.

EXPENSES

The revenues collected pursuant to this budget will be used to provide a very basic level of services in the areas traditionally provided by the City. Police and fire protection and other public safety services, water and sewer service, trash collection, street maintenance and lighting, parks maintenance, building inspection, code compliance, demolition and other community development activities, will all be continued, although in different ways and at reduced levels. Citizens can expect that response times for certain services or requests for information will be slowed.

The City's workforce will be reduced by more than 20% and, unfortunately, layoffs will occur. The extent of these reductions has been lessened significantly with concessions obtained from employee bargaining units.

Reductions equivalent to 20% of the wage base have been negotiated with three of the six city bargaining units (IAFF, FPOA Sgts, and FPOA Command), and a final vote on similar concessions with AFSCME 1799 is pending. Concession discussions with AFSCME 1600 and FPOA Patrol continue, but no agreements have been achieved. This budget assumes implementation of similar concessions across all bargaining units and exempt employees.

Similarly, reductions in the cost of retiree health care are also anticipated. The cost for the City's 1,500 retirees is projected at nearly \$25 million for FY13, an amount which severely constrains the ability of the City to provide services to its residents. The City has determined that there are alternative means by which health care can be provided to retirees but at a significantly reduced cost. The City intends to implement the less costly alternative and has incorporated more than \$4 million in anticipated cost reductions savings into this budget. Without such cost reductions, the City's workforce will be reduced even further.

Within the context of these revenue constraints and overall expense reductions, a very basic level of services will be provided to the residents and businesses in Flint in 2013:

PUBLIC SAFETY

Police – With the continued loss of tax and grant revenue, the Police Department will be minimally staffed at a level of 108 sworn officers and 21 non-sworn personnel. This represents the current level of staffing less 19 officers funded by grants which have expired. Requests for continuation funding are in process but have not been approved at this time.

Given the financial condition of the City, funding at this level represents a significant commitment to public safety, but it is recognized that more must be done. In the ensuing year, the department will be transitioning to 12 hour shifts. This transition will reduce overtime expenses

and should increase the number of officers on patrol at any one time. The efforts of the FPD will continue to be assisted with continuing support from the Michigan State Police, and contracted services from Hurley Hospital and Kettering University. Aggressive efforts will be made to seek the renewal of grants and to seek additional permanent funding for this essential service.

911 - 911 Dispatch will continue at current staffing, while efforts continue to consolidate City and County dispatch operations. Communications with and between officers will be enhanced with the projected move to the 800 MHz system on July 1, 2012.

Fire - With the expiration of the federal SAFER grant, funding for 39 firefighters would be lost, potentially reducing total staffing in the Fire Department to 54. However, with the reductions in costs attributable to union concessions, and an assessment of the impact this would have on the ability of the City to provide virtually any level of fire response, staffing in this budget is at 62.

Given the staffing constraints, three of the current five stations will remain open pending the decision on the SAFER grant. In addition, with Genesee County now providing paramedic response, the City's paramedic personnel will be assigned to suppression.

The City is aggressively pursuing renewal of the SAFER grant and, should it be received, the number of stations in operation could be increased.

Court - As required by law, the City will continue to financially support the operation of the 68th District Court. Recognizing the financial circumstances of the City, along with the court's decreased caseload and offsetting revenues, court funding is reduced in this budget.

Lock-up - The City has been aggressively working to receive funding from the State of Michigan for re-opening the City Lock-up. At this time an operational plan is being developed as a condition for receiving consideration for funding. There are no City funds allocated in this budget for operation of the Lock-Up.

INFRASTRUCTURE

Water and Sewer - The expenses of the Water and Sewer system can be viewed in three categories – operations and maintenance, capital improvements, and purchase of water. Operational costs, in terms of personnel, have been reduced to the minimum necessary to operate the collection and distribution systems, but ongoing increases in compensation-related costs, such as pension and healthcare, make significant dollar reductions difficult.

Ongoing capital expenses are a necessity, as significant repair and replacement activities such as replacing broken water meters and keeping pump stations operational and in regulatory compliance, are necessary on an ongoing basis. Improvements are also necessary to improve the efficiency of operations, such as implementing remote monitoring of pump stations.

Finally, the purchase of water at ever-increasing rates is a significant cost of the operations, and while efforts to contain these costs are ongoing, they will not likely affect the cost of operations in FY13.

The costs of operations for water and sewer are projected at \$85 million, with projected revenues at current rates totaling approximately \$65 million. Recent rate increases do not generate sufficient revenues to cover the total costs of operations. Thus, in order to keep the systems financially solvent and provide funds for operation and maintenance, the overall rates for water and sewer will be increased in total by an average of 25%. Sewer rates are projected to increase by 45% while water rates are projected to increase by 12.5%. Even with this increase, it is not possible to set aside funds for pre-funding retiree health care, so formal balance sheets will still show deficits.

Waste Collection – The City has historically provided weekly trash pick-up for all residents, with the costs presumably paid from a special 3 mill property tax levy. However, the amount collected from the levy has reduced as property values have fallen, and costs of collection – personnel costs being a significant portion – have increased. As a result, the City's General Fund has subsidized the difference, by as much as \$1.5 million in the past year.

Consequently, the 3 mill levy for waste collection will be discontinued, and a collection fee on residential properties will be implemented. It is anticipated that in the first year (starting July 1, 2012) the waste collection process will continue on a weekly pick-up schedule and will include composting. Fall leaf pick up will be restored. In the second year, it is expected that the waste collection service will be expanded to include recycling, and by that time a thorough evaluation of the means by which the service is carried out will be completed.

The fee for this service will be added to the property tax bill for owners of residential property, and is currently projected to be \$143 in FY13, based on the projected cost of the service as reflected in the budget and the number of property owners billed. The amount will be adjusted on an annual basis to assure that it is reflecting the cost of the service.

Streets and Transportation – Funding for streets and transportation activities – with the notable exception of street lighting – is provided primarily from the state collected gas and weight tax allocated by formula to the City. That amount has been decreasing over the past years, making the ability to maintain local and major streets, sidewalks, and traffic control mechanisms very difficult. As with sewer and water, the City's road system is built to accommodate more than 200,000, and the City's population is now 102,000. This population drop has also contributed to the City's reduced level of gas and weight tax. As a result, the City's road system is currently rated a "3" on a scale of 1-10, demonstrating the effect of the lack of maintenance. The road maintenance activities for FY13 are focused primarily on preventive maintenance rather than targeted resurfacing, and will be chosen on the basis of most critical need and best return on investment.

Financing of infrastructure in the FY13 budget and beyond will be aided by use of a special assessment for street lighting, which is currently a general fund cost of nearly \$3 million. The implementation of a city-wide special assessment district will provide for the operational costs of the current system and will enable upgrades and improvements to street lighting throughout the City. The assessment will be added to the property tax bill for all property owners, and is currently projected to be less than \$100 per property in FY13. The amount to be assessed will be adjusted annually to reflect the projected cost for the operational, maintenance and improvement costs, and the number of property owners.

Parks - Maintenance of the City's 64 parks and its many trees in the rights of way will be funded primarily from the .5 mill special parks millage. Maintenance of the City-owned recreation/ community centers are also supported by the General Fund. Maintenance of parks, including play equipment, rights of way, and trees is minimal, and consists primarily of mowing, paying utilities, and responding to emergencies. There has not been any significant investment or maintenance of play structures in the parks for several years. Unfortunately, this level of investment will at best continue with the funds provided in this budget. Efforts will continue, as they have this year with golf courses, to find alternative ways to sustain the City's recreational assets. Continuing efforts will also be made to engage volunteers, neighborhood groups, and others to support specific parks and recreation centers.

Development - Building Inspection and Code Compliance activities will continue to the extent funds are available. Grant funds are budgeted at a reduced level to continue demolition activities and building inspection and code compliance fees are being reviewed again to see if the level and type of fees and fines are sufficient to cover costs and encourage voluntary compliance. In FY13, demolition activities will be done primarily by contractors in order that full cost recovery can be obtained from grant funds.

Planning and zoning activities will continue to the extent funds are available. Grant funds are budgeted to continue the upgrade to the City's master plan.

Community and Economic Development – Minimal ongoing financial support of economic development, in the form of CDBG funds, is also continued. Administration of the City's CDBG and NSP programs will continue, although grant funds are reduced. Evaluation of the administrative structure has resulted in reduced costs to the General Fund.

FINANCE AND ADMINISTRATION

All organizations have internal functions which support the delivery of services to the organization's constituency. In the City of Flint, these functions include assessing, accounting and budgeting, human resources, purchasing, information technology, risk management, fleet, facilities, treasury, and tax collections. Some of these functions are scalable to the size of the organization (such as human resources and risk management); others are not (such as tax billing and assessing). Regardless, with a decreasing base of business, and a corresponding reduction in workforce delivering services externally, there is compelling pressure to reevaluate processes and workforce numbers involved in all of these processes.

Changes are reflected in the size of the workforce appropriate to the current financial situation. It is also necessary to change internal processes to reflect an organization closer in size to 500 employees rather than 1,500. Changes beginning or planned include:

- Streamlined purchasing processes, including use of procurement cards for smaller purchases
- Simplification of processes for approving purchases
- Use of electronic means for processing payables and purchase orders
- Elimination of staffed stock rooms

- Changes in pension system administration and performance
- More reliance on Third Party Administration for workers' compensation related activities
- Elimination of manned security cameras where appropriate
- Evaluation of costs associated with custodial services
- More reliance on computer access for customer inquiries
- Consolidation of customer service functions
- More investment in technology to enhance productivity
- Commitment to funding necessary capital improvements which provide the workforce with proper equipment and facilities
- Implementation of a performance measurement system
- Commitment to rebuilding financial reserves by annual appropriation to a Budget Stabilization Fund

PUBLIC IMPROVEMENT FUND

The City Charter requires setting aside the proceeds of a 2.5 mill levy for the purposes of capital improvements and debt service. For the foreseeable future, these funds will be dedicated solely to current and anticipated debt service. A significant increase is expected as the City recognizes the need to increase its share of debt service for the downtown parking ramp debt, for making its required debt service of the initial Fiscal Stabilization Bonds, and for incurring future debt associated with additional bonding to alleviate the accumulated General Fund deficit. For FY13, it is projected that approximately \$1 million will be available for the new debt service associated with additional Fiscal Stabilization bonds; in FY14 the amount available for debt service is projected to grow to approximately \$1.5 million as current debt service for equipment ends.

GOVERNANCE AND OVERSIGHT

Core offices associated with governance and oversight traditionally include Council, Mayor, Administrator, City Attorney, City Clerk, Ombudsman, and Civil Service. Under receivership, there is also an Emergency Manager.

Several changes resulting in cost reductions were implemented by the Emergency Manager. These include: a reduction in salaries for the Council and Mayor, elimination of funding for the Ombudsman and Civil Service Commission, and the appointment of personnel to assist, either paid only on an hourly basis without fringe benefits, or loaned from another source. These cost reductions are continued in the FY13 budget.

Additionally, the costs of issuing business permits through the City Clerk's Office indicate that the costs of administration appear to significantly exceed the revenues collected. It will be necessary in the future to either reduce costs or increase permit fees to offset this imbalance.

CONCLUSION

The financial decisions made in this budget are significant but unavoidable. The budget reflects difficult decisions on the part of administrators and employees made to enable the City to provide services in FY13 at the levels its resources allow. The service levels will be low and not at a level anyone finds acceptable over the long term.

These decisions, however, provide the basis for going forward in a positive way. The budget is realistically balanced, with full expectation that when June 30, 2013 arrives, the City will not have once again spent more than it has taken in. It will have also put into place the financing to address the accumulated deficits of the past. Significant progress is being made to achieve financial solvency.

While there will certainly be financial challenges, decisions made in this process will assist in going forward. The decisions regarding employee compensation not only helped to address the short term financial challenge, but will assist in controlling expenses in the future, as the growth in future unfunded liabilities is slowed.

If the City government of Flint is to be a positive force in making Flint a safe and attractive place for residents, businesses, and visitors, it must have its own house in order. It cannot teeter on the edge of financial insolvency and hope to lead the way.

BUILDING THE FUTURE

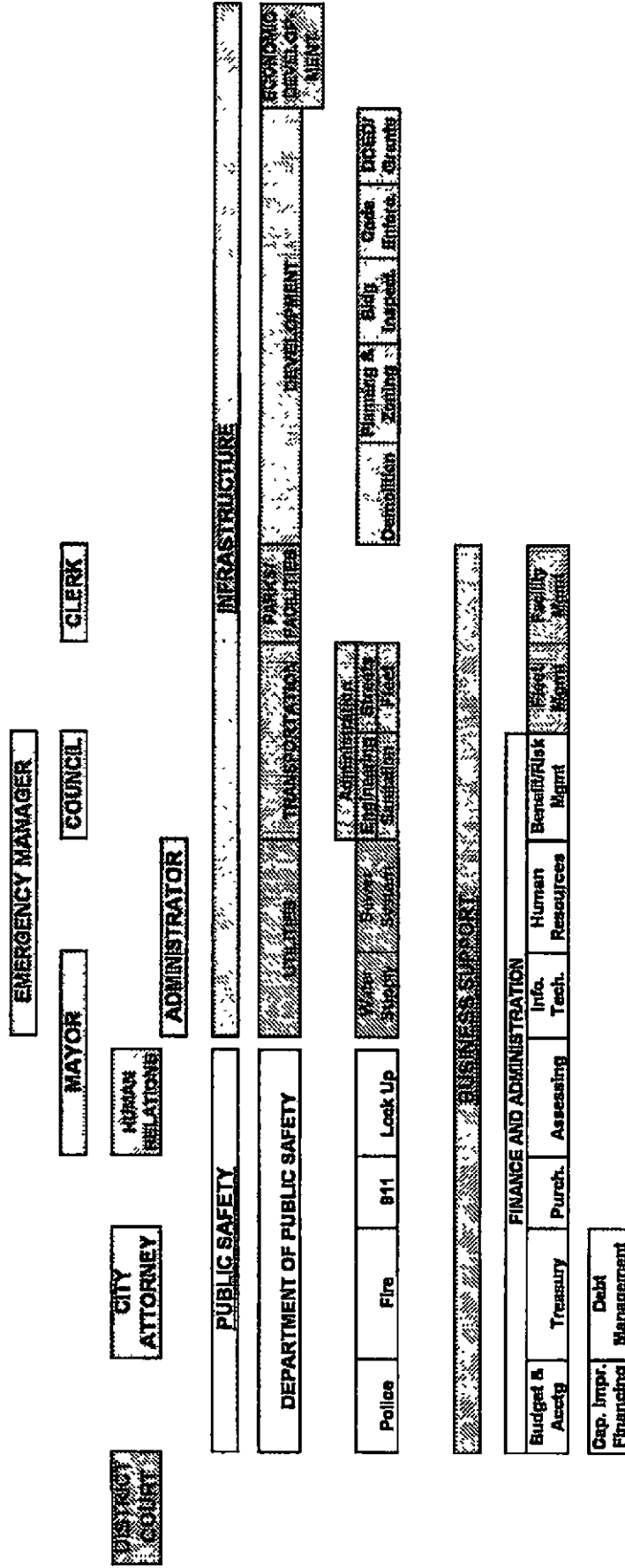
The focus of the 2013 budget process remains on the future of Flint. While this budget includes sharp reductions in both revenues and expenses, **WE SEE HOPE FOR THE FUTURE.**

These hopes are based on some very tangible and promising factors:

- Expense reductions are designed to live with current realistic revenue projections;
- New revenue options for fiscal year 2014 and beyond will include actual fees for services, special assessment districts and other revenue options;
- Partnership with the State Police and other law enforcement agencies will be expanded to create a safer environment for our citizens;
- Additional resources will be secured to house individuals who are continually abusing our residents in the neighborhoods; the City Lock-up will open and remain open;
- New public and private partnerships will be developed to provide waste collection services, senior citizen services, youth employment and training programs;
- Internal City operations will be improved in regard to finance and accounting, more efficient operation of licensing and permitting, and expanded training for our employees, including supervisory training;
- The City's information and technology capability will be improved, enhancing the capacity throughout the City, from paying bills on time to public safety issues faced by our police and fire operations.

As the City moves beyond the 2013 budget year, and the management of our affairs improves, citizens will see better response times from police, removal of individuals who are harming our children and seniors from our neighborhoods, improved code enforcement at homes owned by absentee landlords and expanded opportunities for our young people.

CITY OF FLINT - ORGANIZATIONAL CHART



**FY13
Expenditures**

	General Fund	Dedicated Millage Funds	Other Funds	<u>TOTAL</u>
<u>Governance</u>				
Mayor	\$ 185,578			\$ 185,578
Council	\$ 352,899			\$ 352,899
Clerk-records	\$ 423,573			\$ 423,573
Clerk-elections	\$ 424,324			\$ 424,324
Administrator	\$ 711,981			\$ 711,981
City Attorney	\$ 1,057,484			\$ 1,057,484
Human Relations Commission	\$ 40,103			\$ 40,103
Total	\$ 3,195,942			\$ 3,195,942
<u>Public Safety</u>				
District Court	\$ 5,358,479			\$ 5,358,479
Police	\$ 21,026,009	\$ 1,962,180		\$ 22,988,189
Drug Forfeiture	\$ -		\$ 216,472	\$ 216,472
Fire	\$ 10,916,429			\$ 10,916,429
911	\$ 3,314,413			\$ 3,314,413
Total	\$ 40,615,330	\$ 1,962,180	\$ 216,472	\$ 42,793,982
<u>Infrastructure</u>				
Water and Sewer			\$ 82,220,420	\$ 82,220,420
Sanitation/Waste Collection			\$ 4,901,202	\$ 4,901,202
Major/Local Streets			\$ 10,419,564	\$ 10,419,564
Major/Local Streets - Streetlights	\$ 2,850,000			\$ 2,850,000
Parks/Golf	\$ 546,841	\$ 389,400	\$ 6,743	\$ 942,984
Development -Building Inspection, Planning	\$ 1,085,639		\$ 3,366,835	\$ 4,452,474
Dept of Community and Economic Dev.	\$ 1,890,694		\$ 29,029,314	\$ 30,920,008
Total	\$ 6,373,174	\$ 389,400	\$ 129,944,078	\$ 136,706,652
<u>Finance and Administration</u>				
Accounting and Budgeting	\$ 1,033,341			\$ 1,033,341
Assessing	\$ 1,109,772			\$ 1,109,772
Budget Stabilization Fund	\$ 100,000			\$ 100,000
Capital Improvements/Debt Service	\$ -	\$ 2,104,906		\$ 2,104,906
Facilities	\$ 1,263,526			\$ 1,263,526
Human Resources	\$ 670,428			\$ 670,428
Purchasing and Stockrooms	\$ 155,204			\$ 155,204
Risk	\$ 66,500			\$ 66,500
Treasury and Collections	\$ 2,772,338			\$ 2,772,338
Total	\$ 7,171,109	\$ 2,104,906	\$ -	\$ 9,276,015
General Government	\$ 161,751			\$ 161,751
TOTAL EXPENSES	\$ 57,517,306	\$ 4,456,486	\$ 130,160,550	\$ 192,134,342

FY13

Revenues

REVENUE SOURCE	General Fund Services	Police Millages	Drug Penalties	Parks Millages	Sanitar Center	Major Streets	Local Streets	Building Inspection	Trash Collection	Sewer	Water	Public Improv.	Budget Avail.	Community Development	TOTAL
Property Tax	\$ 5,720,000	\$1,644,000		\$388,400			\$ 400,000	\$1,300,000			\$ 400,000	\$1,830,400			\$ 9,593,600
Income tax	\$ 14,850,000														\$ 14,850,000
Special Assessments	\$ 2,855,000														\$ 2,855,000
Federal Revenues	\$ 694,324						\$ 1,816,785							\$ 28,301,892	\$ 31,198,218
State Revenues	\$ 357,000													\$ 300,000	\$ 8,872,177
State Revenue Sharing	\$ 13,140,585							\$1,855,703							\$ 13,140,585
Licensing and Permits	\$ 1,297,931														\$ 3,141,834
Fines and Forfeits	\$ 1,394,811														\$ 1,644,811
Charges for Services	\$ 11,858,695					\$ 125,000		\$ 258,400	\$5,000,000	\$31,333,816	\$ 50,400,798			\$ 1,825	\$ 99,076,272
Loan Proceeds	\$ -														\$ -
Other	\$ 6,259,150	\$ 418,180	\$ 8,000		\$ 56,913	\$ 334,652	\$1,047,222	\$ -	\$ -	\$ 40,000	\$ 45,887	\$ 389,480	\$100,000	\$ 820,418	\$ 8,317,890
TOTAL REVENUES	\$ 57,517,308	\$1,982,180	\$ 158,000	\$388,400	\$ 56,913	\$ 8,859,064	\$3,262,937	\$3,612,103	\$5,000,000	\$31,373,816	\$ 50,046,603	\$2,319,880	\$100,000	\$ 29,223,933	\$ 182,680,169
TOTAL EXPENSES	\$ 57,517,308	\$1,982,180	\$ 219,472	\$388,400	\$ 6,743	\$ 8,887,108	\$2,462,488	\$3,369,635	\$4,601,202	\$31,273,816	\$ 50,846,803	\$2,104,608	\$ -	\$ 29,029,314	\$ 182,134,241
REVENUES- EXPENSES	\$ -	\$ -	\$ (60,472)	\$ -	\$ 50,170	\$ (98,042)	\$ (199,471)	\$ 245,268	\$ 89,788	\$ -	\$ -	\$ 214,674	\$100,000	\$ 184,818	\$ 545,844
Unassigned Fund Balance	\$ (9,128,180)	\$ 10,826	\$ 671,734	\$ 11,048	\$ 81,255	\$ 677,898	\$1,100,858	\$ 259,698	\$ 104,880	\$14,711,469	\$20,308,803	\$1,328,821	\$100,000	\$ 675,073	\$ (38,959,651)

SUMMARY OF REVENUES AND EXPENDITURES-MAJOR FUNDS

	FY 11 ACTUAL			FY12 PROJECTED			FY13 BUDGET		
	Revenues	Expenses	Difference	Revenues	Expenses	Difference	Revenues	Expenses	Difference
General Fund	\$ 70,169,069	\$ 70,823,662	\$ (654,593)	\$ 55,202,299	\$ 64,468,351	\$ (9,266,052)	\$ 57,517,306	\$ 57,517,306	\$ -
Police Millage	\$ 2,468,866	\$ 2,497,087	\$ (28,221)	\$ 3,055,890	\$ 3,505,890	\$ (450,000)	\$ 1,962,180	\$ 1,962,180	\$ -
Drug Forfeiture	\$ 201,576	\$ 71,628	\$ 129,948	\$ 128,765	\$ 110,491	\$ 18,274	\$ 156,000	\$ 216,472	\$ (60,472)
Parks Millage	\$ 587,894	\$ 618,147	\$ (30,253)	\$ 609,393	\$ 944,393	\$ (335,000)	\$ 389,400	\$ 389,400	\$ -
Parks Senior Center	\$ 243,525	\$ 248,467	\$ 58	\$ 310,094	\$ 310,094	\$ -	\$ 36,913	\$ 6,743	\$ 50,170
Major Streets	\$ 7,650,057	\$ 7,985,392	\$ (335,335)	\$ 7,261,815	\$ 7,254,916	\$ 6,899	\$ 6,859,064	\$ 4,957,106	\$ (98,042)
Local Streets	\$ 3,161,983	\$ 3,139,751	\$ 22,234	\$ 2,983,574	\$ 3,161,533	\$ (177,959)	\$ 3,282,987	\$ 3,462,458	\$ (199,471)
Building Inspection	\$ 6,928,996	\$ 7,266,055	\$ (337,059)	\$ 5,975,112	\$ 7,071,442	\$ (1,096,330)	\$ 3,612,103	\$ 3,366,835	\$ 245,268
Trash Collection	\$ 3,391,059	\$ 4,403,114	\$ (1,014,055)	\$ 2,900,885	\$ 4,534,513	\$ (1,633,628)	\$ 5,000,000	\$ 4,901,202	\$ 98,798
Sewer	\$ 17,684,609	\$ 27,075,322	\$ (9,390,713)	\$ 21,930,134	\$ 28,468,248	\$ (6,538,114)	\$ 31,373,816	\$ 31,373,816	\$ -
Water	\$ 36,842,470	\$ 39,974,925	\$ (3,132,455)	\$ 46,349,053	\$ 46,944,592	\$ (615,539)	\$ 50,846,604	\$ 50,846,604	\$ -
Public Improvement Fund	\$ 3,499,011	\$ 4,105,965	\$ (606,954)	\$ 2,846,200	\$ 3,392,698	\$ (546,498)	\$ 2,319,880	\$ 2,104,906	\$ 214,974
Budget Stabilization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000
Total w/o Community Development	\$ 152,834,117	\$ 168,211,515	\$ (15,377,398)	\$ 149,553,214	\$ 170,187,161	\$ (20,633,947)	\$ 163,436,253	\$ 163,105,028	\$ 351,225
Community Development	\$ 15,188,603	\$ 15,468,130	\$ (279,527)	\$ 37,075,470	\$ 37,284,853	\$ (209,383)	\$ 29,223,933	\$ 29,029,314	\$ 194,619
Total w/Community Development	\$ 168,022,720	\$ 183,679,645	\$ (15,656,925)	\$ 186,628,684	\$ 207,472,014	\$ (20,843,330)	\$ 192,660,186	\$ 192,134,342	\$ 545,844

Staffing in the FY13 Budget

As of April, 2012, the City of Flint has 686 permanent full-time employees. In this budget, that number will be 539, a reduction of 147 employees. Reductions are virtually in every area of city service. The distribution of positions for FY13 will be as follows:

Governance (including the offices of Mayor, Council, Clerk, Emergency Manager, City Attorney, and Human Relations Commission) – Permanent full-time staffing will be 18, a reduction of 3 from the current 21.

Public Safety (including District Court, Police, Fire, and 911) – Permanent full-time staffing will be 245, a reduction of 55 from the current 300. The reductions are exclusively related to the loss of grant funding for police officers and fire fighters.

Infrastructure (including Water and Sewer operations, Waste Collection, Street Maintenance and Engineering, Parks, Development, DCED, Facilities, and Fleet) – Permanent full-time staffing will be 222, a reduction of 54 from the current 275.

Finance and Administration (including Finance, Treasury, Purchasing, Assessing, Information Services, Human Resources, and Risk Management) – Permanent full-time staffing will be 54, a reduction of 36 from the current 90.

ESTIMATED IMPACT OF FINANCING CHANGES

The FY13 Budget contains changes in the financing of city services.

The overall property tax levy for city services is reduced by 3 mills as the levy for trash pick up is removed. However, there is a new fee implemented for trash pick-up which will reflect the actual cost of the service.

There is also a special assessment district covering the entire city which will assess the costs of maintaining and improving street lighting throughout the City

Additionally, water and sewer rates are increased in order that the systems remain financially solvent.

In the upcoming tax year, most property owners will pay more in total for property taxes, street lighting, trash pick-up and water and sewer charges than they paid in 2011.

However, property owners whose property had a taxable value of more than \$53,450 in 2005 will pay less in the upcoming year than they paid in 2005.

Property owners whose property had a taxable value of less than \$53,450 in 2005 will pay more in the upcoming year than they paid in 2005

TAX LEVIES, FEES AND CHARGES ON TAX BILL: JULY 2012 - JUNE 2013

Tax year:		2005	2011	2012
	<u>Property Value:</u>	<u>Market:</u>	<u>Market:</u>	<u>Market:</u>
Tax year 2012		\$ 106,900	\$ 74,039	\$ 59,971
<i>Taxable Values are 56.1% of 2005 Values</i>		<u>Taxable</u>	<u>Taxable</u>	<u>Taxable</u>
Tax year 2011		\$ 53,450	\$ 37,019	\$ 29,985
<i>Taxable Values are 69.3% of 2005 Values</i>				
	<u>Type</u>	<u>(Mills)</u>	<u>Total Cost</u>	<u>Total Cost</u>
Property tax - General		7.5	\$ 401	\$ 278
Property tax - Police		2.0	\$ 107	\$ 74
Property tax - Garbage (levy in 2005 & 2011 only)		3.0	\$ 160	\$ 111
Property tax - Parks		0.5	\$ 27	\$ 19
Property tax - Public Improvement		2.5	\$ 134	\$ 93
Property tax - County, schools, etc in 2005		41.5	\$ 2,218	-
Property tax - County, schools, etc in 2011 and 2012		47.4	-	\$ 1,755
Total tax millage in 2005 was 57 mills, including 15.5 city		\$	3,047	\$ 2,329
Total tax millage in 2011 was 62.9 mills, including 15.5 city				\$ 1,796
Total tax millage in 2012 will be 59.9 mills, including 12.5 City				
		<u>(\$)</u>		
Special Assessment - Lights (new in 2012)		\$	-	\$ 100
Waste Collection Fee (new in 2012)		\$	-	\$ 165
Water & Sewer Charges (est average charge)		\$	685	\$ 990
				\$ 1,670
TOTAL TAXES, ASSESSMENTS, & FEES:		\$	3,732	\$ 3,319
				\$ 3,731

DEFICIT REDUCTION PROGRESS

	<u>Deficit FY11</u>	<u>Projected Deficit FY12</u>	<u>Projected Deficit FY13</u>
General Fund	\$ (16,863,133)	\$ (18,129,186)	\$ (9,129,186)
<i>Fiscal Stabilization Bonds*</i>	\$ 8,000,000	\$ 9,000,000	\$ 10,000,000
Net General Fund Deficit	\$ (8,863,133)	\$ (9,129,186)	\$ 870,814
Police Millage	\$ 6,017	\$ 10,826	\$ 10,826
Drug Forfeiture	\$ 913,932	\$ 932,206	\$ 871,734
Parks Millage	\$ 163,096	\$ 41,651	\$ 11,048
Parks Senior Center	\$ 11,095	\$ 11,095	\$ 61,265
Major Streets	\$ 768,828	\$ 775,727	\$ 677,686
Local Streets	\$ 1,478,308	\$ 1,300,329	\$ 1,100,858
Building Inspection	\$ 1,666	\$ 5,336	\$ 250,606
Trash Collection	\$ 119,711	\$ 6,082	\$ 104,880
Community Development	\$ 689,838	\$ 480,454	\$ 675,073
Sewer Operating Deficit	\$ (9,390,713)	\$ (5,961,459)	\$ -
Water Operating Deficit	\$ (3,132,455)	\$ (615,539)	\$ -
Public Improvement Fund	\$ 1,657,445	\$ 1,110,947	\$ 1,325,921
<u>Budget Stabilization</u>	\$ -	\$ -	\$ 100,000
	\$ (15,576,365)	\$ (11,031,531)	\$ 6,060,711
Sewer OPEB Liability	\$ (16,449,351)	\$ (21,199,351)	\$ (26,199,351)
Water OPEB Liability	\$ (12,092,943)	\$ (15,592,943)	\$ (19,342,943)
	\$ (44,118,659)	\$ (47,823,825)	\$ (39,481,583)

* Fiscal Stabilization Bonds Issued in 2011 in the amount of \$8 million

Request has been made as part of the FY11 Deficit Elimination Plan to borrow an additional \$9 million in 2012

City also anticipates a final borrowing of up to \$10 million in FY13 to address the final portion of the deficit

Assuming the FY13 budget is implemented as planned, the deficit should be eliminated

The Public Improvement Fund is being reserved for debt service for the 3 borrowings, but additional sources of funds - primarily the General Fund - will also be used.

Stanton, Terry A. (Treasury)

From: Fraser, Roger (Treasury)
Sent: Tuesday, January 31, 2012 1:59 PM
To: Hichez, Amy (Treasury)
Cc: Stibitz, Brom (Treasury); Stanton, Terry A. (Treasury)
Subject: RE: Flint & DWSD

I will handle this.

From: Hichez, Amy (Treasury)
Sent: Tuesday, January 31, 2012 10:48 AM
To: Fraser, Roger (Treasury)
Cc: Stibitz, Brom (Treasury); Stanton, Terry A. (Treasury)
Subject: FW: Flint & DWSD

Amy Hichez
Executive Administrator to State Treasurer Andy Dillon
Richard H Austin Building
430 West Allegan Street
Lansing MI 48922
517-241-2624-Direct
248-770-0924-Cell
E-MAIL hicheza@michigan.gov

From: Fausone, Jim [<mailto:JFausone@fb-firm.com>]
Sent: Tuesday, January 31, 2012 10:09 AM
To: Hichez, Amy (Treasury)
Subject: Flint & DWSD

Amy - another issue I spoke to Mr. Dillon about was the DWSD relationship with Flint & KWA. He was going to think about talking to the Flint EM for us. This is a blog posted today on the subject and the Flint Journal article is hyperlinked.

"The Flint Journal is reporting ([here](#)) that Michael Brown, the City of Flint's Emergency Manager, is considering the sale of Flint's water and sewer system. Shaky finances and the need to raise cash are part of the reason Brown is considering "all options."

The sale of Flint's water and sewer system would complicate plans by the Karegnondi Water Authority, which has urged Flint to break ties with the Detroit Water and Sewerage Department. KWA officials recently have been lobbying Flint's Emergency Manager to join the new authority. No word about who might be interested in buying Flint's water and sewer system or who will foot the bill for the \$61.5 million worth of upgrades to Flint's water treatment plant that will be required, according to Rowe Engineering ([here](#) and [here](#)); KWA would only be furnishing Flint with raw water, not the finished water currently supplied by DWSD."

The full Flint Journal article is found at :
<http://www.mlive.com/news/flint/index.ssf/2012/01/water.html> .

I would ask Mr. Dillon to arrange a meeting with Mr. Michael Brown and me & DWSD Director Sue Brown. I would be glad to discuss this item with him. Jim

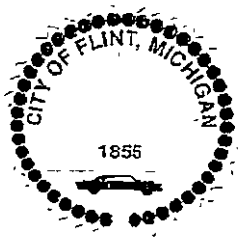
James G. Fausone

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Check out our Legal Help for Veterans practice group at www.legalhelpforveterans.com or
www.youtube.com/legalhelpforveterans

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CITY OF FLINT

Infrastructure and Development

Dayne Welling
Mayor

Michael K. Brown
Emergency Financial Manager

Howard Croft
Director

TO: Jeffrey Wright
Genesee County Drain Commissioner

FROM Michael Brown
City of Flint Emergency Manager

DATE: February 13, 2012

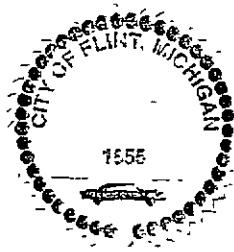
**RE: COMMITMENT TO PURCHASE RAW WATER FROM
THE KAREGNONDI WATER AUTHORITY**

This letter serves as a commitment from the City of Flint to purchase 20 MGD of raw water from the Karegnondi Water Authority based on the following agreements and understandings contained within this letter.

- ✓ It is understood that the Genesee County Drain Commission will purchase and reserve an additional 5 MGD from the KWA above its needed capacity volume and will make that available to Flint at a later date.
- ✓ It is understood that Flint will be exempt from any payment involved in the final "go/nogo" engineering study that will be performed to determine final costs and details of the Karegnondi project.
- ✓ It is agreed that the City of Flint will have 60 days to review the final engineering report prior to signing the actual KWA master contract.
- ✓ It is understood that the KWA master contract will be amended such that there is no "one-time lump sum payment".

- ✓ It is agreed that the City of Flint will begin monthly payments to the KWA in accordance with the purchase of 20 MGD of raw water from the KWA Authority within 30 days of signing the KWA master contract.
- ✓ It is understood that that the Genesee County Drain Commission will assist the City of Flint with any licensed individuals or technical expertise needed by Flint to complete upgrades to Flints Water Treatment Plant or the operational management and Maintenance of the plant for a length of time to be determined by the City of Flint administration.
- ✓ It is understood that the City of Flint will receive at its treatment plant, "raw water" from KWA **within a 24 month to 36 month timeframe** beginning with the signing of the KWA master contract.
- ✓ * It is understood that all verbal and written agreements by the City of Flint are subject to approval from the State of Michigan prior to becoming factual.

*** Due to the fact that the city of Flint is in State Receivership under Public Act 4, final approval to enter into a contract of more than \$50K must be authorized by the State Treasurer.**



CITY OF FLINT
OFFICE OF EMERGENCY MANAGER
MICHAEL K. BROWN

**Presentation to State Treasurer
by Michael K. Brown, Emergency Manager
and the Flint Team
February 13, 2012**

Presentation to Treasurer Dillon

Monday, February 13, 2012

Path to Recovery for Flint has begun

I. 45 day plan submitted to Treasurer on January 15, 2012

II. Deficit Elimination Plan being drafted for February 27, 2012

III. Necessary Support from State:

- Fiscal Stabilization Bonds (\$13 to \$15M range) We are seeking assistance and approval to borrow money.
- 1 year funding for City Lock-up (range \$1M depending on who operates the facility.) We need multi-year commitment here but on a declining basis over three years. We are very concerned about liability exposure. If privatization helps with this concern, then it makes sense especially if it is less expensive to operate.
- Labor Counsel support (\$200K)
- Support for Organizational Analysis by functional area (utilize state pool of vendors and resources) \$TBD (See handout)
- State Police and financial support for hiring FPD officers. There are two parts to this ask. First, we welcome continued assistance of State Police. Second, the Chief estimates need for

50 additional Flint police officers. He believes we can positively impact the crime rate with additional State Police support and the 50 additional officers. (\$Estimate for FPD is \$4M)

- EVIP implementation support in following areas:
 1. Kerognondi Water Pipeline: We are seeking support through the DWRF with 50% principal forgiveness for this project. In addition, if EVIP dollars are available, we will pursue these grant resources to assist this multi-county and city authority.
 2. Consolidation of 67th and 68th district court (Chief Judge Yuille is taking the lead on this project.) We are unsure of the cost but we are hopeful that state support would be available to assist in the implementation process.
 3. Merger of Genesee County 911 w Flint 911 (includes 800MHZ transition) The cost estimate is in the range of \$2M for the 800MHZ issue alone. This is a critical part of the overall Criminal Justice Plan as the present communication technology used by FPD goes silent on Jan. 1, 2013.
 4. Cooperative agreement with County Road Commission on fleet management and facility sharing. These discussions are underway with the Director of the Road Commission. The cost estimate for just the study is in the range of \$60K.
 5. Cooperative agreements on various opportunities with Genesee County are in early discussion stage. An example is with County Treasurer on tax collection, investments, assessing and information technology.

Another example is in the Criminal Justice area, where discussions have taken place to add county prosecutors.

6. Cooperative agreement with County Metropolitan planning commission on Master Plan development, as well as general support for planning and zoning functions.

7. Cooperative agreement with Genesee County Land Bank on blight elimination, tax reverted properties and marketing of vacant housing. We have been cooperating on weed abatement for three years due to the high volume of houses and properties owned by the Genesee County Land Bank.

8. Public private partnership with Swedish Bio-Gas, Flint Twp., Genesee County Drain Commissioner and Mott Foundation to shut-down incinerator, manage Waste Water Treatment Plant, develop composting and recycling of waste. This is a project the State of Michigan invested in back in 2009. There is opportunity to expand this public-private partnership.

9. Consolidation and merger of Genesee County and City of Flint Park sites. There are also discussions with the private sector on park maintenance.

10. Cooperative Agreement with County, Genesee Intermediate School District, Genesee Regional Chamber of Commerce and other municipalities in forming purchasing collaborative.

IV. Implementation of 15 strategies to achieve financial stabilization (See Attached)

V. Continue Community Outreach and Involvement Strategy

- Monthly meetings with City Council
- Monthly meetings with 5 member Advisory Committee
- Reconvene 5 citizen advisory groups for June update of plan:
 1. Legacy committee
 2. Community and Economic Development Committee
 3. Public Safety Committee
 4. Finance Committee
 5. Infrastructure Committee

VI. Criminal Justice Policy Council: Development and Implementation of plan to improve cooperation among courts, prosecutor, sheriff, state and federal law enforcement agencies, Flint and county police agencies and appropriate support agencies such as: probation, alternatives to incarceration and citizen groups.

VII. Infrastructure and Development plan

Water, sewer, roads and bridges, Fleet, Sanitation, Parks, and other related buildings and properties owned and operated by the city.

Please see attachments that provide further detail on our strategies to implement the necessary changes, restructuring and creation of public private partnerships to help us achieve our goals.

We are also in discussions with the Charles Stewart Mott Foundation regarding funding for:

1. Community Policing (\$1.3M) We have submitted a revised version of this grant to support our Criminal Justice Policy Council in cooperation with Genesee County criminal justice partners.
2. Master Plan (\$500K this is match for \$1.5M HUD Sustainability grant)
3. \$250K for shutting down incinerator at Sewage Treatment Plant. This is coupled with a DOE grant for \$800K that we have been able to renegotiate with the federal government. This grant was pulled away from the Walling administration due to management and other issues.
4. Genesee Towers \$3M for acquisition and demolition as part of a downtown redevelopment project involving the MSU College of Human Medicine expansion in the City of Flint.
5. Organizational Analysis support in the range of \$1M for a number of projects within city departments.
6. Support for selected team positions to accomplish the task at hand. This request is in the range of \$500K to \$750K over the next two years.

Please note that our request to the State of Michigan is urgent. We are putting together a comprehensive strategy to address the pressing budget issues. However, there are significant immediate challenges in the areas of Finance, Public Safety and Infrastructure that must be tackled immediately.

PRELIMINARY DRAFT - FLINT DEFICIT ELIMINATION ACTION PLAN

2/13/2012

THE CHALLENGE:

Eliminate actual and projected deficits incurred by the City of Flint and adopt a spending plan for FY13 and beyond which is based on credible revenue estimates and expenditure projections, while positioning the City to be a sustainable and financially viable community in the future

THE DEFICITS:

The current and projected deficits total \$22 million as of June 30, 2011, with nearly an additional \$20 million anticipated to be added by June 30, 2012:

	<u>FY 11 Actual</u>	<u>FY12 Projected</u>	<u>Cumulative</u>
General Fund:	\$ 8,863,133	\$ 3,557,692	\$ 12,420,825
Water Fund	\$ 12,443,265	\$ 4,265,539	\$ 16,708,803
Sewer Fund	\$ 423,349	\$ 11,761,622	\$ 12,184,967
Garage	\$ 364,112	(prior year resolved)	
	\$22,093,859	\$ 19,584,853	\$ 41,639,955

HOWEVER, the deficits in the Water and Sewer Funds are due primarily to the inclusion of OPEB liabilities, which began to be reflected in the financial statements for these enterprise funds beginning in 2008. If the deficit projections are revised to exclude OPEB liabilities, the deficits to be addressed are significantly less:

	<u>FY 11 & FY12</u>	<u>FY 08 – FY12</u>
General Fund:	\$ 12,420,825	\$ 12,420,825
Water Fund	\$ 9,759,762	\$ 1,115,861
Sewer Fund	\$ 1,901,683	\$ -0- (positive \$9.9 mil)
	\$ 24,082,270	\$ 13,536,686
		28,103,269

It is not possible, given the City's precarious financial position, to begin to fully fund the City's OPEB liabilities. It is the City's intent to address the projected \$13.5 million deficit, and to also reduce OPEB liabilities by changing current labor contracts.

PRELIMINARY DRAFT - FLINT DEFICIT ELIMINATION ACTION PLAN

2/13/2012

THE REVENUES:

Preliminary projections for Fiscal Year 13 (July 1, 2012 – June 30, 2103) show \$XXX in funds available for city services, based on current tax rates, fees and charges:

	<u>Revenues</u>		
	<u>FY 11 actual</u>	<u>FY 12 Proj.</u>	<u>FY13 Proj.</u>
<u>Operating Funds</u>			
General Fund			
Neighborhood Police			
Parks			
Waste Collection			
Major Streets			
Local Streets			
Building Inspection			
Sewer			
Water			
Public Improvement			

PRELIMINARY DRAFT - FLINT DEFICIT ELIMINATION ACTION PLAN

2/13/2012

PLAN OBJECTIVES

1. Address the FY11 and FY12 deficits by issuing additional Financial Stabilization Bonds, payable from dedicated millage funds and increases in water and sewer rates *what about reductions?*
2. Reduce the projected FY12 deficit as possible and prepare for achieving higher revenues and lower cost bases in development of the FY13 budget *what are limitations?*
3. Implement the FY13 budget based on credible revenue and expense projections, including debt service for FSB funds, and addressing most critical public safety and infrastructure needs. *what does cash flow show?*
4. Take steps as necessary to assure that the changes made during the tenure of the Emergency Manager continue into the future

PLAN STRATEGIES

1. Implement new labor contracts which reduce short and long term compensation costs, including health and pension, and which give more employer flexibility in managing operations *expiration date?*
2. Transfer administration of the Flint Employees Retirement System to the Municipal Employees Retirement System, and modify retiree health care in order to reduce annual costs and future OPEB liability
3. Restructure Trash Pick-up Service to keep costs within the 3 mill levy or implement alternatives which do not rely on any millage support
4. Restructure Water Supply delivery system to reduce costs, including concentrated effort to reduce water leakage, and implementing additional fees as necessary to keep system solvent, including deficit bond repayment
5. Reduce costs of operating the Sewer System to stay within current revenues, while making critical capital improvements and repaying deficit bonds
6. Reduce costs of operating the Park System to stay within current revenues generated by the parks millage
7. Implement new fee schedules, in particular where increased revenues can be used for code compliance and blight enforcement
8. Invest in necessary improvements to the City's public safety, utility, road, and technology infrastructure
9. Restructure the City organization to reduce costs and increase efficiency
10. Analyze potential City/County collaborations and consolidations, as well as public/private partnerships
11. Utilize and manage grants to the fullest extent possible
12. Inventory City assets and dispose of those identified as surplus.
13. Identify other sources of increased revenues, including increased property tax millages and increased income tax limits. Establish Budget Stabilization Fund
14. Support economic development and community development activities which improve Flint's ability to attract and retain residents, businesses, and visitors
15. Identify and advocate for City Charter revisions that will modernize city operations and clarify governance roles. Implement necessary agreements with state to assure continued operations of the City after the exit of the Emergency Manager.

PRELIMINARY DRAFT - FLINT DEFICIT ELIMINATION ACTION PLAN

2/13/2012

OBJECTIVE AND STRATEGIES DETAILS

1. Issuance of additional Financial Stabilization Bonds: Request will be made to the State of Michigan for approval to issue Financial Stabilization Bonds to address the documented FY11 deficit and the projected FY12 deficit. It is not otherwise possible, given the financial constraints of the City, to alleviate these deficits. With less than six months remaining in the fiscal year, it is not possible to significantly further reduce the projected FY12 deficit. It is possible, when constructing the FY13 budget, to begin to prepare for repayment of all Financial Stabilization Bonds. This approach allows for full energies to be spent on developing a sustainable Flint City organization for the future.
2. Reduce the projected FY12 deficit as possible: Since the appointment of the Emergency Manager, steps have been taken to reduce current expenses and improve efficiencies. These steps, including personnel cost reductions of more than \$600,000, were detailed in the January 15, 2012 plan submitted to the State Treasurer. A revised method of prescription drug administration for retirees is also being implemented on March 1, 2012, which is anticipated to reduce costs by more than \$1 million annually. A detailed review of the FY12 budget is in the process of completion, and decisions will be made as to any additional cost cutting actions at that time.
3. Preparing the FY13 budget: Work is underway to achieve higher revenues and lower cost bases for preparation of the FY13 budget. This budget will be the spending plan which begins to put the City of Flint onto firm financial footing and to provide the most basic of city services to its residents. Providing a basic level of public safety remains the top priority in preparation of this budget.
4. Foster sustainable organizational changes, including changes to the City Charter: It is critical to identify and advocate for City Charter and ordinance revisions that will modernize city operations and clarify governance roles so that the City can continue in a financial and sustainable manner after the exit of the Emergency Manager. Building an advocacy base of support will be necessary. Consideration should also be given to maintaining the state's involvement through a consent agreement for some period of time after the Emergency Manager's tenure.

PREPARATION OF FY 13 BUDGET

Preparing the spending plan for FY13 will be the primary vehicle for establishing the City's financial viability for the future. In preparation of the upcoming budget, the following approach for forecasting revenue and expenses will be undertaken:

1. Revenue projections will be reviewed and vetted by departments, finance staff, and administration prior to incorporation into the budget. Past history of unrealistic projections is recognized as a problem not to be repeated. Particular attention will be paid to net property tax and income tax projections, as well to grant revenues and interfund transfers.
2. Expense projections will be reviewed and vetted in a similar manner, with specific attention to expenditure items not subject to the control of departments.

PRELIMINARY DRAFT - FLINT DEFICIT ELIMINATION ACTION PLAN

2/13/2012

- Again, past history of unrealistic projections for utilities, fuel, and personnel are problems not to be repeated. A strict personnel control count will be in place as well as controls on the hiring of temporary and contract employees.
3. Critical capital needs will be addressed, with appropriate cost impacts included in the budget. Debt service will likewise be included to assure that the City's debt obligations are met.
 4. The potential of issuing Fiscal Stabilization Bonds will be fully examined, including identification of the amount needed and the dedicated source of repayment, and amount of debt service to be included. *what will be the source of repayment?*

The plan strategies identified earlier will be incorporated into the process of developing the FY13 budget, and the entire organization will be reviewed to determine what services, within its financial constraints, will be provided and at what level:

Labor contracts (Strategy #1) - New labor contracts are being developed for all unions along with new personnel policies for exempt employees. The goals are to reduce short and long term compensation costs, including health and pension, and to give the City more flexibility in managing operations. It is anticipated that these revisions will put health and retirement benefits into compliance with state laws, and, for new employees, may substitute a health retirement savings account for employer provided retiree health care. For active employees, consideration is being given to implementing the hard cap provision with respect to employer provided health care.

potential savings from health care changes? Consider for city 8/4/12

Retirement administration (Strategy #2) - Discussions are underway with MERS with respect to their assumption of FERS. Initial review of the system indicates that the City's administrative costs are high, and that investment performance is low. MERS would be a credible alternative. In addition, the extent possible, health care for retirees will be modified to reduce city costs while continuing to provide adequate coverage.

Plan B

Trash pick-up (Strategy #3) - Waste collection is carried out by City employees for all residents, and is based on funding provided by a statutorily allowed 3 mill property tax levy. However, the cost of collection is more than \$4 million annually, compared to the \$3 million generated from the millage. Either the cost of the collection will be reduced to the amount of funds provided by the millage, or other alternatives will be implemented. Possibilities include privatization, franchising, or licensing waste haulers within the City.

first with reply if yard waste?

Restructure Water Supply delivery system (Strategy #4) - Action will be taken to assure that the system is returned to a financially stable position. Consideration is being given to utilizing the Flint River and Flint's water treatment plant as a short term alternative to water purchase from Detroit. Preliminary indications are that this alternative may cost significantly less than the net \$11 million spent annually by the City on water purchase. If so, this would allow for funds to upgrade the plant, provide funds to enable a concentrated effort on reducing water leakage, and make debt service payments on the Financial Stabilization Bonds. An annual review and adjustment of fees would also be made to assure the system is financially solid; however, the relatively high rates currently paid by users are a complicating factor.

NEGOTIATIONS w/ DSW

Eliminate Sewer System deficit (Strategy #5) - Costs of operating the Sewer System will be reduced and fees increased in order to return the system to a financially stable

PRELIMINARY DRAFT - FLINT DEFICIT ELIMINATION ACTION PLAN

2/13/2012

position, while critical capital improvements will also be made to assure that the system remains serviceable.

HOW?

Limiting the City's cost of operating the Park system (Strategy #6) – The .5 mill property tax levy for park operations has regularly been supplemented by a General Fund appropriation. The supplemental appropriation will be eliminated and costs reduced accordingly. Actions taken to implement this are anticipated to include turning operation of Senior Centers to a subcontractor; turning management of the City golf courses over to a subcontractor; and utilizing subcontractors to mow most if not all of the City's parks.

Prioritization

Review of fees and charges for City services (Strategy #7) – All fees and charges for City services will be reviewed and appropriate changes implemented no later than July 1. Past history shows that implementation of approved fees has been inconsistent and untimely, and revenue estimates have been unrealistic. Consequently, there will be specific attention paid to avoiding this in the future. Within the context of setting fees and charges, particular attention will be paid to establishing fees and fee levels which will enable the enforcement of building codes and blight prevention codes.

Invest in necessary improvements to the City's public safety, utility, technology, and road infrastructure (Strategy #8) – Major investments in the City's infrastructure are necessary if the City is to be sustainable and efficient in the future. These improvements include improvements to the Water Treatment Plant (\$30 million); improvements to the Sewer system (\$14 million); conversion of the 911 backbone to an 800MHz system (\$2.5 million); and an upgrade to the City's Information technology infrastructure (\$1 million). Implementation will require incorporation of future debt service into the City's financial plans and dedication of personnel to accomplish them.

Restructure the City organization to reduce costs and increase efficiency (Strategy #9) - Several cost saving strategies have already been implemented, including the elimination of the Civil Service Commission and the Ombudsman Office. For operational purposes, the City is being reorganized into 3 major divisions: Public Safety, Infrastructure, and Finance/Administration. Within this context, further organizational changes are being evaluated, including consolidation of Human Resources and Risk Management; Treasury and Income Tax; and Human Relations and Mayor's Office. Operations within the Finance Department will be restructured as necessary to address internal control issues identified in the recent audit.

Evaluate City services and delivery systems within the context of collaboration and consolidation (Strategy #10) – The location of City offices in such close proximity to County offices begs for a thorough evaluation of collaboration and consolidations. Areas which have been broached in recent times include consolidation of 911 services; collaboration in water delivery and provision of paramedic services; consolidation treasury and collection functions; information technology; purchasing; building inspection and code compliance; and fleet management. Regular meetings have been established with County Commissioners, the Emergency Manager, and others to explore these potentials. The potential of EVIP funding and the interest of the Mott Foundation may make it possible to fully explore these potentials in a short period of time.

PRELIMINARY DRAFT - FLINT DEFICIT ELIMINATION ACTION PLAN

2/13/2012

Utilize and manage grants to the fullest extent possible (Strategy #11) – Grant administration has been an ongoing area of concern. New leadership has been designated and new processes for monitoring are being implemented to assure that grants are appropriately managed and that the City is actually receiving the funds to which it is entitled. Beyond current grant administration, however, there is a need for a resource dedicated solely to searching out and applying for potential grants to assist the City in its recovery and in establishing its path to continued sustainability.

GRANT
MATCH
NO
DEFICIT
ELIMINATION
GRANTS!

Inventory City assets and dispose of those identified as surplus (Strategy #12) - Little direct attention has been paid to disposing or repurposing surplus assets owned by the City. Continuing to maintain them for no purpose takes City resources and forestalls the use of their value for other purposes. Dedicated attention to disposing of such assets, such as the Genesee Towers property, and the apparently oversized fleet, will provide a revenue source for other critical capital projects.

ONE-TIME
REVENUE,
WHICH IS
THE
MARKET

Identify sources for increased revenue streams (Strategy #13) – It is clear that the City's revenue stream, composed primarily of property tax, income tax, and state shared revenues, will not be sufficient – at least for the foreseeable future - to enable the City to provide the level of services desperately needed to once again become a sustainable community. An evaluation of unlevered taxing authority will be undertaken to determine if millage rates can be increased to offset falling assessments. Consideration will be given to whether or not to seek legislative approval to increase the local income tax rate, and discussions will continue with the state to determine in what areas the state can provide programmatic and financial assistance.

← WHAT
IS
THE
LEVEL
OF
SUSTAINABLE

Support economic development and community development activities which improve Flint's ability to attract and retain residents, businesses, and visitors (Strategy #14) – It is not likely that the City will have much in the way of funds to support these types of efforts. It does not mean that, however, that City officials cannot devote some of their time towards these efforts, and that the City cannot work to foster others to continue this essential effort. This is also an area where state assistance can be extremely valuable.

COMM.
DEV,
POSSIBLE

2/13/2012

IMPLEMENTING THE PLAN

Each of the objectives and strategies identified above will help define the spending plan for FY13. As the process of developing the FY13 budget progresses, the financial and programmatic implications of potential decisions will become clearer. This section will track those implications and their feasibility as to incorporation into the budget.

1. Issue Fiscal Stabilization Bonds:
2. Reduce FY12 deficit
3. Establish base revenue and expense projections for FY13
4. Define basic and affordable level of public safety
5. Identify potential Charter and ordinance revisions
6. Implement new labor contracts
7. Transfer administration of FERS to MERS
8. Restructure trash pick-up
9. Restructure water supply delivery system
10. Reduce costs of operating the sewer system
11. Reduce costs of operating the park system
12. Implement new/increased fee schedules
13. Implement new/increased fees to support code compliance and blight enforcement
14. Invest in infrastructure improvements
15. Restructure the city organization
16. Establish new City/County partnerships
17. Establish new public/private partnerships
18. Utilize and manage more grants
19. Inventory city assets and dispose of surplus
20. Assess potential of new or increased sources of revenue for city services
21. Establish Budget Stabilization Fund
22. Support economic development activities
23. Support community development activities

Pleyte, Beth (Treasury)

From: Saxton, Thomas (Treasury)
Sent: Tuesday, February 14, 2012 4:37 PM
To: Boyne, David (Treasury)
Subject: FW: Flint KWA

I think there was a bond buyer article about the Flint water sys. Can you try to track it down.

From: Chris Brown [mailto:CBrown@detroitmi.gov]
Sent: Tuesday, February 14, 2012 3:22 PM
To: Saxton, Thomas (Treasury); Stibitz, Brom (Treasury)
Cc: Shalena Garrett
Subject: Fwd: Flint KWA

Hi Tom and Brom
I dealt with #1 and told him its in the works.
Pls help with #2
thx
Chris

Chris Brown
Chief Operating Officer
City of Detroit
Office of Mayor Dave Bing
1126 Coleman A. Young Municipal Center
Detroit, Michigan 48226
(313) 224-0766 (Office)
(313) 224-7255 (Fax)
CBrown@detroitmi.gov

>>> "Fausone, Jim" <JFausone@fb-firm.com> 2/14/2012 2:57 PM >>>
Chris - (1) Where are discussions on the sewer bonds w Dillon & Saxton?

(2) Fyi - http://www.mlive.com/news/flint/index.ssf/2012/02/flint_emergency_manager_michae_14.html

Flint EM & Andy Dillon have had discussions per the article.

James G. Fausone

FAUSONE BOHN, LLP

41700 West Six Mile Road, Suite 101
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(248) 380-0000 tel. ext. 1818
(248) 380-3434 fax
jfausone@fb-firm.com
www.fb-firm.com

Check out our Legal Help for Veterans practice group at www.legalhelpforveterans.com or
www.youtube.com/legalhelpforveterans

Pleyte, Beth (Treasury)

From: Saxton, Thomas (Treasury)
Sent: Friday, February 17, 2012 4:37 PM
To: Dillon, Andy (Treasury)
Cc: Stibitz, Brom (Treasury)
Subject: Detroit Water & Sewer - also from the Freep...
Attachments: Flint Water Bond Buyer 011312.pdf

This proposal/study by Flint (which I assume you guys are aware of) could impact DWS future deals. It could be a disclosure issue on the deal coming up. Is this a real possibility?

Brace for water rate boost

February 17, 2012 |
6 Comments

HOW YOUR WATER RATE COULD CHANGE

Here are the percentage changes in water rates released Thursday by the Detroit Water and Sewerage Department. The figures are preliminary and still must be approved by the Detroit Board of Water Commissioners before taking effect July 1. The Detroit figure is the change in the retail rate. Suburban figures represent the change in the wholesale rate that a community pays Detroit. Suburban customers also pay additional charges levied by their communities to fund the local water system.

COMMUNITY	Proposed water rate percentage change
Detroit	10.3%
Average suburban wholesale rate	7.9
Allen Park	8.5
Ash Township	8.5
Auburn Hills	8.3
Belleville	7.2
Berlin Twp.	8.5
Brownstown Twp.	8.0
Canton	8.3
Center Line	7.4
Chesterfield Twp.	9.0
Clinton Twp.	9.2
Commerce Twp.	3.8
Dearborn	8.6
Dearborn Heights	8.7
Eastpointe	7.9

COMMUNITY	Proposed water rate percentage change
Ecorse	0.4%
Farmington	8.3
Farmington Hills	7.9
Ferndale	5.2
Flat Rock	1.1
Flint	8.0
Fraser	8.5
Garden City	8.2
Gibraltar	11.1
Greater Lapeer	8.1
Grosse Ile Twp.	7.4
Grosse Pte. Park	11.2
Grosse Pte. Shores	28.9
Grosse Pte. Woods	9.6
Hamtramck	6.7
Harper Woods	-1.8
Harrison Twp.	13.0

COMMUNITY	Proposed water rate percentage change
Hazel Park	-12.7%
Huron Twp.	8.7
Inkster	13.0
Keego Harbor	7.4
Lenox Twp.	6.7
Lincoln Park	8.8
Livonia	8.9
Macomb Twp.	9.1
Madison Heights	6.0
Melvindale	7.9
New Haven	0.7
Northville	8.3
Northville Twp.	8.2
Novi	4.4
Oak Park	9.0
Oakland Co. Drain	7.0
Orion Twp.	9.9
Plymouth	8.1
Plymouth Twp.	-24.2
Pontiac	18.9
Redford Twp.	8.0
River Rouge	2.0
Riverview	7.6
Rochester Hills	8.1
Rockwood	8.3
Roméo	-3.1
Romulus	7.3

COMMUNITY	Proposed water rate percentage change
Rossville	8.1%
Royal Oak Twp.	3.6
Southeastern Oakland Co. Water Authority*	8.9
Shelby Twp.	9.0
South Rockwood	7.4
Southgate	8.0
St. Clair-Burchville	29.8
St. Clair-Greenwood	9.7
St. Clair Shores	8.5
Sterling Heights	9.0
Sumpter Twp.	-11.9
Sylvan Lake	18.6
Taylor	8.9
Trenton	10.3
Troy	8.3
Utica	8.2
Van Buren Twp.	28.4
Walled Lake	7.7
Warren	8.9
Washington Twp.	8.4
Wayne	9.4
West Bloomfield	8.4
Westland	8.4
Wixom	7.9
Woodhaven	8.8
Ypsilanti Authority	8.7

Note: Percentages have been rounded.

*The Southeastern Oakland County Water Authority includes member communities of Berkley, Beverly Hills, Bingham Farms, Bingham, Clawson, Farmington Woods, Lathrup Village, Pleasant Ridge, Royal Oak, Southfield and Southfield Township and the contract communities of Bloomfield Hills and Bloomfield Township.

SOURCE: Detroit Water and Sewerage Department

MARTHA THIERRY/DETROIT FREE PRESS

By Eric D. Lawrence

Detroit Free Press Staff Writer

- Filed Under
- Local News
- Metro Detroit
- Grosse Pointe

SEWAGE DISPOSAL SYSTEM RATE CHANGES

COMMUNITY	Proposed rate percentage change
Detroit	9.9%
Average suburban wholesale rate	6.7
Allen Park	12.2
Center Line	6.2
Dearborn East	4.6
Dearborn West	2.9
Dearborn E. *	-1.2
Dearborn N.E. *	7.3
Evergreen-Farmington	6.6
Farmington	8.4
George W. Kuhn	
Drainage Dist.	3.5
Grosse Pte. City*	2.9
Grosse Pte. Farms*	3.9
Grosse Pte. Park	-1.8
Hamtramck*	5.5
Harper Woods*	9.7
Highland Park*	3.0
Oakland-Macomb	
Interceptor Drain	10.9
Melvindale	8.8
N.E. Wayne County	4.9
Rouge Valley	6.5
Redford Township*	4.2
Wayne County #3*	4.9
Wayne County #6*	3.9

*Denotes system meters.

SOURCE: Detroit Water and
Sewerage Department

MARTHA THIERRY/DETROIT FREE PRESS

ZOOM

More

Harrison Township Supervisor Kenneth Verkest contemplated a proposed 13% water rate increase for his Macomb County community from the Detroit Water and Sewerage Department on Thursday.

"Thirteen percent seems kind of heavy," he said.

Harrison Township, like dozens of other metro Detroit communities, is reviewing the rates the department proposed for the 2012-13 fiscal year that begins in July. The department hosted a meeting Thursday to discuss the changes.

Suburban wholesale rates would average a 7.9% hike and Detroit retail rates would increase by 10.3%. The Board of Water Commissioners is expected to decide on the rates in March.

Within the averages is wide variation, with rate hike recommendations at 28.9% in Grosse Pointe Shores and 28.4% in Van Buren Township to rate decreases of 12.7% in Hazel Park and 24.2% in Plymouth Township.

Plymouth Township Supervisor Richard Reaume noted that the change followed a massive 40% increase last year. In addition to negotiating with the department on system improvements, credit should go to residents, he said.

"Residents took heed that they should use water in off-peak hours," Reaume said.

Because of the change, the township might be able to pass on a double-digit water rate decrease to its customers, he said.

That potential decrease highlights the way in which the water rates translate into customer bills. Although Detroit sets rates for communities based on their projected usage and investment costs, the individual communities set the final total. Officials said that, in general, Detroit Water and Sewerage rates represent about half the actual bill a residential customer receives, with individual communities adding fees.

The overall increase in water rates is caused by factors such as increased operating costs and a lower volume of water sales.

Sewer rates also are increasing for most areas, although two areas would see modest decreases. The system as a whole would see an overall 8.5% increase, while City of Detroit retail customers should see a 9.9% hike and suburban wholesale customer rates are expected to increase overall by 6.7%.

State Rep. Kurt Heise, R-Plymouth Township, said Detroit's system was built decades ago for a population and an industrial base that no longer exist.

"It could have been worse, but it's going to be unacceptably high for many customers in the region," Heise said. "More needs to be done to control costs to create greater efficiencies, to reduce legacy costs and possibly sell off the system."

Heise introduced a bill last year that would abolish the Board of Water Commissioners and have the system run by a regional authority. That bill remains in committee.

Bart Foster, who works as a consultant to the department, said that suburban communities currently help shape the way rates are determined.

"The folks in this room ... not only get it," Foster said of the people at Thursday's meeting, "they were involved in developing the philosophy."

Goodrich, Harlan G. (Treasury)

From: Barton, John (Treasury)
Sent: Friday, March 02, 2012 8:14 AM
To: Goodrich, Harlan G. (Treasury)
Subject: FW: City of Flint Part I application for DWRF loan#7310-01: 4Q FY2012

Harlan,

Please see the note below from DEQ regarding Flint. Do you foresee any issues?

Thanks
John

From: Worthington, David (DEQ)
Sent: Thursday, March 01, 2012 4:15 PM
To: Barton, John (Treasury); Barton, John; Bowman, Matthew (Treasury)
Cc: Mahnke, Bettie (Treasury); Butler, Sonya (DEQ); Worthington, David (DEQ)
Subject: FW: City of Flint Part I application for DWRF loan#7310-01: 4Q FY2012

John or Matt,

Just double-checking to see if you got this earlier note reprinted below. Do you foresee a concern about the LAFD etc. for Flint that would require extra early attention? Let me know if you have any questions, but please respond to me or Sonya if you can. If there might be a problem, perhaps it could be discussed at a future MFA/DEQ joint meeting?

Thanks, David

*David J Worthington, Project Manager
Department of Environmental Quality
Resource Management Division
Revolving Loan Section
Phone: (517) 373-4728
Fax: (517) 335-0743
E-mail: worthingtond@michigan.gov*

From: Worthington, David (DEQ)
Sent: Thursday, February 23, 2012 10:40 AM
To: Barton, John (Treasury)
Cc: Butler, Sonya (DEQ); Jansma, Wendy (DEQ); Worthington, David (DEQ)
Subject: City of Flint Part I application for DWRF loan#7310-01: 4Q FY2012

Hi John;

Just a heads-up that another financially-strapped community, the city of Flint, is coming in with an application for a DWRF loan and "principal forgiveness" in the 4th quarter of 2012. Although my project schedule (see attached copy) with Flint does not require a Part I submittal until May 24, 2012, Wendy warned me that the city could need extra time to get LAFD approval and that they will need to be fully aware of the need for early submittal of a "long form" LAFD application as well as a budget "deficit reduction plan." As you probably know, the governor appointed Michael K. Brown as the emergency financial manager for the city of Flint, and he is acting as the authorized representative for the DWRF loan project as well. Perhaps you know who the city's bond attorney is and can alert him/her of the early deadlines for LAFD. What would you recommend we tell the city as far as anticipated deadlines for the "long form" and deficit reduction plans? I'll be happy to pass the word on for you once I know your expectations. We are trying really hard to get Flint to jump through all the right hoops and get this project off the ground with a big chunk of "forgiveness" as a bonus.



Thanks!

Note: the attached DWRF schedule is an unsigned draft copy, but Mr. Brown and DEQ have signed it and the dates have not changed.

*David J Worthington, Project Manager
Department of Environmental Quality
Resource Management Division*

Revolving Loan Section

Phone: (517) 373-4728

Fax: (517) 335-0743

E-mail: worthingtond@michigan.gov

Pleyte, Beth (Treasury)

From: Fraser, Roger (Treasury)
Sent: Monday, March 19, 2012 10:37 AM
To: Barrett, Thomas (Treasury); Dillon, Andy (Treasury); Hichez, Amy (Treasury); Koryzno, Edward (Treasury); Headen, Frederick (Treasury); Stibitz, Brom (Treasury); Saxton, Thomas (Treasury); Schafer, Suzanne K. (Treasury); Dempkowski, Angela (Treasury)
Subject: RE: Local Government 3-19
Attachments: Local Government Agenda for 3-19.doc

The attached agenda is an updated version of what Tom sent out. Ed was looking at the Hamtramck and Allen Park sections for updates.

From: Barrett, Thomas (Treasury)
Sent: Monday, March 19, 2012 9:59 AM
To: Dillon, Andy (Treasury); Hichez, Amy (Treasury); Koryzno, Edward (Treasury); Headen, Frederick (Treasury); Stibitz, Brom (Treasury); Saxton, Thomas (Treasury); Fraser, Roger (Treasury); Schafer, Suzanne K. (Treasury); Dempkowski, Angela (Treasury)
Subject: Local Government 3-19

Attached is the agenda for today's meeting.

Tom Barrett
517-241-2840

Local Government Meeting Agenda, Tuesday March 13th

Allen Park

On Tuesday, March 13th, City Council voted to have the City Attorney, Finance Director and Administrator create a letter requesting that the Michigan Department of Treasury send in a preliminary review team. Approval could be made at the next meeting on March 20th.

City of Benton Harbor

Meeting scheduled for March 29st – Andy attending; preparation; other staff?

Benton Harbor Area Schools

City of Dearborn Heights

City of Detroit – Update - Brom

Detroit Public Schools

East Detroit Schools

Ecorse

Flint

TRO – Mike Brown off duty. Hearing this week.

Labor issues being worked – Meet and Confer sessions for 5 of 7 contracts ongoing.

Karegnondi Water Authority – Request for Flint participation in Engineering study paused.

Revised DEP due April 6, along with FY12-13 budget.

New Public Safety Administrator due around April 1.

Highland Park City

Substantial Accounts Payable situation

Long term Strategy-Roger

Police alternatives – Discussion with Col. Etue

Staff support

Highland Park Schools

Hamtramck

Fiscal analysis arrangement

Revenue Sharing Advance and TAN; agreement on spending reductions

The proposed March 13, 2012 Hamtramck city council agenda has the following under "New Business":

7. RESOLUTION TO SUBMIT A REQUEST FOR STATE OF MICHIGAN FINANCIAL REVIEW FOR HAMTRAMCK.

Placed on the agenda by Councilmember Zwolak.

Inkster

Emergency Loan Board meeting scheduled for the week of March 19th
Call ahead to other board members-Andy

Muskegon Heights Public Schools

City of Pontiac

Judgment levy impact on fiscal condition
Note from Lou on Pontiac Schools
Feedback on Public Safety employees

Pontiac School District

Tom Saxton recommended to MDE to approve the DEP and begin PA 4 review immediately
Note from Lou

City of River Rouge

Wayne County

DEP submitted; T.A.N. needed - Suzanne

Ability to delay tax auctions to preserve property values?

One Page Reports

Pontiac- tweak to include Judgment Levy in 2011

Add projection about when each local unit could or is expected to break even

Include Index on cover page

Tom Saxton and Brom to update schools on watch list

Add East Detroit Schools to the list

Additional

EM transition law update

Signature count progress-Brom

Open ended Statement of Work regarding fiscal analysis of struggling local units-Brom and Fred

Watch List:

Bedford Township

City of Jackson

City of Muskegon Heights – update from Ed

Royal Oak Township

Harper Woods

Pleyte, Beth (Treasury)

From: Fraser, Roger (Treasury)
Sent: Monday, March 26, 2012 2:19 PM
To: Barrett, Thomas (Treasury); Dillon, Andy (Treasury); Hichez, Amy (Treasury); Koryzno, Edward (Treasury); Headen, Frederick (Treasury); Stibitz, Brom (Treasury); Saxton, Thomas (Treasury); Schafer, Suzanne K. (Treasury); Dempkowski, Angela (Treasury)
Subject: RE: Proposed Local Government agenda for March 27th

See below.

From: Barrett, Thomas (Treasury)
Sent: Monday, March 26, 2012 12:53 PM
To: Dillon, Andy (Treasury); Hichez, Amy (Treasury); Koryzno, Edward (Treasury); Headen, Frederick (Treasury); Stibitz, Brom (Treasury); Saxton, Thomas (Treasury); Fraser, Roger (Treasury); Schafer, Suzanne K. (Treasury); Dempkowski, Angela (Treasury)
Subject: Proposed Local Government agenda for March 27th

Please email me back with any updates or changes and I can send out a final draft ahead of tomorrow's meeting.

Local Government Meeting Agenda, Tuesday March 27th

Allen Park

City council voted March 20th to request a preliminary review under PA 4. Allen Park is also asking voters to approve a Headlee override in May. This review request should not be considered timely until after the May election.

City of Benton Harbor

Meeting scheduled for March 29st – Andy attending

Benton Harbor Area Schools

City of Dearborn Heights

City of Detroit – Update – Brom and Andy

Detroit Public Schools

East Detroit Schools

Ecorse

The City of Ecorse experienced three events in 2011 that resulted in a surplus in the general fund of \$1,049,706:

Issuance of Judgment levy	\$9,315,146
Receipt of Emergency Loan	\$2,000,000
Charge off of an Interfund Payable	\$5,364,984
Total	\$16,680,130

The judgment levy is for two more years. It was issued to pay other local units for property tax collections Ecorse "borrowed" rather than distribute to the other units. Joyce anticipates a balanced budget even after these one-time receipts expire.

Flint

Status of appeal on Aquilina's order? Court of Appeals required plaintiff response by 9:30 this morning. Seems to signal early consideration by COA.

Mayor and City Council in charge. Possible effects on:

Karegnondi Water Authority – Still on hold.

Revised DEP due April 6, along with FY12-13 budget.

New Public Safety Administrator due around April 1

Highland Park City

Long term Strategy-Roger

Police alternatives – Discussion with Wayne County Sheriff (for Hamtramck also)

Highland Park Schools

Hamtramck

Potential for partnership with Highland Park for Wayne County sheriffs

City council meeting last week: RESOLUTION TO PLACE A PUBLIC SAFETY MILLAGE ON THE AUGUST 2012 PRIMARY and RESOLUTION TO SUBMIT A REQUEST FOR STATE OF MICHIGAN FINANCIAL REVIEW FOR HAMTRAMCK. The first item failed because there was no second for the motion and the other was voted down.

Inkster

Emergency loan. Ed and I met last week with Skuldreyer who expressed concern with the compliance with the Consent Decree. Ed and I will be in Inkster on Thursday to meet with key officials to try to assess and improve circumstances as needed.

Muskegon Heights Public Schools

City of Pontiac

Judgment levy impact on fiscal condition. Lou Schimmel believes he needed this year's levy to keep from adding to the deficit. Will have enough spending cuts in place to avoid a levy next year.

Pontiac School District

Partnership with Waterford schools? Lou contacted Waterford Schools last week advising that we thought it was a good thing to do. Today, Lou was under the impression that Waterford had not done anything with the information and would call to encourage them.

City of River Rouge

Wayne County

Revenue Sharing advance

Delinquent tax revenue?

Last week, the approvals were made on a conditional DEP and for the TAN. An escrow account is part of the deal, as planned. The audit came in as scheduled, showing the County's GF deficit increasing by \$53 million, as compared to their \$20 million forecast.

Additional

One page reports update

Watch List:

Bedford Township

City of Jackson

City of Muskegon Heights – update from Ed

Royal Oak Township

Harper Woods - Ed visited Harper Woods last week. He will report details. No payroll crisis was found, but near term financial issues are likely.

Stanton, Terry A. (Treasury)

From: Dawn Jones <dfjones@cityofflint.com>
Sent: Thursday, March 29, 2012 3:11 PM
To: Stanton, Terry A. (Treasury)
Subject: News story regarding Flint water deal

Hi Terry:

I hope this correspondence finds you well. I just wanted to send you a note, on behalf of Mike, to let you know that today's newspaper headline is a little misleading. We have not "inked" THE water deal (Keregnondi). Of course, this will not and can not be done without the State's approval.

Today's article is about a longstanding agreement with the county to provide back-up water services in case of an emergency for present day use, not any future use. This agreement had been in place, but never executed. Now that Mike has signed off on it, the city will generate revenue from the agreement.
<http://www.freep.com/article/20120328/NEWS06/120328011/Genesee-County-Flint-River-water>

On another note, tomorrow is my last day with the City of Flint. I am returning to television. It has been a pleasure working with you and I hope our paths cross again in the future.

Now that I will soon be a working member of the media again, I would like for you to add my e-mail address to your media distribution list [REDACTED]. My cell number is (810) [REDACTED]

--

Flint: Strong and Proud

Dawn Jones

Public Information Officer

phone [REDACTED]

e-mail dfjones@cityofflint.com
[REDACTED]

website www.cityofflint.com

blog www.flintem.blogspot.com

Pleyte, Beth (Treasury)

From: Barton, John (Treasury)
Sent: Tuesday, May 22, 2012 9:30 AM
To: Saxton, Thomas (Treasury)
Subject: FW: Local Government agenda & Updates

Tom,

Did you plan on having me join the local gov't meeting tomorrow?

I did talk with Brom this morning and I have Andrea looking at how to reconcile the City of Detroit reports from Rick Drumb and E&Y. I am not sure we can actually reconcile them, but we will try. If we cannot, did you want me to work with Rick to figure it out?

I also gave Brom an update on Pontiac schools. I spoke with Paul Bryant and he is working with MDE this morning to get the April and May state aid payments released. The District did submit another draw for the TAN which I left with Beth. Perhaps we can spend a few minutes today reviewing the draw and latest update from the District. Also, I have a call Thursday with the Key Bank, the purchaser of the TAN to discuss the issues. My guess is Key Bank will not provide credit in the future and it will be difficult for the District to secure another TAN.

Andrea and I have a good first draft of projected cash flows for Benton Harbor Schools through August 2013, I am pretty stacked up today, but should be able to have it ready for review sometime tomorrow.

Thank you
John

From: Stibitz, Brom (Treasury)
Sent: Tuesday, May 22, 2012 8:07 AM
To: Barrett, Thomas (Treasury); Dillon, Andy (Treasury); Hichez, Amy (Treasury); Koryzno, Edward (Treasury); Headen, Frederick (Treasury); Saxton, Thomas (Treasury); Fraser, Roger (Treasury); Schafer, Suzanne K. (Treasury); Dempkowski, Angela (Treasury); Buhs, Caleb (Treasury); Stanton, Terry A. (Treasury); Barton, John (Treasury)
Subject: RE: Local Government agenda for Wednesday- Please review

Some suggestions

From: Barrett, Thomas (Treasury)
Sent: Monday, May 21, 2012 4:17 PM
To: Dillon, Andy (Treasury); Hichez, Amy (Treasury); Koryzno, Edward (Treasury); Headen, Frederick (Treasury); Stibitz, Brom (Treasury); Saxton, Thomas (Treasury); Fraser, Roger (Treasury); Schafer, Suzanne K. (Treasury); Dempkowski, Angela (Treasury); Buhs, Caleb (Treasury); Stanton, Terry A. (Treasury); Barton, John (Treasury)
Subject: Local Government agenda for Wednesday- Please review
Importance: High

Please review these items below and advise of any changes ASAP:

Allen Park

City council did not approve the Emergency Loan Application last week and city administrator resigned effective May 31st

Preliminary review tentatively scheduled to begin on May 29

City is required to submit an updated DEP that does not include revenues from the millage, which failed earlier this month

City of Benton Harbor

Charter Amendment plan

Legislator contact- Fred

Millage Issue, Financial Crisis

EM Transition

Benton Harbor Area Schools

Met with the Superintendent and Plante Moran on May 17th to review cash flow and outstanding district liabilities

Updated cash flows to be sent June 1

Indicated the request to borrow 70% of their state school aid is not acceptable

Assessing long- term restructuring of the District's state aid note

City of Dearborn Heights

Deficit elimination plan approved. The plan is a combination of a successful Headlee override and 10% salary reductions.

City of Detroit

Has submitted a new application for borrowing (a continuation of the previous borrowing). Staff is working with the City to obtain all the necessary documents.

Delay in appointing certain positions

Financing issues

Detroit Public Schools

PA-72 concerns, possible removal of academic appointees

District has completed the refinancing of the 2005B bonds

Detroit has indicated a possible need for a proposed cash flow borrowing in August/September

They have been advised of our concerns and that it needs to be documented

School Board status

East Detroit Schools

Continue to monitor cash flow, should be okay through the end of school year

Ecorse

Long term transition plan

Flint

The City is projecting an \$18M accumulated deficit for the fiscal year ending June 30, 2012 and has submitted a deficit elimination plan. The City plans to issue \$19M in fiscal stabilization bonds over a two year period (\$9M in 2012 and \$10M in 2013). The city is reducing its workforce by 21% (147 employees) and is projecting a \$4M savings from changing health care benefits. The City bluntly states that it cannot eliminate its deficit in the water/sewer fund, i.e. it

cannot raise its rates high enough. The water and sewer funds are not making their OPEB payments, which results in an increasing deficit. But for the water/sewer fund deficit, the DEP is reasonable.

Privatization and Consolidation efforts

EM succession issue

Universal Retirement Healthcare product

Highland Park City

Tony Saunders is working under state contract with the Mayor and city staff on several projects: moving water system to DWSD, negotiating collective bargaining agreements, balancing the GF budget and reducing health care expenses.

Highland Park Schools

Developing financial plan and related documents to implement charter district

Scheduling weekly conference calls

Cash appears to be good through July/August

Hamtramck

Pierce Monroe study completed. City projected to have \$2.5-\$3.0 million deficit by year-end.

City Council expected to request PA 4 review this week.

Harper Woods

City council at their May 7, 2012 meeting approved moving forward with a Special Assessment District for police and fire operations.

Inkster

Stout, Risius & Ross presented operational evaluation report to city council on May 9, 2012.

City Council approved exploring consolidation of police force with Wayne County, Garden City or others at the May 11, 2012 meeting.

City of Muskegon Heights

City manager recently contacted and their financial condition is stable.

Muskegon Heights Public Schools

Developing financial plan and related documents to implement charter district

Scheduling weekly conference calls

State Aid Advance of \$193,000 was made on May 8th

Cash flow remains a challenge

City of Pontiac

Pontiac School District

Labor contract negotiations

MDE withheld April and May state aid payments due to insufficient reporting related to the DEP

Preliminary Review began on May 7th and is due June 5th

City of River Rouge

Royal Oak Township

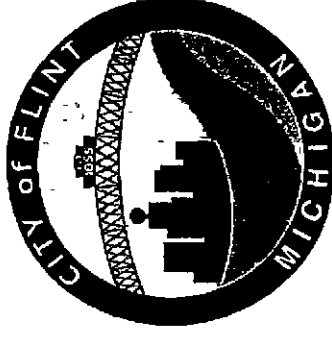
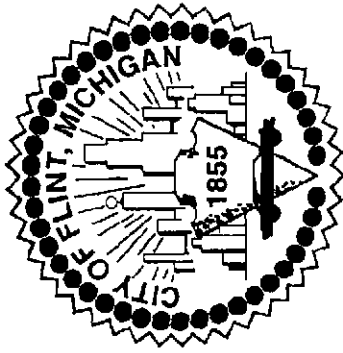
Board appointed former Supervisor Jerry Sadler, as interim Supervisor on May 7, and he will serve until November election. Per the Treasurer and Clerk, township finances are adequate with the extra voted millage approved in November 2011.

Wayne County

The County has submitted its commission approved DEP. It is under review by staff- it is likely the plan will need to be revised by the County. So far the County has complied with all of the Department's requirements for additional reporting. The monthly financial report shows that of the 17 funds with deficits, only 9 have met the projections. The general fund had a projected deficit on March 31, 2012 of \$70.8M, but the actual was \$80.5M. The health fund projected a deficit of \$0.1M but actual is \$5.2M. The general fund cash position appears to be getting worse. The deficit elimination plan includes \$58M in grant administration fees. Staff is reviewing financial information for unauthorized borrowing or other significant items in the audit. Staff is also preparing SOW for financial review of County records.

Additional

Sylvan Township
Genoa Township
Garden City
Ypsilanti
Melvindale



City of Flint

Water Forum

5/31/2012

City Of Flint Water Forum

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City Of Flint Water History Facts

Current Treatment Plant was put into service in 1954.

Current 72" main pipeline was completed in 1970.

Flint signed a 30 year contract with Detroit Water and Sewer Department in the mid 1960's.

The contract with DWSD has expired and we are currently operating on a yearly extension.

In 2006 Flint completed a \$48,000,000 upgrade of the existing Water Plant (required by the MDEQ & for backup only).

Flint's Water & Sewer System is approximately a \$300,000,000 Enterprise.

Flint's Water & Sewer System is designed to deliver water to over 200,000 people with over 1,500 miles of infrastructure.

Flint's most recent census count shows a population of approximately 102,000 in 2010.

Flint's census population in 2000 was approximately 124,000.

The water system had over 45,000 customers in June of 1999.

The water system had just over 36,000 customers by June 2011

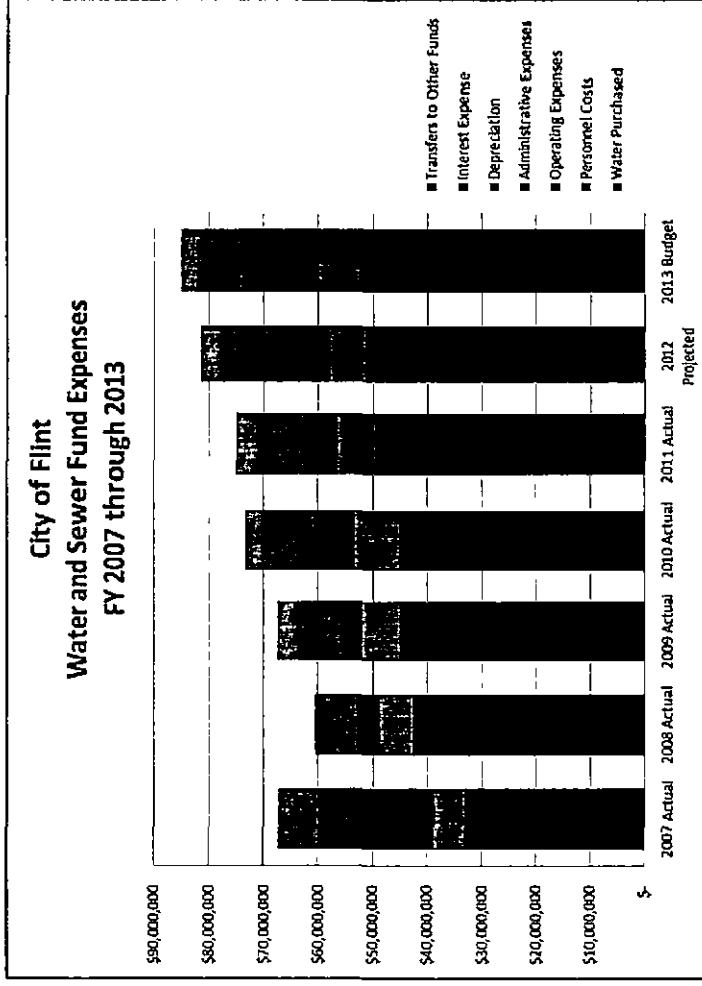
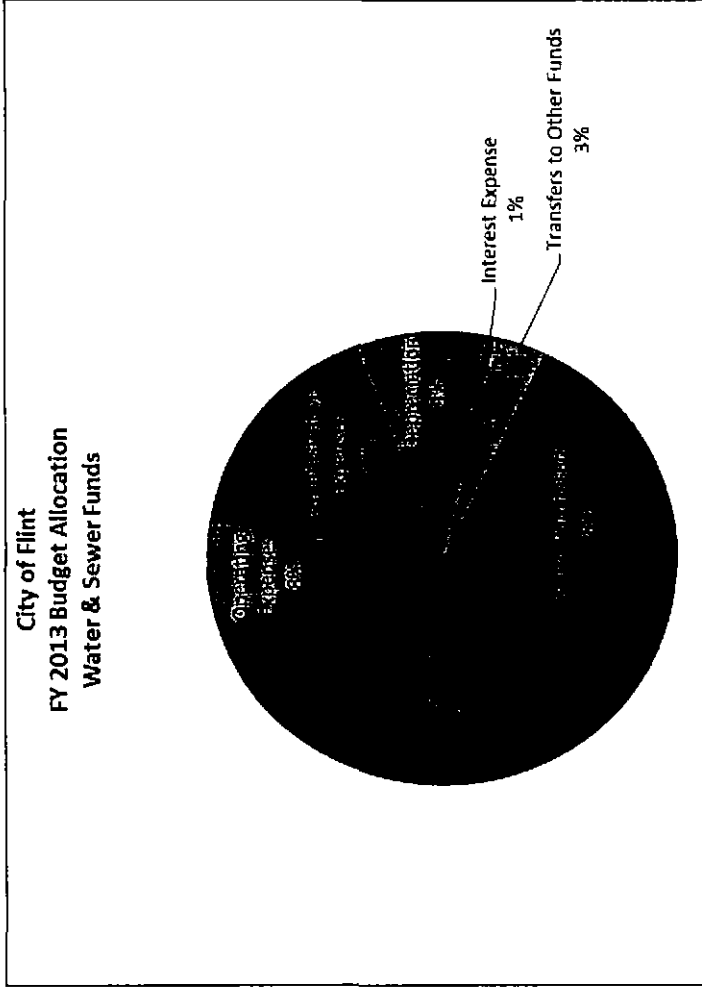
The "Fixed Costs" that must be covered to maintain the system and deliver quality water have increased over time.

City Of Flint
Most Frequently Asked Questions about Water

- ☐ **Why are the water rates so high ?**
- ☐ **How does my water bill work (Explanation of charges) ?**
- ☐ **Why do others in the area pay less for the same amount of water ?**
- ☐ **Where has all of the water and sewer fund money gone ?**
- ☐ **What do I do if I think my bill is incorrect ?**
- ☐ **What effect does leakage or theft have on my bill ?**
- ☐ **How can I report water theft ?**
- ☐ **Why don't we go back to using the Flint River like we once did ?**

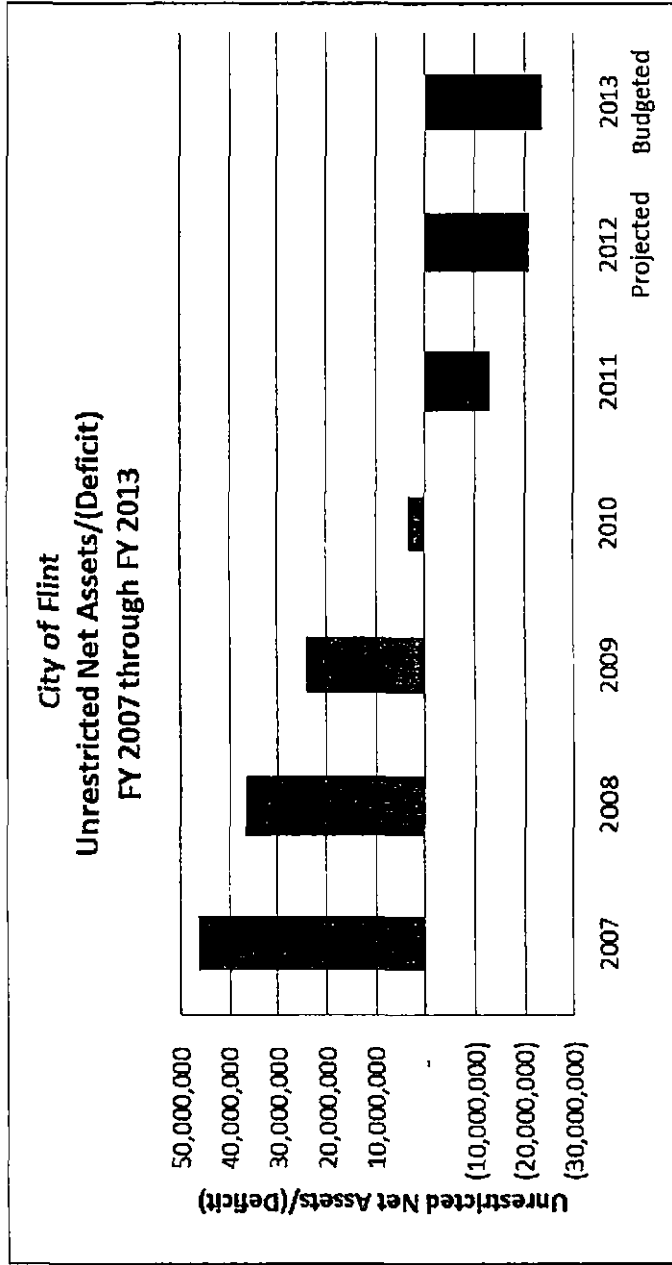
City of Flint

Budget Allocation and Fund Expenses

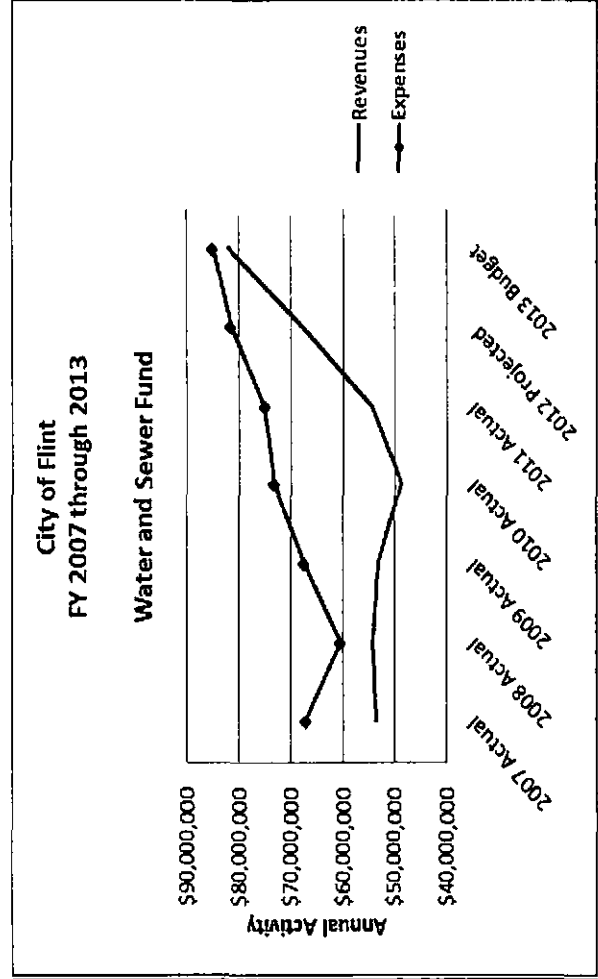
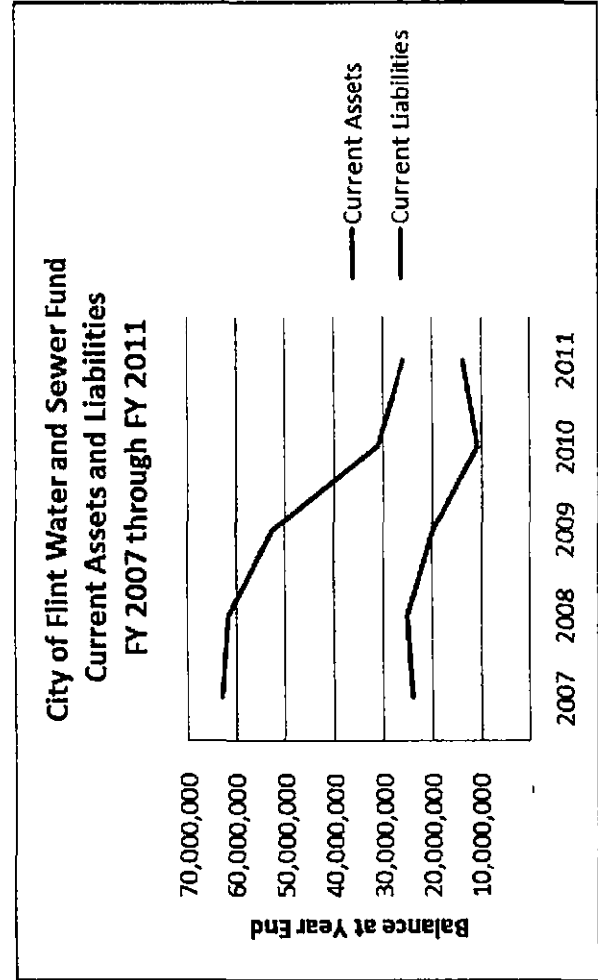


Audited

	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Projected	2013 Budget
Operating Revenues	51,090,679	51,100,332	51,906,553	47,926,589	54,385,644	67,983,044	81,734,552
Other Revenues	2,627,939	3,274,450	1,442,383	764,886	68,645	126,670	455,867
Annual Revenues	53,718,618	54,374,782	53,348,936	48,691,475	54,454,289	68,109,714	82,190,419
Water Purchased	16,052,006	16,297,871	17,421,663	17,103,752	20,919,987	21,756,787	24,031,417
Personnel Costs	17,292,444	26,302,590	27,591,206	28,149,946	28,618,817	29,640,499	28,546,350
Operating Expenses	5,355,638	6,145,119	6,950,534	8,146,390	6,917,964	6,420,260	7,259,290
Administrative Expenses	21,300,900	4,229,382	3,403,231	7,327,630	6,221,627	11,465,462	14,140,047
Depreciation	7,217,142	7,132,870	8,364,022	8,854,889	8,689,809	8,615,000	7,500,000
Interest Expense	86,632	485,499	868,031	812,270	754,890	705,150	644,314
Transfers to Other Funds	-	-	2,990,000	2,990,000	2,990,000	2,990,000	2,990,000
Annual Expenses	67,304,762	60,593,331	67,588,687	73,384,877	81,593,158	85,111,418	85,111,418



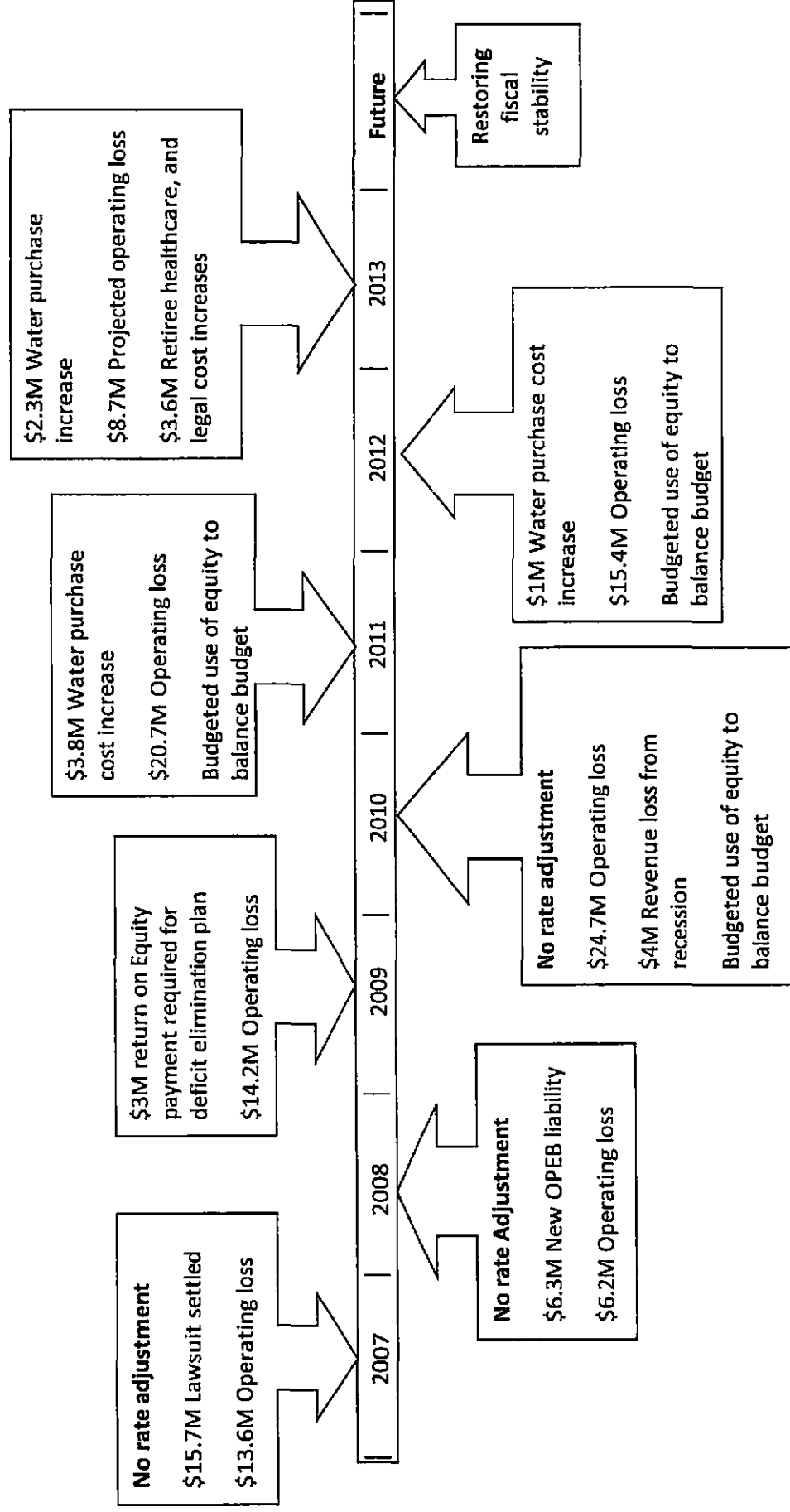
	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Projected	2013 Budget
Revenues	53,718,618	54,374,782	53,348,936	48,691,475	54,454,289	68,109,714	82,190,419
Expenses	67,304,762	60,593,331	67,588,687	73,384,877	75,113,094	81,593,158	85,111,418



City of Flint

Recent Timeline of Water and Sewer Funds

FY 2007 through 2013



City of Flint- Water and Sewer System Additional Asset / Revenue Data

The average annual residential water sewer bill in FY2005 was less than \$700 annually
The average annual residential water/ sewer bill in FY13 will be nearly \$1,700

Expenses have exceeded revenues every year since 2006:

FISCAL YEAR	Rate Base	Revenues	Expenses	Revenues Minus Expenses	Unreserved System Equity	FACTORS IMPACTING SOLVENCY	COST IMPACT
2006	2005	\$55,204,242	\$50,933,792	\$4,270,450	\$60,340,013		
2007	2005	\$53,856,857	\$67,442,993	(\$13,586,136)	\$46,399,452	No rate adjustment \$15.7 million lawsuit settlement	?? 15.7 0 \$15.7
2008	2005	\$54,374,781	\$60,593,331	(\$6,218,550)	\$36,482,488	No rate adjustment OPEB liabilities added	?? 3.6 2.7 \$6.3
2009	2009	\$53,488,463	\$67,728,218	(\$14,239,755)	\$24,023,065	ROE payment added as part of City L	1.9 1.1 \$3.0
2010	2009	\$48,820,329	\$73,513,725	(\$24,693,396)	\$3,531,768	No rate adjustment Use of retained earnings budgeted Revenue lost due to recession	?? 12.5 0.5 \$13.0 2 2 \$4.0
2011	2011	\$54,527,079	\$75,185,879	(\$20,658,800)	(\$12,866,607)	Use of retained earnings budgeted Water purchase cost increase	7.1 3.5 \$10.6 0 3.8 \$3.8
2012		\$68,279,187	\$83,682,840	(\$15,403,653)	(\$20,884,122)	Use of retained earnings budgeted Water purchase cost increase	5.1 0 \$5.1 0 0.8 \$0.8
2013	2013	\$82,220,420	\$90,970,420	(\$8,750,000)	(\$23,379,690)	Water purchase cost increase RHC/Legal/Admin Cost Allocation	0 2.3 \$2.3 2.1 1.5 \$3.6 \$68.2

Calculation of Water and Sewer Rates for FY13 Budget

March, 2012:

	Expense Projection Based on FY12 Costs	Revenue Projection Based on FY12 Receipts	Difference Between Projected Revenues and Expenses	Rate Increase Necessary To Close Gap
Water	\$49.9	\$44.4	-\$5.5	12.4%
Sewer	\$31.0	\$21.4	-\$9.6	44.9%
TOTAL	\$80.9	\$65.8	-\$15.1	22.9%

CITY of FLINT, MICHIGAN
WATER &/OR SEWER BILL
 Service at: 5810 BALDWIN BLVD

TREASURER
 CITY OF FLINT
 P.O. BOX 1950
 FLINT, MI 48501

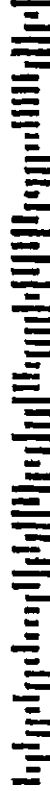
PRESORTED
 FIRST CLASS MAIL
 US POSTAGE PAID
 CITY OF FLINT

3419 Active

ACCOUNT NUMBER	DUE DATE
BALD-005810-0000-01	02/28/2012
	
RETURN THIS STUB WITH YOUR PAYMENT	
NET AMOUNT DUE	
147.85	

Seq=3138

**AUTO

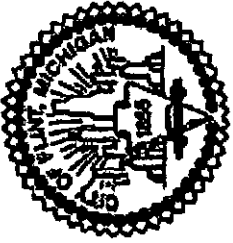


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KEEP THIS PORTION FOR YOUR RECORDS

LAST READ/DATE/TYP	NEW READ/DATE/TYP	CONS	SERVICE	CHARGE	Prev. Balance
381 01/05/2012 A	383 02/03/2012 A	2	Sewer Non-measured	8.62	161.08
			Sewer Svc Chrg	22.07	-75.00
			Water	13.36	0.00
			Water Svc Chrg	19.36	0.36
					61.41
				Total Due	147.85
ACCOUNT: BALD-005810-0000-01 SERVICE AT: 5810 BALDWIN BLVD					Due Date
					02/28/2012

PENALTY ASSESSED 30 DAYS AFTER DUE DATE



**CITY OF FLINT
DEPARTMENT OF FINANCE
Customer Service Center**

**Dayne Welling
Mayor**

**Douglas Bingaman
Treasurer**

**CITY OF FLINT
WATER NON-PAYMENT TURN-OFF POLICY**

1. Water services to any customer may be shut off if the account is not paid until after 30 days after the due date. (City ordinance 46-52 (h))
2. Non-payment turn-offs are done only Monday through Thursday. The Customer Service Center does not schedule non-payment turn-offs on Fridays, Saturdays, Sundays, or most recognized holidays.
3. Illegal usage, broken payment arrangements and NSF (non-sufficient funds) turn-offs are done at any time without additional notice.
4. Turn-off notices are mailed to delinquent customers fifteen (15) days before actual turn-off.
5. The water customer is responsible for maintenance of all plumbing in the premises including connection to City water mains or sewer lines.
6. If a customer disputes a water bill and is unable to resolve the issue with Customer Service personnel, the customer may request an administrative review. Further information on any water account may be obtained by calling (810) 766-7015 or visiting the Customer Service Center at 1st Floor, City Hall, 1101 S. Saginaw St.

Preliminary Options for Future City of Flint Water Sources

Consider a New Negotiated Contract with Detroit Water and Sewer Department

PRO'S	CON'S
No upfront capital costs Possibility to negotiate a lower rate Ability to "Blend" water sources to further control costs	Lack of control over new / fixed changes Past practices

Consider a Contract with the Karegnondi Water Authority

PRO'S	CON'S
Voting member of KWA board Ability to "Blend" water sources to further control costs Raw water is an asset for attracting new businesses	Capital cost (debt service) Uncertainty of final costs

Blended Use of the Flint River

PRO'S	CON'S
Helps control cost of water	

*** CURRENTLY NO DECISIONS HAVE BEEN MADE REGARDING THE FUTURE WATER SOURCE

Improvements for City of Flint Water System

Reduce Leakage

- **Finalize a Preventative Maintenance Plan**
 - (Planning started in January 2012, requires funding, ... part of Operational Costs)
 - Will help identify repair area's
- **Reduce water theft**
- **Replace water meters**
 - We currently have an eighteen month plan to replace all meters with more efficient "*Smart Meters*"
- **Encourage routine household checks**
 - "Faulty" toilets are a significant reason for household water loss, and unexpected larger bills.

Other Leakage concerns

- ✓ Transmission Loss
- ✓ Fire Hydrants
- ✓ Incorrect water bills
- ✓ Non-Payment

City of Flint Water Fund**Proprietary Funds Revenues, Expenditures, and Changes in Net Assets
Fiscal Year Ended June 30**

	2007	2008	2009	2010	2011	2012 Projected	2013 Budget
Current Assets	17,248,277	16,155,282	13,213,411	9,092,746	9,295,966		
Current Liabilities	7,053,131	7,039,015	6,796,178	8,287,409	11,736,286		
Capital Assets, net of accumulated depreciation	34,453,626	57,264,585	55,977,802	54,419,070	52,253,233		
Revenue Bonds, long-term portion	33,759,432	31,804,432	30,156,259	28,116,259	25,925,336		
Unrestricted Net Assets/(Deficit)	12,183,661	8,396,496	2,694,056	(5,795,973)	(12,443,265)	(13,237,665)	(12,733,233)

City of Flint Sewer Fund**Proprietary Funds Revenues, Expenditures, and Changes in Net Assets
Fiscal Year Ended June 30**

	2007	2008	2009	2010	2011	2012 Projected	2013 Budget
Current Assets	45,805,754	45,515,711	39,299,954	22,199,959	16,496,427		
Current Liabilities	17,117,109	18,000,968	12,928,688	2,570,710	1,894,249		
Capital Assets, net of accumulated depreciation	76,913,051	73,794,673	74,719,675	70,200,627	65,736,675		
Revenue Bonds, long-term portion	-	-	-	-	-		
Unrestricted Net Assets/(Deficit)	34,215,792	28,085,991	21,329,011	9,327,738	(423,349)	(7,646,457)	(10,646,457)

Water and Sewer Combined

	2007	2008	2009	2010	2011	2012 Projected	2013 Budget
Current Assets	63,054,031	61,670,993	52,513,365	31,292,705	25,792,393		
Current Liabilities	24,170,240	25,039,983	19,724,866	10,858,119	13,630,535		



CITY OF FLINT

Infrastructure and Development

Dayne Walling
Mayor

Michael K. Brown
Emergency Manager

Howard D. Croft
Director

June 26, 2012

Sue F. McCormick
Director DWSD
735 Randolph St.
Detroit, MI 48226

Dear Ms. McCormick,

In cooperation with the Michigan Department of Environmental Quality (MDEQ) and city engineers, the City of Flint has undertaken a review of the regulatory requirements necessary to supply water to our residential and commercial customers. As part of our evaluation it was determined that the Flint Water Treatment Plant is capable of successfully "blending" or "co-mingling" water sources while continuing to provide quality drinking water to citizens.

The Flint Water Treatment Plant would require approximately \$1.3 million dollars in increased expenses in order to blend as much as one third (1/3) of treated river water with two thirds (2/3) of treated DWSD water. Using the 2013 DWSD rates this would result in savings of between two and three million dollars annually based on current usage data. The MDEQ has provided Flint with written documentation supporting our blending of water sources and the potential benefit.

Given this information we respectfully request written permission from DWSD to proceed with blending treated Flint River Water with treated DWSD water.

It should be understood that our goal is to deliver both high quality and economically viable water to our customers. This goal has led us to fully consider all available options including purchasing water from the Karegnondi Water Authority and use of the Flint River. We believe that in order for an option with DWSD to be successful it is essential that along with the proposed authorization to blend water that there is a guaranteed containment of the new "fixed costs" that exist in the current fee structure. The new DWSD fixed charge of \$707,000 each month regardless of amount of water used is five times the original \$143,000 each month instituted only two years ago. This has resulted in the cost of water from DWSD dropping in recent years as the overall fee has increased annually by millions although our usage has continued to decline. The continuation of this trend would render our request and goals invalid.

With the current Emergency Manager condition in Flint we believe that limiting an agreement to only three years is appropriate. This time frame would also serve as an evaluation period prior to any proposed long term agreement being considered.

We appreciate your consideration and look forward to working together.

Sincerely,

Michael K. Brown
Emergency Financial Manager Flint, Mi.



CITY OF FLINT

Infrastructure and Development

Dayne Walling
Mayor

Michael K. Brown
Emergency Manager

Howard D. Croft
Director

June 26, 2012

Roger Fraser
Deputy State Treasurer
Lansing, MI 48226

Dear Mr. Fraser,

For the last six months the City of Flint has aggressively pursued a more economically viable way to provide quality drinking water to its customers, one of which is Genesee County. In recent years our 40 year contract to purchase treated drinking water from the Detroit Water and Sewer Department (DWSD) has expired but Flint continues to purchase water from DWSD without a signed contract or agreement.

There are several water source options currently available to Flint, each with pro's and con's which we have carefully worked to evaluate. The Flint River, the Karegnondi Water Authority (KWA) and DWSD are all options which have been given significant consideration. We have solicited information and advice from the Department of Environmental Quality (MDEQ), Oakland County officials, DWSD officials, the Genesee County Drain Commissioner, and engineering firms to assist in making this significant decision.

Briefly;

The Flint River – Using the river would require costly upgrades to our water plant (up to \$60 million dollars) and would only be able to provide water to the City of Flint.

The KWA – A regional project which stands to bring raw water into the area for potential industrial growth and is expected to significantly reduce water bills but requires a yet to be determined 20 year bond commitment.

The DWSD – Negotiating a new agreement here would not require an investment but recent pricing trends, growing infrastructure problems, and cost restructuring by DWSD have all but assured this to be the most costly option.

The MDEQ has supported means such as blending water sources which offers the ability to have a measure of control over water (commodity) costs regardless of which primary source is used, but still leaves rising infrastructure costs as a concern. Given the steps we have taken, we believe that submitting a non-committal "capacity amount" to KWA in order to determine the actual construction costs of this project is the logical next step. The capacity amount is the maximum amount of water Flint anticipates using over the next 30 years and would be used to calculate Flint's percentage of construction cost.

We have included in this submission drafts of letters written to both DWSD, and KWA in which we have detailed our requests and intentions of each entity, to help further our evaluation. We would also like for the treasury to review each document and support our decision to pursue final construction costs pertaining to purchasing water from the KWA.

It should also be noted that the City of Flint is actively looking at various City/County partnerships which could have a positive impact on both the efficiency and the cost of providing quality drinking water to citizens. The discussions being held are designed to aid in the overall scope of water delivery, maintenance, infrastructure, and service throughout the County and could potentially help the current economic condition.

We appreciate your tie and attention,

Sincerely,

Michael K. Brown
Emergency Financial Manager Flint, Mi.

FLINT WATER SUPPLY FUTURE

1. Based on all our analysis, KWA presents the best opportunity for Flint for the following reasons:
 - a. Because approximately 40% of Michigan's population is served by the Detroit Water and Sewer District (DWSD) system, it is in Flint's, as well as the State's, best interest for a second pipeline to be built.
 - b. It is the least expensive of the alternatives and provides for relatively fixed rates for water to the Flint citizens for the next 25 years. In the first year of operations (Fiscal Year 16), the City should be able to deliver water for about the same costs as today with annual increases of less than 3%.
 - c. Flint can use the Flint River for its backup and that cost is factored into the above projections.
 - d. It eliminates the need to update the dams at a substantial savings to the city. A Riverfront Restoration Plan exists which deals with the elimination/replacement of the dams.
2. Use of the Flint River while feasible is risky and very expensive
 - a. Significant upgrades would need to be made to the dams to insure adequate water levels during both high and low water events
 - b. The cost of treating river water is more expensive than treating lake water
 - c. In a study of the Flint River in 2011 it was estimated that the up front cost of Flint using the river would be \$61.5 million.
3. If Flint does not participate with Karegnondi Water Authority (KWA) it will be a hostage of Detroit or the Flint River for the next 40 years.
4. The estimated cost of continuing to use DWSD water would be \$19 million more than KWA over the next eight years conservatively. It is our belief that based on everything we read and hear about Detroit the rates will increase substantially more than our forecast.
5. Concerns
 - a. KWA would consist of five Incorporating Board Members
 - i. Genesee County
 - ii. City of Flint
 - iii. City of Lapeer
 - iv. Lapeer County
 - v. Sanilac County
 - b. Only two, possibly three, municipalities would sign capacity agreements to buy water, though all would have a vote.
 - c. In addition an additional ten board members will be appointed on the basis of water purchased.
 - d. It is concerning that members not purchasing water could make decisions affecting those that are paying the costs.

- e. In any event, Flint would be a minority voting member, with Genesee County having a majority. (The Five member incorporating board can override the decisions of the total board on some matters such as incurring debt and selling the system).
- f. In the event of cost overruns after contracts are signed, the Board could vote to incur additional debt even if Flint was opposed.
- g. Flint would have the option to opt out if the bids exceed the projected costs (\$355,000/unit per year).
- h. Based on cost estimates by KWA Flint would have to pay a one time fee of \$581,400 upon signing a capacity contract and then \$48,450 per month until the bonds have been sold. (Estimated to be 3 years) A total of \$2.3 million will be recovered in the first year of operations under KWA.
- i. At the end of the contract (40 years) KWA owns the system and has no obligation to deliver water to Flint.
- j. If construction costs exceeded projections by 15% and if constructions was to be delayed by one year and the city was obligated to make its first year debt service before KWA begins operations, the city's up front costs would exceed \$10 million. Given the City's precarious financial position it would be necessary to find a source of capital for this until operating savings covers it.

6. Funding sources for:

- a. \$2.3 million got up front operating costs.
- b. \$7,100,000 for upgrades to the water treatment plant.
- c. \$8.2 million additional up front cost if there are significant cost overruns and a one year delay in water supply delivery from KWA. (This would require an additional source of capital.)

7. Next steps

- a. Finalizing a contract with KWA
- b. Continue to explore options for the operation of the Flint Water System
 - i. \$25,000,000 in bond debt and high legacy costs limit options

FLINT WATER SYSTEM OPTIONS

DWSD OPTION: Continue to purchase water from DWSD. Some blending with River Water.

Potential Positives:

- Purchases from DWSD are the cheapest option at the onset.
- In the event that the City experiences unexpected growth, DWSD could provide more water above current projections. The maximum MGD DWSD can provide needs to be determined.
- If the City buys water from DWSD, could the City use KWA as a backup?
- A plan to address water loss within the system needs to be developed.
- Requires no bonding by the City.
- Use of the 72" Line will lower water rates.
- No duplication of service lines.
- Flint could try to negotiate better terms with DWSD.

Potential Negatives:

- DWSD is the most expensive option by 2042.
- Not a member of the Board of Directors.
- It is unclear what the current rate Flint is paying to DWSD for water? It is also unclear how many MGD is Flint currently purchasing?
- Flint needs to determine the amount of water that the system is currently losing (estimated at 25%). How losses impact current or future purchases from DWSD needs to be determined.
 - *Flint may have begun a water meter replacement program to begin to identify some of these losses.*
- A projected cost and funding for system repairs to reduce water loss needs to be prepared.
- Overall expenditures required to cover the outlined options are going to require water rates to rise almost annually. An analysis of what rates might look like and what the capacity of the public to pay these rates might be should be performed.
- The December 21st letter from DWSD to Flint outlines some different options for Flint than what was presented by TYJT. What are the potential impacts?

KWA OPTION: Purchase Lake Huron water through the KWA Authority.

Potential Positives:

- Lower costs than DWSD in 2042.
- Excellent water quality. Requires less treatment.
- Has a management position in the authority.
- Bonding can be done through the County.
- In the event that the City experiences unexpected growth, KWA could provide more water above current projections. The maximum MGD KWA can provide needs to be determined.
- Could the City partner with KWA to increase the size of their water plant and purchase 100% of water from them and mothball the Water Plant?
- If the City buys water from KWA, could the City use DWSD as a backup?
 - *TYJT states that the MDEQ will require Flint to have a redundant water supply.*
- Could KWA purchase or lease Flint's water plant for redundancy?
- Flint could try to negotiate better terms with KWA.
- Allows cooperation with other communities via KWA.

Potential Negatives:

- Most expensive option at the onset.
- Need to determine who maintains the supply line into Flint.
- Requires 2 bond issues.
- Flint needs to determine the amount of water that the system is currently losing (estimated at 25%). How losses impact current or future purchases from KWA needs to be determined.
 - *Flint may have begun a water meter replacement program to begin to identify some of these losses.*
- A projected cost and funding for system repairs to reduce water loss needs to be prepared.
- Overall expenditures required to cover the outlined options are going to require water rates to rise almost annually. An analysis of what rates might look like and what the capacity of the public to pay these rates might be should be performed.

FLINT WATER PLANT OPTION: Utilize Water Plant for 100% of needs.

Potential Positives:

- Cheapest option in 2042.
- Water source is the river; not required to purchase water.
- Could use KWA or DWSD as back-up.
- What is the budget surplus of the City's Water Fund? Are any funds available for additional repairs, staffing, capital improvements, etc.?
- What is the current maximum production capability of the Flint Water Plant?

Potential Negatives:

- River water requires more treatment.
- Is the City's current repair/maintenance budget for the water system sufficient?
- How old is the Flint Water Plant? What is its projected lifespan?
- What is the current annual cost to run the plant?
- How large is the current staff at the Water Plant? What staffing level would be required to run the plant at full capacity?
- Does the Water Plant have the capacity to provide more MGD if Flint experiences growth?
- Given the current financial situation, does the City have the ability to sell \$85.5-million bonds necessary to make the improvements being proposed for the Water Plant?
- If decline continues in Flint, there could be operational and financial impacts. What this would do to water purchases and debt payments should be determined.
- Is there sufficient river water available over the next 30-years to supply Flint's needs?
- Limited ability to sell water to others. Surrounded by KWA and DWSD.
- Hard to compete against KWA's new infrastructure.
- How will OPEB liability be addressed?

UPDATE TO TREASURY REGARDING THE CITY OF FLINT EVALUATION OF WATER SERVICE DELIVERY

1. It is the goal of the City of Flint to assure the delivery of water to its residents and businesses at the lowest cost possible over the long term. City officials have expended considerable amounts of time over the past many months evaluating three primary options: water service delivery by KWA, continued water service delivery by DWSD, and sole reliance on the Flint River. At this time we continue to consider the KWA and DWSD options, but do not believe that sole reliance on the Flint River would be in the best interests of the City.
2. We have previously provided Treasury with an analysis of the KWA and DWSD options. At this time, depending on the final outcome of negotiations regarding future costs, either option could be the best for the City.
3. Treasury engaged the services of Tucker, Young Jackson, Tull, Inc. (TYJT) of Detroit to review the assumptions underlying the KWA option. Their assessment was recently presented to City officials and raised several questions as to the credibility of the KWA option. City officials shared the TYJT assessment with Rowe Engineering and the Genesee County Water and Waste Services and requested their response to the TYJT analysis.
4. Rowe Engineering met with City Officials to review their response to the TYJT assessment and provided the attached report. In our judgment, Rowe adequately addressed the significant concerns raised by TYJT, including those related to pump station costs, land acquisition costs, legal, engineering and contingency estimates, and bonding costs. Consequently, it is our belief that the KWA proposal as outlined in October, 2012, is credible, and should continue to be used in evaluating the City's options.
5. Further, our review of the proposal from DWSD (December 21, 2012) raises questions which must be addressed. For example, the DWSD proposal indicates that the cost reductions would be phased in over five years. Further, no actual projected dollar amounts for the first year or subsequent years were included in the proposal. The City has asked DWSD, based on a projected water usage, to supply the City with projected dollar and unit costs over the next five years. The Detroit proposal also does not address projected future rate increases. (See attached Proposal and Rate information)
6. Based on the Proposal from Detroit along with projected rates for FY13 provided November 9, 2012 by DWSD, The City has developed a cost analysis of the following options:
 - a. Detroit Proposal 1 with a 6.8% annual rate of increase
 - b. Detroit Proposal 1 with a 4.4% annual rate of increase
 - c. KWA based on the Rowe study

It is important to note that a review of the City's records reflects a 10.5% average increase over the past 10 years. For the entire history of our contract with DWSD the average annual increase has been 6.7%. Note that the TYJT's analysis was based on the 2004 through 2014 years which showed a -7.4% rate increase in the first year (2004), while ignoring the 2003 year which showed a 38.1% rate

increase. The time period of 2002 through 2012 was used to calculate Genesee County' rate. (See attached Rate Analysis)

The City's projections for the above referenced options over the 30 year life is as follows: (See attached Cost Analysis)

- a. Detroit Proposal 1 with a 6.8% annual rate of increase—\$890,513,917
 - b. Detroit Proposal 1 with a 4.4% annual rate of increase—\$705,602,181
 - c. KWA based on the Rowe study—\$649,241,254
7. One of the options provided by TYJT on page 9 of their slides projects a rate of \$11.11/MCF. If DWSD can provide that rate along with a guarantee of future rates not to exceed their projection of 4.4% over the life of the contract, the City would sign a contract with Detroit. It is the City's belief that the WSW would also sign a contract.
8. If the City of Flint signs a contract with Detroit the following provisions should also be agreed upon:
 - a. The City would have a seat on the Technical Advisory Board
 - b. The City would have a seat on the DWSD board
 - c. That the City could opt out if the conditions as Proposed by DWSD are not agreed to
9. All things being equal the City believes the following are also important:
 - a. The availability of raw water to the City and County for economic development in heavy/light industry, food processing and agriculture
 - b. The possibility of creating a Mid-Michigan Regional Water/Sewer Authority
10. For the sake of regional integrity, it would also be a step backwards for the City of Flint and Genesee County to be on different water supply systems. It is in the City's best interest to be able to pursue shared services with nearby municipalities and counties
11. The City would also reiterate the critical nature of long term costs. The City is not well served with decisions that work for the short term but not the long.

REVENUES

City services are funded by a mix of property taxes, income taxes, state and federal shared revenues, and fees, charges, and assessments. The current property tax rate for city services is 15.5 mills, or \$15.50 for each \$1,000 of taxable value. Residents and businesses also pay a 1% income tax, while non-residents pay one-half that amount, the limit set by state law.

The revenue stream supporting city services in this budget is different from the current year's in some significant ways:

- With property values continuing to decrease, property tax revenues are decreased by more than 20%. These revenues are decreased even further as the 3 mill levy for waste collection is eliminated in favor of a new waste collection fee designed to cover the entire cost of that service.
- State shared revenue remains at the reduced level legislated by the state beginning in FY12.
- Revenues from some major grant sources – the SAFER grant for firefighters and the MOTT grant for community policing – are not included, as there is no certainty those funds will be received.
- Revenues from a new city-wide special assessment will reduce the cost burden on the City's General Fund while providing funding for the operation, maintenance, and improvement of the City's street lighting system.
- Additionally, it is necessary to increase water and sewer rates significantly in order to have sufficient funds to operate the system. A system capable of serving more than 200,000 users is now utilized by less than half that number. The systems are old, in need of repair, and costly to maintain. Costs from the primary supply source - the Detroit Water System – have also increased significantly over the past several years. While there have been significant increases in rates over the past few years, they have not been sufficient to cover the operating costs of the systems. While there are currently significant and positive efforts being made to make the systems more efficient and cost effective, they will not affect the cost of operating the systems this year.

The impact of these changes in the revenue stream will vary on taxpayers, businesses and residents. Compared to the current year, many taxpayers will see an increase in their total payments for city services, with the amount varying to the extent that their property values have reduced.

However, when compared to total payments for city services made in 2005 – before the precipitous drop in property values began - many taxpayers will still be paying less. It appears that owners of property with a taxable value of more than \$53,450 in 2005 will still pay less for city services in FY13 than they paid in FY2005. Property owners with a taxable value of less than \$53,450 in 2005, however, will pay more for city services in FY13 than they paid even in FY2005.

Unfortunately, with the tools at hand for raising revenues at this time, it is not possible to spread the impact differently. Alternatives such as raising the property tax millage or the income tax rate require voter approval and, in the case of the income tax, state legislative approval as well. However, these alternatives are being evaluated for future use.

EXPENSES

The revenues collected pursuant to this budget will be used to provide a very basic level of services in the areas traditionally provided by the City. Police and fire protection and other public safety services, water and sewer service, trash collection, street maintenance and lighting, parks maintenance, building inspection, code compliance, demolition and other community development activities, will all be continued, although in different ways and at reduced levels. Citizens can expect that response times for certain services or requests for information will be slowed.

The City's workforce will be reduced by more than 20% and, unfortunately, layoffs will occur. The extent of these reductions has been lessened significantly with concessions obtained from employee bargaining units.

Reductions equivalent to 20% of the wage base have been negotiated with three of the six city bargaining units (IAFF, FPOA Sgts, and FPOA Command), and a final vote on similar concessions with AFSCME 1799 is pending. Concession discussions with AFSCME 1600 and FPOA Patrol continue, but no agreements have been achieved. This budget assumes implementation of similar concessions across all bargaining units and exempt employees.

Similarly, reductions in the cost of retiree health care are also anticipated. The cost for the City's 1,500 retirees is projected at nearly \$25 million for FY13, an amount which severely constrains the ability of the City to provide services to its residents. The City has determined that there are alternative means by which health care can be provided to retirees but at a significantly reduced cost. The City intends to implement the less costly alternative and has incorporated more than \$4 million in anticipated cost reductions savings into this budget. Without such cost reductions, the City's workforce will be reduced even further.

Within the context of these revenue constraints and overall expense reductions, a very basic level of services will be provided to the residents and businesses in Flint in 2013:

PUBLIC SAFETY

Police – With the continued loss of tax and grant revenue, the Police Department will be minimally staffed at a level of 108 sworn officers and 21 non-sworn personnel. This represents the current level of staffing less 19 officers funded by grants which have expired. Requests for continuation funding are in process but have not been approved at this time.

Given the financial condition of the City, funding at this level represents a significant commitment to public safety, but it is recognized that more must be done. In the ensuing year, the department will be transitioning to 12 hour shifts. This transition will reduce overtime expenses

and should increase the number of officers on patrol at any one time. The efforts of the FPD will continue to be assisted with continuing support from the Michigan State Police, and contracted services from Hurley Hospital and Kettering University. Aggressive efforts will be made to seek the renewal of grants and to seek additional permanent funding for this essential service.

911 - 911 Dispatch will continue at current staffing, while efforts continue to consolidate City and County dispatch operations. Communications with and between officers will be enhanced with the projected move to the 800 MHz system on July 1, 2012.

Fire - With the expiration of the federal SAFER grant, funding for 39 firefighters would be lost, potentially reducing total staffing in the Fire Department to 54. However, with the reductions in costs attributable to union concessions, and an assessment of the impact this would have on the ability of the City to provide virtually any level of fire response, staffing in this budget is at 62.

Given the staffing constraints, three of the current five stations will remain open pending the decision on the SAFER grant. In addition, with Genesee County now providing paramedic response, the City's paramedic personnel will be assigned to suppression.

The City is aggressively pursuing renewal of the SAFER grant and, should it be received, the number of stations in operation could be increased.

Court - As required by law, the City will continue to financially support the operation of the 68th District Court. Recognizing the financial circumstances of the City, along with the court's decreased caseload and offsetting revenues, court funding is reduced in this budget.

Lock-up - The City has been aggressively working to receive funding from the State of Michigan for re-opening the City Lock-up. At this time an operational plan is being developed as a condition for receiving consideration for funding. There are no City funds allocated in this budget for operation of the Lock-Up.

INFRASTRUCTURE

Water and Sewer - The expenses of the Water and Sewer system can be viewed in three categories – operations and maintenance, capital improvements, and purchase of water. Operational costs, in terms of personnel, have been reduced to the minimum necessary to operate the collection and distribution systems, but ongoing increases in compensation-related costs, such as pension and healthcare, make significant dollar reductions difficult.

Ongoing capital expenses are a necessity, as significant repair and replacement activities such as replacing broken water meters and keeping pump stations operational and in regulatory compliance, are necessary on an ongoing basis. Improvements are also necessary to improve the efficiency of operations, such as implementing remote monitoring of pump stations.

Finally, the purchase of water at ever-increasing rates is a significant cost of the operations, and while efforts to contain these costs are ongoing, they will not likely affect the cost of operations in FY13.

The costs of operations for water and sewer are projected at \$85 million, with projected revenues at current rates totaling approximately \$65 million. Recent rate increases do not generate sufficient revenues to cover the total costs of operations. Thus, in order to keep the systems financially solvent and provide funds for operation and maintenance, the overall rates for water and sewer will be increased in total by an average of 25%. Sewer rates are projected to increase by 45% while water rates are projected to increase by 12.5%. Even with this increase, it is not possible to set aside funds for pre-funding retiree health care, so formal balance sheets will still show deficits.

Waste Collection – The City has historically provided weekly trash pick-up for all residents, with the costs presumably paid from a special 3 mill property tax levy. However, the amount collected from the levy has reduced as property values have fallen, and costs of collection – personnel costs being a significant portion – have increased. As a result, the City's General Fund has subsidized the difference, by as much as \$1.5 million in the past year.

Consequently, the 3 mill levy for waste collection will be discontinued, and a collection fee on residential properties will be implemented. It is anticipated that in the first year (starting July 1, 2012) the waste collection process will continue on a weekly pick-up schedule and will include composting. Fall leaf pick up will be restored. In the second year, it is expected that the waste collection service will be expanded to include recycling, and by that time a thorough evaluation of the means by which the service is carried out will be completed.

The fee for this service will be added to the property tax bill for owners of residential property, and is currently projected to be \$143 in FY13, based on the projected cost of the service as reflected in the budget and the number of property owners billed. The amount will be adjusted on an annual basis to assure that it is reflecting the cost of the service.

Streets and Transportation – Funding for streets and transportation activities – with the notable exception of street lighting – is provided primarily from the state collected gas and weight tax allocated by formula to the City. That amount has been decreasing over the past years, making the ability to maintain local and major streets, sidewalks, and traffic control mechanisms very difficult. As with sewer and water, the City's road system is built to accommodate more than 200,000, and the City's population is now 102,000. This population drop has also contributed to the City's reduced level of gas and weight tax. As a result, the City's road system is currently rated a "3" on a scale of 1-10, demonstrating the effect of the lack of maintenance. The road maintenance activities for FY13 are focused primarily on preventive maintenance rather than targeted resurfacing, and will be chosen on the basis of most critical need and best return on investment.

Financing of infrastructure in the FY13 budget and beyond will be aided by use of a special assessment for street lighting, which is currently a general fund cost of nearly \$3 million. The implementation of a city-wide special assessment district will provide for the operational costs of the current system and will enable upgrades and improvements to street lighting throughout the City. The assessment will be added to the property tax bill for all property owners, and is currently projected to be less than \$100 per property in FY13. The amount to be assessed will be adjusted annually to reflect the projected cost for the operational, maintenance and improvement costs, and the number of property owners.

Parks - Maintenance of the City's 64 parks and its many trees in the rights of way will be funded primarily from the .5 mill special parks millage. Maintenance of the City-owned recreation/ community centers are also supported by the General Fund. Maintenance of parks, including play equipment, rights of way, and trees is minimal, and consists primarily of mowing, paying utilities, and responding to emergencies. There has not been any significant investment or maintenance of play structures in the parks for several years. Unfortunately, this level of investment will at best continue with the funds provided in this budget. Efforts will continue, as they have this year with golf courses, to find alternative ways to sustain the City's recreational assets. Continuing efforts will also be made to engage volunteers, neighborhood groups, and others to support specific parks and recreation centers.

Development - Building Inspection and Code Compliance activities will continue to the extent funds are available. Grant funds are budgeted at a reduced level to continue demolition activities and building inspection and code compliance fees are being reviewed again to see if the level and type of fees and fines are sufficient to cover costs and encourage voluntary compliance. In FY13, demolition activities will be done primarily by contractors in order that full cost recovery can be obtained from grant funds.

Planning and zoning activities will continue to the extent funds are available. Grant funds are budgeted to continue the upgrade to the City's master plan.

Community and Economic Development - Minimal ongoing financial support of economic development, in the form of CDBG funds, is also continued. Administration of the City's CDBG and NSP programs will continue, although grant funds are reduced. Evaluation of the administrative structure has resulted in reduced costs to the General Fund.

FINANCE AND ADMINISTRATION

All organizations have internal functions which support the delivery of services to the organization's constituency. In the City of Flint, these functions include assessing, accounting and budgeting, human resources, purchasing, information technology, risk management, fleet, facilities, treasury, and tax collections. Some of these functions are scalable to the size of the organization (such as human resources and risk management); others are not (such as tax billing and assessing). Regardless, with a decreasing base of business, and a corresponding reduction in workforce delivering services externally, there is compelling pressure to reevaluate processes and workforce numbers involved in all of these processes.

Changes are reflected in the size of the workforce appropriate to the current financial situation. It is also necessary to change internal processes to reflect an organization closer in size to 500 employees rather than 1,500. Changes beginning or planned include:

- Streamlined purchasing processes, including use of procurement cards for smaller purchases
- Simplification of processes for approving purchases
- Use of electronic means for processing payables and purchase orders
- Elimination of staffed stock rooms

- Changes in pension system administration and performance
- More reliance on Third Party Administration for workers' compensation related activities
- Elimination of manned security cameras where appropriate
- Evaluation of costs associated with custodial services
- More reliance on computer access for customer inquiries
- Consolidation of customer service functions
- More investment in technology to enhance productivity
- Commitment to funding necessary capital improvements which provide the workforce with proper equipment and facilities
- Implementation of a performance measurement system
- Commitment to rebuilding financial reserves by annual appropriation to a Budget Stabilization Fund

PUBLIC IMPROVEMENT FUND

The City Charter requires setting aside the proceeds of a 2.5 mill levy for the purposes of capital improvements and debt service. For the foreseeable future, these funds will be dedicated solely to current and anticipated debt service. A significant increase is expected as the City recognizes the need to increase its share of debt service for the downtown parking ramp debt, for making its required debt service of the initial Fiscal Stabilization Bonds, and for incurring future debt associated with additional bonding to alleviate the accumulated General Fund deficit. For FY13, it is projected that approximately \$1 million will be available for the new debt service associated with additional Fiscal Stabilization bonds; in FY14 the amount available for debt service is projected to grow to approximately \$1.5 million as current debt service for equipment ends.

GOVERNANCE AND OVERSIGHT

Core offices associated with governance and oversight traditionally include Council, Mayor, Administrator, City Attorney, City Clerk, Ombudsman, and Civil Service. Under receivership, there is also an Emergency Manager.

Several changes resulting in cost reductions were implemented by the Emergency Manager. These include: a reduction in salaries for the Council and Mayor, elimination of funding for the Ombudsman and Civil Service Commission, and the appointment of personnel to assist, either paid only on an hourly basis without fringe benefits, or loaned from another source. These cost reductions are continued in the FY13 budget.

Additionally, the costs of issuing business permits through the City Clerk's Office indicate that the costs of administration appear to significantly exceed the revenues collected. It will be necessary in the future to either reduce costs or increase permit fees to offset this imbalance.

CONCLUSION

The financial decisions made in this budget are significant but unavoidable. The budget reflects difficult decisions on the part of administrators and employees made to enable the City to provide services in FY13 at the levels its resources allow. The service levels will be low and not at a level anyone finds acceptable over the long term.

These decisions, however, provide the basis for going forward in a positive way. The budget is realistically balanced, with full expectation that when June 30, 2013 arrives, the City will not have once again spent more than it has taken in. It will have also put into place the financing to address the accumulated deficits of the past. Significant progress is being made to achieve financial solvency.

While there will certainly be financial challenges, decisions made in this process will assist in going forward. The decisions regarding employee compensation not only helped to address the short term financial challenge, but will assist in controlling expenses in the future, as the growth in future unfunded liabilities is slowed.

If the City government of Flint is to be a positive force in making Flint a safe and attractive place for residents, businesses, and visitors, it must have its own house in order. It cannot teeter on the edge of financial insolvency and hope to lead the way.

BUILDING THE FUTURE

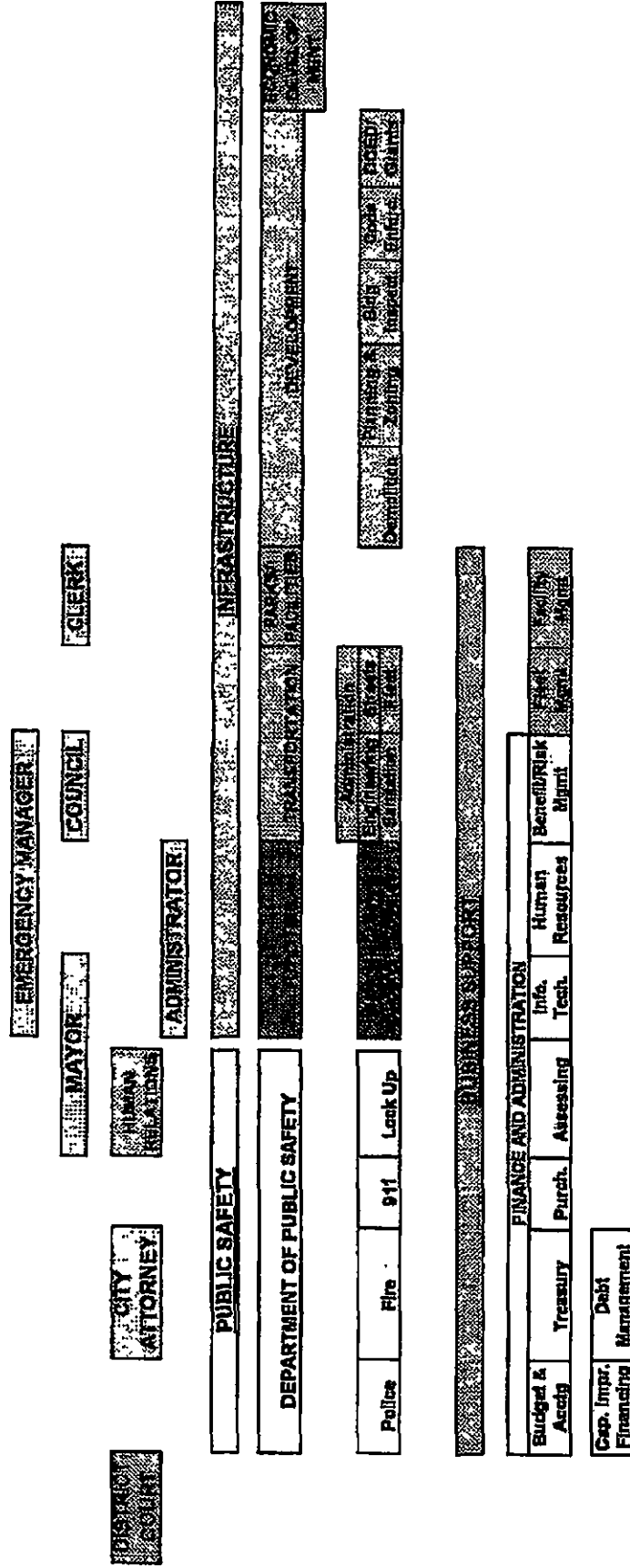
The focus of the 2013 budget process remains on the future of Flint. While this budget includes sharp reductions in both revenues and expenses, WE SEE HOPE FOR THE FUTURE.

These hopes are based on some very tangible and promising factors:

- Expense reductions are designed to live with current realistic revenue projections;
- New revenue options for fiscal year 2014 and beyond will include actual fees for services, special assessment districts and other revenue options;
- Partnership with the State Police and other law enforcement agencies will be expanded to create a safer environment for our citizens;
- Additional resources will be secured to house individuals who are continually abusing our residents in the neighborhoods; the City Lock-up will open and remain open;
- New public and private partnerships will be developed to provide waste collection services, senior citizen services, youth employment and training programs;
- Internal City operations will be improved in regard to finance and accounting, more efficient operation of licensing and permitting, and expanded training for our employees, including supervisory training;
- The City's information and technology capability will be improved, enhancing the capacity throughout the City, from paying bills on time to public safety issues faced by our police and fire operations.

As the City moves beyond the 2013 budget year, and the management of our affairs improves, citizens will see better response times from police, removal of individuals who are harming our children and seniors from our neighborhoods, improved code enforcement at homes owned by absentee landlords and expanded opportunities for our young people.

CITY OF FLINT - ORGANIZATIONAL CHART



Cost Calculation Methodology per Unit for KWA Debt Service - ALL PAYMENTS ARE ESTIMATED

		years 2017 through 2038		years 2039 through approx. 2041		year 2042 and later
Payment on 2013 Intake Bonds		2,528,000		0		0
Payment on 2014 A KWA Bonds		15,165,200		15,168,788		15,165,250
Payment on 2014 B KWA Bonds		~~5,210,000~~		~~7,229,450~~		~~7,234,575~~
Total Payments		~~20,375,200~~		~~22,398,238~~		~~22,399,825~~
Genesee County Share	42	70.00%		70.00%		70.00%
City of Flint Share	18	30.00%		30.00%		30.00%
Total Units	60					
County Share of KWA Bonds	70.00%	14,262,640	70.00%	15,678,766	70.00%	15,679,878
Less Credit for 30% of Intake Bonds Debt Service		~~758,400~~		~~733,980 [1]~~		~~0~~
County Adjusted Share of KWA Bonds	66.28%	13,504,240	66.72%	14,944,786	70.00%	15,679,878
Units of Capacity		42		42		42
KWA Cost per Unit		321,530		355,828		373,330
Flint Share of KWA Bonds	30.00%	6,112,560	30.00%	6,719,471	30.00%	6,719,948
Plus 30% Share of Intake Bonds Debt Service		~~758,400~~		~~733,980 *~~		~~0~~
Flint Adjusted Share of KWA Bonds [2]	33.72%	6,870,960	33.28%	7,453,451	30.00%	6,719,948
Units of Capacity		18		18		18
KWA Cost per Unit		381,720		414,081		373,330

[1] Equal to 1/37th of 30% of first 3 year's and 1 month debt service on Genesee water intake bonds multiplied times 12 months (\$7,543,648 x 30% / 37 = \$61,165 per month x 12 months) until # of months is reached from intake bonds Oct 1, 2013 issuance to date KWA begins supplying raw water.

[2] The total of Flint's payments for intake bonds will be \$18,955,726.17 which is 30% of the intake bond's debt service

Formulas for the above calculations follow

Years 2017-38 - A Year is defined as payments due May and November of each calendar year

Intake Bonds Credit Calculation: (30% of Intake Bonds Debt Service)

County Cost per Unit Calculation: ((70% of KWA Debt Service minus Intake Bonds Credit) divided by 42 units)

City Cost per Unit Calculation: ((30% of KWA Debt Service plus Intake Bonds Credit) divided by 18 units)

Years 2039 through Approximately 2041 - A Year is defined as payments due May and November of each calendar year

Intake Bonds Credit Calculation: (See note 1 above)

County Cost per Unit Calculation: ((70% of KWA Debt Service minus \$61,165/month Intake Bonds Credit) divided by 42 units)

City Cost per Unit Calculation: ((30% of KWA Debt Service plus \$61,165/month Intake Bonds Credit) divided by 18 units)

Intake Bonds credit will be \$61,165 per month or \$733,980 per year until Flint's total debt service obligation of \$18,955,726.17 has been satisfied.

Years 2042 and beyond - A Year is defined as payments due May and November of each calendar year

If the City's obligation on the Intake Bonds is not entirely satisfied, continue as above Otherwise:

County Cost per Unit Calculation: (70% of KWA Debt Service divided by 42 units)

City Cost per Unit Calculation: (30% of KWA Debt Service divided by 18 units)

The above methodology depicts recovery of Flint's 30% of debt service on the 2013 water intake bonds from January 1, 2039 through the number of months Genesee County made intake bond payments on Flint's behalf before KWA becoming operational. Initially, Genesee County will pay 100% of the intake bonds debt service. At the time KWA becomes operational, the City of Flint will begin paying 30% of the intake bonds debt service and continue making payments after the intake bonds have been repaid for the number of months from October 1, 2013 when the intake bonds were issued until the KWA system becomes operational. The above calculations are for illustration only. Actual payments will be determined after the KWA bonds have been issued and when the project becomes operational with regard to Flint's contributions for the Intake Bonds which begin in 2039 and will continue until the obligation is satisfied.

Contractual payments from Genesee County and the City of Flint will be due to KWA in 12 monthly installments beginning on the November 1 prior to the following calendar year's bond payments, and continuing through October 1 such that each year's annual KWA bond payment obligation (due May 1 and November 1) is on hand at least one month prior to KWA's bond payment dates.

DEFICIT REPORTING FORM

Unit No. 23-2-040
Name City of Flint
Fiscal Yr. 06/30/2014

Last Updated May 1, 2014

Approvals
Initials Date
JFS 1-2-15
1/26/2015

Reviewer: Manager

The Deficit Reporting Form should be the top sheet in the file reconciling the other documents to it.

Fund Type	Fund Name	ALL FUNDS										EN, IS, CL, & TR FUNDS ONLY										Deficit To Be Eliminated	Reviewer Recommendation	Letter Sent Date or N/A	Submitted Plan Review
		Unrestricted Net Position Deficit	Deferred Inflows of Resources	Taxes and Special Assessments Receivables	Audit Page(s)	DICR minus TABAR	Total Net Position Deficit	Audit Page	Current Assets	Current Liabilities	Audit Page(s)	CA-CL Deficit	CL-CL Deficit	Letter Sent Date or N/A											
CU	General Fund	(8,961,427)	0	0	0	0	1,541,416	3-19	845,872	696,466		149,405		(8,961,427)											
CU	EDC	(119,244)	0	0	0	0								0	NPN										
Plan was cont. Fred																									
T-16-14																									
alt																									

Plan was certified
7-16-14
AJD

Fund Types: GF-General, EN-Enterprise, IS-Special Services, CL-Component Unit, SR-Special Revenue, IS-Internal Services, CP-Capital Projects, TR-Trust Agency

The Unrestricted Net Position Deficit is the sum of the Committed, Assigned, and Unassigned balances. The Total Net Position Deficit and CA-CL Deficit is only utilized for Enterprise, Internal Services, Component Unit, and Trust Agency Funds. The Deferred Inflows of Resources and Taxes and Special Assessments is not utilized for General Funds. See Numbered Letter 2014-1 for further explanation.

REFERENCE TABS

- A Balance Sheet and Income Statement from audit.
- B Formal Deficit Elimination Plan
- C Board Resolution signed by Clerk.
- D Verbiage stating specifically how the deficit will be eliminated.

Projected Deficit \$7,000,000; Actual \$8,961,427

Reduction of deficit was from Transfers to GF from

Sewer Fund (\$2,660,000), Water Fund (\$1,130,000)

Internal Service Fund (\$1,071,543) and Non-Major Govt Funds (\$110,000). Refer to AFS page 3-38

Plan indicated a positive

Edward J. Kurtz
Emergency Financial Manager



Dayne Walling
Mayor

September 20, 2012

Sue F. McCormick & DWSD Board
Director DWSD
735 Randolph Street
Detroit, MI 48226

Dear DWSD Board:

During the past nine months we have had several discussions with DWSD representatives regarding future water rates and other options including permission for Flint to blend treated water from DWSD. Flint currently has received written documentation from the state regulatory agency DEQ supporting the ability for Flint to safely blend treated water from Detroit.

In an effort to move forward we must have a written response from the DWSD Board that clearly states the following:

Will DWSD allow Flint to blend treated water from Detroit?

What are the rates given an estimated usage by Flint and Genesee County of

- 23 MGD Average Daily Usage
- 40 MGD Maximum Day Usage

We are requesting this information be delivered to Flint no later than **October 1, 2012** so that we may evaluate all of our options and begin moving forward.

Sincerely,

Edward J. Kurtz
Emergency Financial Manager

Lamphier, Wendy (Treasury)

From: Dillon, Andy (Treasury)
Sent: Tuesday, September 25, 2012 5:52 PM
To: Fraser, Roger (Treasury); Muchmore, Dennis (GOV); Rustem, William (GOV)
Cc: Stibitz, Brom (Treasury); Roberts, John (GOV)
Subject: Genesee Water Project - City of Flint

Follow Up Flag: Follow up
Flag Status: Flagged

Rick Hammel just called to find out if Flint will participate in this project. I think we owe it to the proponents to give them an answer. Concern I had/have was based on what the engineering firm Tucker Young told me, i.e., that all the costs were not put into the analysis that supported the project. I think we should ask Tucker Young to help us review the rationale and get one of our CPAs to crunch some numbers. I saw we recently hired TY and suspect they will do some preliminary analysis pro bono.

Dennis, I understand Dept of AG may support this project so we may consider having them at the table as we work through this.

Sent from my iPad

Lake Huron Water Supply Study

Karegnondi Water Authority

- City of Flint
- Genesee County

Appendix 20

October 2012 Preliminary Engineering Report Update Final Report

October 4, 2012

DRAFT

42



**ROWE PROFESSIONAL
SERVICES COMPANY**

540 S. Saginaw Street Suite 200 P.O. Box 3748 Flint, MI 48502

20.1 Introduction

The September 2009 Preliminary Engineering Report – Lake Huron Water Supply (2009 Study) compared alternatives for a new regional water supply. Since the 2009 Study, Genesee County and the City of Flint have continued planning and confirmed the capacities to be provided for each. This memorandum updates the capital costs for the proposed new water supply based on the confirmed capacities.

20.2 KWA Water Supply

Ongoing planning has resulted in modifications to the preliminary design developed in the 2009 Study. This cost update is based on the modified preliminary design. For this update, the KWA water supply is assumed to include the following primary components:

- Water Supply Intake
- Lake Huron Pumping Station (LHPS)
- Transmission Mains (Segment 1, Segment 2, and Flint Segment)
- Intermediate Pumping Station (IPS)

It is assumed that the new KWA supply will deliver raw water to a new WTP constructed and operated by Genesee County in western Lapeer County and to the City of Flint's existing WTP. Construction of the new GCDC-WWS WTP and needed upgrades to the Flint WTP will be the responsibility of each agency and these costs are not included in KWA costs.

20.3 Economics

Costs are based on the following criteria:

- Assume construction occurs in 2013 through 2015
- Assume construction is financed by 25 year bonds at a rate of 5%
- Assume engineering, legal, administration, and contingencies are 25% of construction cost
- Adjust construction costs to the current Engineering News-Record Construction Cost Index (ENR CCI) which in August 2012 had a value of 9351

Costs for pump stations and the intake have been updated based on the current design concepts. New material costs for pipe have been obtained from pipe suppliers. Pipe sizes and lengths are revised from the 2009 Study based on providing service only to GCDC-WWS and the City of Flint.

20.4 Capacities

This update is based on providing the following Maximum Day Demands:

GCDC-WWS:	42 mgd
City of Flint:	18 mgd
Total:	60 mgd

Maximum day demands include WTP process water.

20.5 Design Criteria

Based on current market conditions, it is assumed that ductile iron pipe will be used for pipe sizes smaller than 48" diameter and that pipe having a diameter of 48" or more is steel pipe. Pipe is designed assuming a Hazen Williams coefficient of 120 and a maximum operating pressure of 200 psi.

20.6 Reliability

It is assumed that the KWA will provide only the primary raw water supply to each agency's WTP. GCDC-WWS and the City of Flint will each be responsible for their backup water supply for reliability.

20.7 Water Supply Details

Following is a summary of the primary components of the planned KWA water supply. Revised construction costs are based on the following assumptions regarding the planned water supply.

- *78" diameter intake pipeline, extending about one mile into Lake Huron* – Two timber crib intakes are provided each having a capacity of 60 mgd and located in 25 deep water. The intake pipeline has provisions for extension and designed for a capacity of 85 mgd. Both intakes are provided with chemical feed provisions to control zebra mussels.
- *Lake Huron Pump Station (LHPS)* – Four 14,000 gpm vertical turbine pumps with constant speed motors are planned. Pumps will draw from one of two clear wells, each provided with separate screens. No backup power is planned for the pumps; a redundant power supply from the utility is planned to maintain lights and controls in the event of loss of the primary power supply.
- *Transmission Main Segment 1* – 121,000 Lf of 60" pipeline will convey water from the LHPS to the Intermediate Pumping Station (IPS) reservoir, located midway between Lake Huron and a new water treatment plant (WTP).
- *Intermediate Pumping Station (IPS)* – The IPS is assumed to provide four 14,000 gpm constant speed horizontal split case pumps to pump water from the IPS reservoir to the GCDC-WWS WTP. The IPS reservoir is planned to be an open top, 5 million gallon ground storage tank. The reservoir will allow for balancing of variations in the pumping rates between the two pump stations. No backup power is planned for pumping. A generator is planned to provide lights and maintain controls in the event of loss of power from the utility company.
- *Transmission Main Segment 2* – The IPS will pump water to the GCDC-WWS WTP through 148,000 Lf of 60" pipeline.
- *Transmission Main Flint Segment* – 96,000 Lf of 36" transmission main will be provided to convey water past the GCDC-WWS WTP to the City of Flint's existing WTP.

20.8 Project Cost

The updated project cost for the proposed water supply is \$272,000,000. Figure 1 provides a summary of the costs. Annual principal and interest payments for the project are estimated to be \$19,300,000 for a total of \$483,000,000 over the life of the 25 year bond period. The annual unit cost is estimated to be \$322,000 per each 1 mgd of total capacity.

Figure 1 - KWA Water Supply Project Cost

	Unit Cost	Quantity	Total
Intake			
Timber Crib	\$1,050,000 / Each	2 Each	\$2,100,000
Intake Pipe - Marine Construction	\$2,120 / LF	5,655 LF	\$11,988,600
Intake Pipe - Tunnelled	\$2,200 / LF	1,235 LF	\$2,717,000
Shorewell	\$3,500,000 / Each	1 Each	\$3,500,000
Zebra Mussel Control	\$75 / LF	10,800 LF	\$810,000
Site Work		1 LS	\$961,250
Intake Subtotal			\$22,076,850
Pumping Stations			
Structure	\$3,338,300 / Each	2 Each	\$6,676,600
Pumps & Equipment	\$1,716,840 / Each	2 Each	\$3,433,680
Piping & Valves	\$1,812,220 / Each	2 Each	\$3,624,440
Electrical	\$4,387,480 / Each	2 Each	\$8,774,960
5 MG Reservoir	\$1,606,400 / Each	1 Each	\$1,606,400
Reservoir Sitework / Appurtenances	\$502,000 / Each	1 Each	\$502,000
Pumping Station - Subtotal			\$24,618,080
Lake Huron Transmission - Segment 1			
60" Pipe	\$360 / LF	117,955 LF	\$42,463,800
Excavation, Pipelaying, & Bedding	\$66 / LF	117,435 LF	\$7,804,679
Backfill & Restoration - OCAR	\$38 / LF	34,263 LF	\$1,287,031
Backfill & Restoration - OCCC	\$29 / LF	17,499 LF	\$499,111
Backfill & Restoration - OCGR	\$35 / LF	65,673 LF	\$2,297,251
Backfill - Hauled Sand	\$21 / CY	91,990 CY	\$1,920,793
Backfill - Native Materials	\$7 / CY	110,990 CY	\$794,408
Paved Road Crossings	\$17,221 / Each	7 Each	\$120,547
Drain Crossings	\$9,687 / Each	35 Each	\$339,038
Tunneling	\$2,419 / Each	520 LF	\$1,257,895
Valves & Hydrants	\$2,976,904 / LS	1 Each	\$2,976,904
Lake Huron Transmission - Segment 1 Subtotal			\$61,761,458
Lake Huron Transmission - Segment 2			
60" Pipe	\$360 / LF	135,491 LF	\$48,776,760
Excavation, Pipelaying, & Bedding	\$66 / LF	134,821 LF	\$8,963,443
Backfill & Restoration - OCAR	\$38 / LF	58,584 LF	\$2,200,608
Backfill & Restoration - OCCC	\$29 / LF	12,604 LF	\$359,495
Backfill & Restoration - OCGR	\$35 / LF	55,733 LF	\$1,949,548
Backfill & Restoration - OCPR	\$72 / LF	7,900 LF	\$565,441
Backfill - Hauled Sand	\$21 / CY	22,440 CY	\$468,557
Backfill - Native Materials	\$7 / CY	55,120 CY	\$394,520
Paved Road Crossings	\$17,221 / Each	8 Each	\$137,768
Drain Crossings	\$9,687 / Each	10 Each	\$96,868
Tunneling	\$2,419 / LF	670 LF	\$1,620,750
Valves & Hydrants	\$4,093,233 / Each	1 Each	\$4,093,233
Lake Huron Transmission - Segment 2 Subtotal			\$69,626,991
Flint Transmission			
36" Pipe	\$205 / LF	96,467 LF	\$19,795,028
Excavation, Pipelaying, & Bedding	\$55 / LF	95,767 LF	\$5,261,371
Backfill & Restoration - OCAR	\$38 / LF	40,309 LF	\$1,514,139
Backfill & Restoration - OCCC	\$29 / LF	25,559 LF	\$729,001
Backfill & Restoration - OCGR	\$35 / LF	18,190 LF	\$636,289
Backfill & Restoration - OCPR	\$72 / LF	11,709 LF	\$838,069
Backfill - Hauled Sand	\$21 / CY	29,640 CY	\$618,897
Backfill - Native Materials	\$7 / CY	48,420 CY	\$346,565
Paved Road Crossings	\$17,221 / Each	6 Each	\$103,326
Drain Crossings	\$9,687 / Each	4 Each	\$38,747
Utility Relocations	\$341,191 / LS	1 LS	\$341,191
Tunneling	\$968 / LF	700 LF	\$677,328
Valves & Hydrants	\$1,906,593 / Each	1 Each	\$1,906,593
Flint Transmission Subtotal			\$32,806,544
System Control & Monitoring	\$2,007,322 / LS	1 LS	\$2,007,323
Construction Subtotal			\$212,897,247
Engineering, Legal, Admin, & Contingency	25%		\$53,224,312
Land			\$2,300,000
Power			\$4,000,000
Project total			\$272,421,558
Annual P&I			\$19,328,979
Total P&I			\$483,224,474

→ \$272,421,558
 18/60 Flint's = \$81 million
 = 30%

AGENDA

October 15, 2012

- I. The City has made substantial progress – see attached file
- II. Law suits and Labor charges
 - a. Outsourcing
 - b. Water
 - c. Retiree Health care
 - d. Surviving spouse health care
- III. Continuing decline in revenue (four year projection)
- IV. On-going Concerns
 - a. \$16.7 million General Fund deficit – remains unaddressed
 - b. OPEB unfunded liability reduced to \$350 million
 - c. Pension under-funding of \$450 million
- V. Surprises
 - a. HUD paybacks, CDBG
 - b. County charge back
- VI. Assistance Needed from State
 - a. Continued funding for the City lock-up
 - b. Statutory authority to raise City income tax
- VI. Plans for outcome of November election

MAJOR PRIORITIES OF THE CITY OF FLINT

1. Implement Waste Collection Contract

November 1

Received three responses to the RFP and currently negotiating with two of the three. Expect to have a contract signed by November 1 for implementation to begin January 1, 2013

2. Implement Demolition Plan/Contracts

October 15

Bids were received on October 10. Between The City and the Land Bank we plan to demolish 600 to 700 properties by February 10, 2013. Plan to sign contracts the week of October 15th. The City is concerned about meeting the HUD deadline.

3. Start New Construction at Smith Village

October 1

Negotiated a final settlement with the second developer and have received the deeds for Phase I. A new (3rd) developer has been contracted and construction on Phase II has begun. Phase I which consisted of 29 homes has many code violations that prevent occupancy. A detailed list of each property's violation has been compiled and developer three is in the process of correcting these problems. There are 10 purchase agreements and the City hopes to have the buyers' in their homes by the end of the year. Had a very good meeting with HUD on October 11, and they are in agreement with the City's direction. The plan is to have 39 homes completed by February 12, 2013. Expect that within two weeks to take this off the priority list.

4. Budget Review and Amendment

October 1

Completed a first quarter review of the FY13 budget to actual and did not need to make a budget adjustment. The areas of concern are softer than expected income tax revenue and overtime in the fire department. (See attached Financial Progress Report)

5. Chevy in the Hole

January 1, 2013

For the past several years, the City has been dumping its compost at a site known as "Chevy in the Hole". It is a contaminated former GM location which has now been cited by the EPA and the DEQ. We must now submit plans to deal with the water run off and implement corrective action. There is a plan for the 130 acre site and funds available from GM for the process.

6. Contract/Commit All HUD Funds (DCED, NSP2 and 3 focus)

October 15

The CDBG area within the City can best be described as struggling. Under previous administrations many of the HUD funds have been spent on ineligible expenses and the City entered into an agreement with HUD to pay back slightly more than one million dollars.

7. 800 MHZ/911 Merger

November 1

All police and fire mobile and portable radios have been purchased, received and templating is being finalized. The Flint 911 Center will transition to 800 MHz operation with consolettes before December 31. The microwave point to point installation will be

completed in 2013. The currently available towers failed structural testing. A new tower needs to be purchased and installed. This is delayed due to funding, NEPA studies and FAA approvals.

The potential for 911 reconsolidation is being studied by the Training and Advisory Team from MSU College of Criminal Justice, paid through a Mott Foundation grant. This study is expected to be complete by the end of 2013.

8. Open Lockup

October 1

The lockup was opened on October 1 with management by the Genesee County Sheriff and appears to be operating smoothly. (Note: Occupancy rates are lower than anticipated)

9. Complete FERS to MERS/ Retiree Healthcare Changes

October 1

The FERS to MERS transfer has been mostly completed. The last check from the City was October 1 and the first check from MERS will be on October 18. There is still an outstanding lawsuit challenging this transition.

Retiree Healthcare changes have been implemented. There is also an outstanding lawsuit challenging this as well.

10. SBI Decision

September 15

Swedish Biogas International was turned down by the Mott Foundation for financing to expand their operations. The City has a contract with SBI to treat waste and convert it into gas. However, as the price of gas fell dramatically and the level of sludge was less than anticipated the SBI operation has not been profitable. SBI has sought additional financing to expand their operations and thereby to allow the City to eliminate the need to incinerate sludge. Right now the relationship between the City and SBI is untenable.

11. Weekly Press Briefings

September 12 and each Wednesday after

Briefings began as planned and are ongoing.

12. Decision on Water/KWA

November 1

This is the number one priority for the City. The City has entered into a series of Friday afternoon meetings with the Drain Commissioner on this issue. The first decision is whether or not the City will become a partner in Karagondi Water Authority (KWA) for the delivery of raw water. If so, will the City also partner with the County on the construction of a water treatment plant in the eastern section of the County or use its existing plant to treat water? Also, as part of that decision, what will happen to the Flint water treatment plant, etc? The City is still waiting for a final answer from the Detroit Water and Sewerage Department on the issue of blending water with Flint River water.

13. Senior Center Plan

November 1

The City has not done a very good job of operating the Senior Centers. To that end, the City has put out an RFP seeking independent operators of the Centers.

OTHER ISSUES

1. Street Light Assessment District (*Completed*)
2. Indigent fund for water (no action)
3. EVIP Dashboard, Citizens guide, Projected 2014 budget due Oct 1 (*Completed*)
4. Labor Contract implementation (complete but with many grievances and an unfair labor practice charge pending)
5. Boards and Commissions (Mayor)
6. MSU Med School (Genesee County Chamber of Commerce)
7. Quarterly Report to Treasury (*Completed*)
8. Next step on Genesee Towers (Demolition)
9. Impound Lot Evaluation (*Completed*)
10. Criminal Justice Policy Council Meeting (complete and ongoing)
11. Neighborhood Projects with Metro (Contract in Law Office)
12. Neighborhood Safety/Blight Elimination Officers (no action)
13. Golf Courses (under contract with independent operators, plan to extend contracts for five years)



The City of Flint in Receivership: A Progress Report, October, 2012

For the second time, the City of Flint is in receivership due to its financial condition and is being managed under the direction of a state appointed manager. Pursuant to PA4, Mr. Michael K. Brown was appointed in December, 2011 as the Emergency Manager. When PA 4 was suspended in August, 2012 as a referendum on the question of the continuation of PA was certified, Mr. Edward Kurtz was appointed as the Emergency Financial Manager pursuant to PA72.

In spite of the controversy surrounding the use of PA4 and the subsequent reversion to PA72, significant progress has been made in addressing the City's financial situation. Cash flow is currently stable, although marginal, and city operations are operating at the end of the first quarter of FY13, consistent with the adopted budget, which was constructed and balanced on the basis of realistic revenue and expense projections. However, the projected accumulated General Fund deficit of \$16.7 million as of June 30, 2012 has yet to be addressed.

The necessary steps taken to reduce the City's deficit spending and to implement a balanced FY13 budget have included organizational changes and more than \$42 million in combined revenue increases and expenditure decreases. City taxpayers are paying more, the workforce has been reduced by 20%, compensation for the remaining employees has been reduced by the equivalent of 20% of wages, and health care and retirement benefits have been restructured for both active employees and retirees. Of particular note is that the City's OPEB liability – one of the highest in the state – has been reduced by more than 50%. Health care costs for employees and retirees are now below the caps set by state law.

Public safety has consistently been of paramount concern to Mr. Brown and Mr. Kurtz. In spite of these changes, it has been possible to retain the FY12 level of police and fire staffing, to re-open the city lock-up and to make progress towards improving the capabilities of the 911 Dispatch Center.

The changes now in place have not been without controversy. Lawsuits are pending with respect to changes in retiree health benefits, the restructuring of the pension system, and the imposition of increases in water and sewer rates. Unfavorable rulings on some or all of these lawsuits (total exposure of some \$30 million) will create a financial crisis which will be difficult, if not impossible, to resolve and still continue to provide even the most basic of city services.

Even without the prospect of unfavorable decisions with respect to lawsuits, the financial challenges will continue. Property values –and thus property tax revenues- are projected to continue to decline, with a 15% reduction currently forecast for FY14. However, the steps taken to date provide a firm base from which to address these future challenges and enable the City government to become a positive force in restoring the community of Flint.



Overview: The City of Flint in Receivership: A Progress Report

The City of Flint has been in a precarious financial situation for many years. In 2002, the City was in receivership, and was managed for several years under a state appointed Emergency Financial Manager. Finances were stabilized briefly by 2004, but declined again as population continued to decrease; as an increasing number of residents saw incomes drop below the poverty level; as employment reduced significantly due to General Motors workforce reductions; as property values (and thus tax revenues) declined significantly; as the State reduced revenue sharing; and as the effects of the Great Recession hit Flint.

These realities significantly impacted city revenues while the costs of city operations (employment related costs in particular) continued to increase. In spite of significant cost reductions, including staffing reductions, the City's financial situation declined to a point where in 2011 the City was again placed into receivership and a state appointed Emergency Manager was assigned to manage the City.

At the time that an Emergency Manager was appointed, the City's accumulated general fund deficit was \$8.8 million. The accumulated deficit from the prior year (June 30, 2010), was \$14.6 million, and was reduced to \$8.8 million by June 30, 2011 only because of the borrowing of \$8 million in Fiscal Stabilization Bonds.

Upon taking managerial control of the City in December 2011, the EM quickly discovered that the Council approved FY12 budget was faced with significant problems, due to inaccuracies in projecting both revenues and expenses. As a result, it was determined that the City would likely have an accumulated deficit of \$18.2 million as of 6/30/12.

With the FY12 half complete at the time the Emergency Manager was appointed, it was clear that significant long term solutions to the City's financial condition could not be achieved in the remainder of that fiscal year. Addressing any significant reductions in January, 2012, would have required unthinkable reductions in the level of public safety and other essential city services, and would have been done in an atmosphere of crisis. As a result, it was determined to contain spending as much as possible for the balance of FY12, while building a credible spending plan for FY13 and laying the necessary groundwork for substantially reducing the City's cost base for FY13 and beyond.

At this time, the FY12 fiscal year has ended and the city is in the process of closing its books. Preliminary statements show that the accumulated deficit of \$8.8 million as of June 30, 2011 will be increased as a result of expenses in FY12 exceeding revenues, but short of the \$18.2 million projected earlier in the year. The preliminary accumulated deficit as of June 30, 2012 is projected to be \$16.7 million.

Addressing the City's financially distressed situation required that the FY13 spending plan be balanced with realistic revenue projections and realistic calculations of expenses.

As the process of developing the FY13 spending plan began, the preliminary estimate of the gap between revenues from current sources and the cost of existing positions and services was projected to be more than \$25 million. Plans were developed to bring spending into line with revenues, while at the same time continuing to provide the current (but inadequate) level of public safety resources, and containing the FY12 deficit as much as possible; as a result, it was necessary to develop both significant revenue increases and expenditure reductions. This included the imposition of increased and new fees, elimination of positions, imposition of wage and benefit reductions, and restructuring of active and retiree health care insurance. These steps were necessary to keep the City of Flint from becoming financially insolvent and unable to provide even the most basic of city services.

The necessary steps taken to reduce the City's deficit spending since December, 2011 and to implement a balanced budget for FY13 include a total of more than \$42 million in combined revenue increases and cost reductions. They include:

Expenditure reductions of \$22.75 million:

- \$650,000 annual savings from the elimination of administrative positions (implemented in December, 2011)
- \$8.6 million in annual savings from negotiated and implemented employee concessions (Implemented in June, 2012 following negotiations)
- \$10.0 million in annual savings from the elimination of 115 positions (20% of the workforce, implemented in the FY13 budget)
- \$3.5 million in annual savings from changes in the structure of retiree health care (implemented beginning in August, 2013)

Revenue Increases of \$19.35 million:

- \$15 million from imposition of increased fees for water and sewer
- \$1.5 million from imposition of increased fees for garbage collection in lieu of a 3 mill property tax levy
- \$2.85 million from imposition of a city-wide street light assessment

Other changes include a reshaping of the City's organizational structure, a transfer of the City's retirement system to the Municipal Employees Retirement System, and a decision that new employees will not be offered employer paid retiree health insurance. The organizational changes will enable more efficient administration of city functions and the transfer of the retirement system will result in administrative cost reductions, increased investment income, and improved service to retirees.

The FY13 budget is balanced on realistic revenue and income expenses, but does not address the elimination of the accumulated deficit, now totaling \$16.7 million. Any significant reduction in anticipated revenues or the occurrence of unplanned expenses will create a crisis, as the city has no reserves. For example, being required to restore the previous structure of health care for retirees will result in an unplanned increase in health insurance costs of \$3.5 million, and would require immediate staffing reductions. Likewise, a rollback of the increased fees for water and sewer would necessitate an approximate 20% decrease in the expenses of the water and sewer system or an unplanned appropriation of \$15 million from the City's General Fund.

Either of these occurrences would be devastating and would no doubt significantly impair the ability of the City to provide the most basic of City services, public safety in particular. With public safety costs consuming 70% of the City's \$60 million General Fund Budget, it would be virtually impossible to eliminate \$3.5 million or \$15 million in expenditures without reductions in police and fire. The 115 positions eliminated in the FY13 budget came from virtually every department of city services except police and fire, so further reductions in those areas would no doubt require the virtual elimination in services such as code compliance, blight inspection, and parks. It is questionable whether the City government, in these situations, could continue to operate.

While these changes have made substantial and significant progress in restoring the City of Flint's financial solvency, the struggle is not over. Continuing declines in property values are forecast for the next several years, with a 15% decrease currently projected for the next budget year. While other revenue sources may remain stable, assuming the economy remains stable; the City will be faced with cost increases exceeding available revenues. Regressing from current steps taken to contain and reduce costs will only worsen an already challenging situation. And while the City government itself continues to face it's most pressing and immediate financial challenges, it is less able to take any substantive role in returning the community of Flint to a healthy condition.

EM/EFM Achievements to restore financial solvency to the City of Flint

December, 2011 - October, 2012

Achievements	Status	Achievement	Challenges
FY 11 audit completed	Complete	Completed by statutory deadline	Progress of addressing auditors recommendations will be reviewed as part of FY12 audit; staffing reductions have hindered progress.
FY11 Deficit Elimination Plan developed and approved	Complete	Approved by state	No state authorization for borrowing, although contained in the approved DEIP. The accumulated deficit cannot be addressed without additional borrowing
FY12 budget managed to initial expectations	Complete	FY12 deficit is projected to be \$16.7 million, which is \$1.5 million less than the initially projected \$18.2 million	Final results not yet available; audit completion scheduled for early December. Potential of significant adjustments exists, but not likely. The General fund has significant negative cash, reflecting the accumulated deficit condition of the City.
Employee compensation costs reduced	Labor contract changes implemented	Employee compensation costs reduced by an equivalent of 20% of wages	While some cost reductions were negotiated, others were imposed under authority of PA4. Some of the changes may become subject to legal challenge. Numerous grievances have been filed with respect to the changes made.
Employee and retiree health care costs reduced	Restructured health care plans for employees and retirees implemented	Average health insurance contract cost to City reduced 24.5%, from \$12,202 to \$9,218; cost is less than state cap	While some cost reductions were negotiated, others were imposed under authority of PA4. Some of the changes are currently the subject of lawsuits. There may additional legal challenges depending on the voter decision on PA4.
OPEB liability reduced	Restructured benefit structure implemented and new OPEB valuation completed	City's OPEB liability reduced by nearly 60%, from \$885m to \$350 million. ARC reduced from \$63.6 million to \$24.4 million.	While many of the employee healthcare changes were negotiated, others, including changes in retiree health care were imposed under authority of PA4. Retiree health care changes are currently the subject of lawsuits. There may be additional legal challenges depending on the voter decision on PA4.

Flint Employees Retirement System transferred to Municipal Employees Retirement System	The majority of assets of FERS have been transferred to MERS, and MERS will make its first payment to Flint retirees on October 18.	The transfer is projected to significantly reduce administrative costs, improve investment return, and improve service to Flint retirees	While the FERS Board officially authorized the transfer, some members had been replaced by the EIM under his authority granted by PA4. The transfer of the system is currently in litigation.
FY13 budget developed and implemented	FY13 began July 1, 2012. First quarter complete with most indicators in line with expectations.	FY13 budget balanced at \$192 million, utilizing a mixture of revenue increases (\$19.4 million) and expenditure reductions (\$22.8 million) while maintaining current level of police and fire staffing. Total workforce reduced by 115 FTE's, or 20%	\$12.1 million in cost reductions associated with employee concessions and retiree health care are incorporated in to the budget. So too is \$15 million in water and sewer rate increases, \$2.85 million in a new street lighting assessment fee, and \$5 million in a new waste collection fee. All are or may be subject to legal challenge, with potential results devastating to the City's budget. There are current legal challenges pending with regards to retiree healthcare changes (\$3.5 million) and the water and sewer rate increases (\$15 million).
Cash flow stabilized	Cash flow monitored monthly, and is stable	Cash flow stabilized with addition of new non-property tax based revenue sources	Successful legal challenges to revenue and expense changes will negatively affect cash flow, which while currently stable, is minimal. The city has no reserves and the General Fund cash position is negative.
Water and sewer finances stabilized	New rates and staffing levels implemented. Evaluation of alternative means of purchasing water underway	Water/sewer rates and expenditure reductions result in balanced financial operations.	Successful legal challenges to the increase in rates could take away \$15 million in revenues, and would destroy the financial solvency of the system.
Waste collection finances stabilized	New rates implemented. Decision to be made before end of October on potential use of outside vendor	Insufficient property tax millage replaced with fee reflecting actual costs. Service expanded to provide recycling and composting	Successful legal challenge to the new fee could result in a \$5 million revenue loss to the City, and would eliminate the ability of the City to provide this service.

Scope of Ineligible grant expenses assessed and addressed	City has negotiated the potential repayment of more than \$2 million in ineligible grant expenditures	The FY12 financial statements include the City's General Fund obligation for repayments, currently projected at \$1 million; the remainder is being repaid by returning unspent grant funds	Findings of any additional ineligible grant expenses requiring a General Fund appropriation will negatively affect the City, since there are no funds budgeted for such event and no reserves. Given the current history of unanticipated findings, it would not be a total surprise to receive additional notices.
Police and fire staffing levels stabilized	Continuation of FY12 staffing levels contained in FY13 Amended Budget. A request for voter approval of a 6 mill property tax increase dedicated to police and fire is on the November ballot.	FY13 budget, with addition of SAFER grant and COPS funding, provides for continuation of current staffing. Changes in work schedules to 12 hour shifts increases response time. Commitment of additional MSP resources also assists.	Successful legal challenges affecting the revenues of the City will affect the ability of the City to maintain the current level of staffing. Lack of voter approval of the 6 mill increase will mean reductions in staffing, beginning in January, 2013. With further property value declines expected in future years (15% in FY14, 10% in FY15, 7% in FY16), the ability of the City to even maintain the most basis of city services is in question.
City Lock-up re-opened	City Lock-up opened first of October	Re-opening of lock-up provides FDP officers with space to house arrestees. Although sold for \$1, with a pledge of committing \$775,000 in grant funds towards demolition, the City received commitment that the structure would be demolished at an estimated cost of \$4 million.	Re-opening of the lock-up was made possible only by the financial assistance from the state. It will not be possible for the City to operate the lock-up with its own resources for many years.
Genesee Towers Sold	Complete		Part of the consideration in selling the property was for its potential future use in promoting economic development, and in having the building demolished in the near future. The success of this is subject to many factors outside of the direct control of the City, and progress could be slower than anticipated



City of Flint Police and Fire Budget 2012 – 2017

Securing Stable Funding

What is the City's objective?

We want to reduce crime in the Flint community. To accomplish this, the city must stabilize and then strengthen its police and fire staffing levels. We want more police officers on the street and we want to maintain our fire department staffing.

How are you going to improve police and fire protection?

To improve police and fire protection for the citizens of Flint, it is necessary to obtain additional funding. There are two potential sources of funding available: a property tax and an income tax. The two taxes jointly implemented would create a stable revenue stream that would sustain the current staffing levels and leave room for expansion. An ordinance which commits 55.5 percent of all future General Fund revenues to support police and fire budgets would be adopted.

On November 6 voters will be asked to approve a 6 mill property tax increase, with the new funds guaranteed for the exclusive use for public safety. In January 2013 the state legislature will be asked to approve legislation giving Flint voters the right to vote on increasing the local income tax. The tax would increase from its current 1 percent for residents and 0.5 percent for non-residents to 1.5 percent for residents and .75 percent for non-residents.

What will a 6 mill property tax increase cost the average homeowner?

The average taxable value of a residential property in Flint is currently \$13,131. Therefore, a 6 mill increase would cost the average taxpayer approximately \$79. To determine specific costs for your property, check your Notice of Assessment, Taxable Valuation and Property Classification document received from the City. For each \$1,000 of taxable value multiply by \$6; that will be the cost for your property.

What happens financially if we work with current funds only?

To maintain a balanced budget the current staffing for police and fire would fall up to 30 percent from its current combined level of 233 to 166 by 2017. This is unacceptable.

What has the City done so far to improve police and fire protection?

Over the past several months the City has implemented several items in the Public Safety Plan. For example, police officers' redesigned schedules have increased the number of officers on patrol throughout the day. As a result, 911 response times have decreased. In cooperation with the Michigan State Police there are more road patrols in the City and we now have doubled the number of detectives assigned to investigations. The City's lock-up facility is scheduled to reopen at the end of September. The 911 technology is being upgraded along with the police and fire communications system which will now be compatible with all other Genesee County public safety agencies.

Finance Department Analysis

Staffing for Flint Police and Fire Departments currently totals 233. This number is significantly reduced from past years and is clearly inadequate for a city with Flint's challenges. Even maintaining current staffing, let alone increasing staffing to acceptable levels, is costly. Over the next five years, current revenues supporting police and fire budgets are projected to decrease, while the cost of maintaining current staffing, in spite of actions taken to contain them, is projected to increase.

What will it cost us just to continue the current level of staffing and services?

Even with the cost containment measures recently enacted, the costs of maintaining the current staffing levels will continue to increase.

	<i>Budget FY 13 (in millions)</i>	<i>Projected FY14 (in millions)</i>	<i>Projected FY15 (in millions)</i>	<i>Projected FY16 (in millions)</i>	<i>Projected FY17 (in millions)</i>
Current General Fund Police (94 sworn, 21 civilian)	\$ 21.03	\$ 21.66	\$ 22.31	\$ 23.42	\$ 24.59
Current General Fund Fire (47 sworn, 7 civilian)	10.92	11.24	11.58	12.16	12.77
Current Special Police Millage (14 sworn)	1.54	1.59	1.64	1.72	1.81
Current Staffing - SAFER Grant (39 sworn)	3.45	3.55	3.66	3.84	4.04
Current Staffing - Mott Grant (11 sworn)	1.10	1.13	1.17	1.23	1.29
Current Staffing - COPS Grant (6 sworn included in GF)					
TOTAL POLICE AND FIRE STAFFING OF 233 (140 POLICE, 93 FIRE, 5 WORN AND CIVILIAN)	\$ 38.04	\$ 39.18	\$ 40.35	\$ 42.37	\$ 44.49

What revenues will we have to just continue the current level of staffing and services?

The budgets for police and fire currently consume 55.5% of the City's General Fund. In addition, the budgets for police have been supplemented with the proceeds of a voter approved 2 mill property tax levy and various grants, including a grant from the Mott Foundation. The budget for fire has been supplemented with the federal SAFER grant for the past several years. With property values continuing to decline, other General fund revenue sources remaining stagnant, and grants projected to decline if not disappear, revenues projected to be available to support police and fire budgets will be significantly inadequate to maintain current staffing.

	<u>Budget</u> <u>FY 13</u>	<u>Projected</u> <u>FY14</u>	<u>Projected</u> <u>FY15</u>	<u>Projected</u> <u>FY16</u>	<u>Projected</u> <u>FY17</u>
	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)
Revenue Projected	\$ 36.92	\$ 37.34	\$ 35.63	\$ 35.51	\$ 35.46
<u>Expense Projected</u>	<u>38.04</u>	<u>39.18</u>	<u>40.35</u>	<u>42.37</u>	<u>44.49</u>
Difference between Costs and Revenues	\$ (1.12)	\$ (1.83)	\$ (4.72)	\$ (6.86)	\$ (9.03)
<u>Staffing Impact</u>	<u>233</u>	<u>222</u>	<u>203</u>	<u>193</u>	<u>183</u>
Change from current	(11)	(30)	(40)	(50)	(67)

A continuation of the status quo in terms of current millages and revenue sources is projected to result in the need to reduce staffing for police and fire by nearly 30% or some 67 positions over the next 4 years.

What financing alternatives do we have?

In order to avoid continuing pressure to reduce the staffing for police and fire, it will be necessary to find other sources of revenue. With funding for public safety (police, fire, 911, and the courts) now absorbing nearly 70% of the City's General Fund, it is not possible to find sufficient additional funds within the General Fund.

The primary additional sources of revenue are additional property tax millages and additional income tax levies. Both can and should be supplemented with a continuing effort to solicit and obtain grants from federal, state, and local sources, but grants should not be seen as a long term funding solution.

Here are preliminary projections on the financial and staffing level impacts of 1) increasing the income tax; 2) increasing the property tax, and 3) doing both. All alternatives assume some continuation of grant funding. In addition, proceeds from the alternative revenue sources are used in a manner that stabilizes staffing over the next 5 years.

Increase the Income Tax beginning in 2014 from the current 1% resident / .5% non-resident to 1.5% resident / .75% non-resident. This will need action by the state legislature as well as voter approval.

	<u>Budget</u> <u>FY 13</u>	<u>Projected</u> <u>FY14</u>	<u>Projected</u> <u>FY15</u>	<u>Projected</u> <u>FY16</u>	<u>Projected</u> <u>FY17</u>
	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)
Revenue Projected	\$ 38.02	\$ 41.55	\$ 39.76	\$ 38.56	\$ 38.56
<u>Expense Projected</u>	<u>38.04</u>	<u>39.18</u>	<u>40.35</u>	<u>42.37</u>	<u>44.49</u>
Difference between Costs and Revenues	\$ (0.02)	\$ 2.37	\$ (0.60)	\$ (3.81)	\$ (5.92)
<u>Staffing Impact</u>	<u>Current</u>				
	233	233	233	233	208
Change from current	0	0	0	0	(25)

Increase the Property Tax by 6 mills in December 2012. This will require voter approval in the November, 2012 election, and is on the ballot.

	<u>Budget</u> <u>FY 13</u>	<u>Projected</u> <u>FY14</u>	<u>Projected</u> <u>FY15</u>	<u>Projected</u> <u>FY16</u>	<u>Projected</u> <u>FY17</u>
	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)
Revenue Projected	\$ 43.40	\$ 42.02	\$ 39.75	\$ 38.25	\$ 38.20
<u>Expense Projected</u>	<u>38.04</u>	<u>39.18</u>	<u>40.35</u>	<u>42.37</u>	<u>44.49</u>
Difference between Costs and Revenues	\$ 5.36	\$ 2.84	\$ (0.60)	\$ (4.12)	\$ (6.29)
<u>Staffing Impact</u>	<u>Current</u>				
	233	243	218	218	218
Change from current	10	10	(15)	(15)	(15)

Increase the Property Tax in 2012 and the Income Tax in 2013. This will require the approvals noted above.

	<i>Budget</i> <u>FY 13</u>	<i>Projected</i> <u>FY14</u>	<i>Projected</i> <u>FY15</u>	<i>Projected</i> <u>FY16</u>	<i>Projected</i> <u>FY17</u>
	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)
Revenue Projected	\$ 43.40	\$ 46.13	\$ 43.88	\$ 42.39	\$ 42.28
<u>Expense Projected</u>	<u>38.04</u>	<u>39.18</u>	<u>40.35</u>	<u>42.37</u>	<u>44.49</u>
Difference between Costs and Revenues	\$ 5.36	\$ 6.95	\$ 3.52	\$ 0.02	\$ (2.21)
Staffing Impact	<u>Current</u> 233	243	260	260	260
Change from current	10	27	27	27	27

It is clear that neither the new property tax levy nor the income tax increase alone will provide the resources necessary to sustain current staffing for the next 5 years. However, both individually, along with continued efforts to obtain grant funding, will provide needed resources, which if deployed appropriately, can maintain (and possibly increase) staffing for the next few years.

Together, however, these additional revenue sources can enable not only a continuation of current staffing, but an increase as well. And, should the economy improve more quickly than anticipated, and efforts at cost containment continue, staffing increases can become sustainable.

Lamphier, Wendy (Treasury)

From: Dillon, Andy (Treasury)
Sent: Wednesday, October 24, 2012 4:18 PM
To: Wyant, Dan (DEQ)
Subject: Fwd: Briefing on Karegnondi Project/City of Flint

Follow Up Flag: Follow up
Flag Status: Flagged

Sent from my iPad

Begin forwarded message:

From: "Fraser, Roger (Treasury)" <FraserR1@michigan.gov>
To: "Dillon, Andy (Treasury)" <DillonA2@michigan.gov>, "Stibitz, Brom (Treasury)" <StibitzB@michigan.gov>, "Koryzno, Edward (Treasury)" <KoryznoE@michigan.gov>, "Mike Brown (mbrown@reinvestflint.org)" <mbrown@reinvestflint.org>
Cc: "Hichez, Amy (Treasury)" <HichezA@michigan.gov>, "Cousineau, Sara (Treasury)" <CousineauS@michigan.gov>, "mmurray@cityofflint.com" <mmurray@cityofflint.com>
Subject: Briefing on Karegnondi Project/City of Flint

Discussion: Brief Treasury on pros and cons of Karegnondi project. There are concerns about cost and engineering constraints. Report for Flint in late 90's....suggested this project was not financially feasible.

Attendees:

State of Michigan

Andy Dillon - Treasurer
Brom Stibitz - Policy Advisor
Roger Fraser - Deputy Treasurer
Ed Koryzno - Office of Fiscal Responsibility

City of Flint - (confirmed attendance with Maxine Murray)

Mike Brown - City Administrator
Jerry Ambrose, Finance Director
Howard Croft, Director of Infrastructure & Development

Genesee County - (confirmed attendance with Maxine Murray)

Jeff Wright, Genesee County Drain Commissioner
John OBrian, Chief Deputy Drain Commissioner
Dave Jansen, Assistant Director, Genesee County Drain Commission
Rick Freeman, Rowe Professional Service

Tucker, Young, Jackson & Tull - (confirmed attendance with David Guastella)
George Karmo, President

David Guastella
Awni Qaqish

Stanton, Terry A. (Treasury)

From: Buhs, Caleb (Treasury)
Sent: Wednesday, October 31, 2012 11:39 AM
To: Wurfel, Sara (GOV); Stanton, Terry A. (Treasury)
Subject: RE: Genesee Co water supply project TODAY's FLINT JOURNAL

Follow Up Flag: Follow up
Flag Status: Completed

The article is correct, we will be meeting with both proponents and opponents of the potential pipeline project. There isn't much to say at this point, Treasury does not have an opinion yet, as we will be getting the full briefing tomorrow.

Here is what we know:

-A group is proposing a water pipeline from Lake Huron to the Flint Metro area, which would eliminate the need to purchase water from Detroit Water and Sewer Department (DWSD).

-The design and cost estimates have yet to be completed.

-The City of Flint has contributed about \$25-30k towards the costs of the studies.

-DWSD is opposed to the plan for the obvious reason that they would lose customers. DWSD officials have pointed out that a study was done in the 90's that concluded that a project of this nature would not be cost effective.

-This would allow Flint to control their own water costs and quality and provide opportunities for industrial growth.

Since Treasury officials have not been briefed on all the information yet, I would keep the statement from the Governor rather high-level, something like:

Treasury officials will be meeting with Genesee County and Detroit officials tomorrow to get the details of the proposed pipeline plan. Until the ultimate costs are known and the various studies have been conducted, the benefits to the citizens of Flint and Genesee County cannot be determined.

Feel free to call me if you have any questions.

Caleb

From: Wurfel, Sara (GOV)
Sent: Wednesday, October 31, 2012 11:10 AM
To: Buhs, Caleb (Treasury); Stanton, Terry A. (Treasury)
Subject: FW: Genesee Co water supply project TODAY's FLINT JOURNAL
Importance: High

Per our quick conversation, Caleb. Any update you can provide ASAP from Treasury role and perspective will be great.

From: Wurfel, Brad (DEQ)
Sent: Wednesday, October 31, 2012 11:03 AM
To: Wurfel, Sara (GOV)
Subject: RE: Genesee Co water supply project TODAY's FLINT JOURNAL

Officials from Flint, Genesee County, Detroit to meet with state treasury on region's water future, officials say



By Kristin Longley | klongley1@mlive.com

on October 31, 2012 at 7 16 AM, updated October 31, 2012 at 7 17 AM

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Flint water treatment plant Ryan Garza | *MLive.com* file photo

GENESEE COUNTY, MI -- In a meeting of all the major stakeholders, the city of Flint is expected to make its case to the state Thursday that joining a regional effort to build **a new pipeline from Lake Huron** is the best option for Flint's future water.

The meeting is expected to include representatives from Flint emergency financial manager Ed Kurtz's administration as well as the Genesee County Drain Commissioner's Office, Detroit Water and Sewerage Department and the Michigan Treasury department, Flint officials said this week.

"The state is looking to bring all the parties to one place to look at the numbers," said Howard Croft, Flint's director of infrastructure. "All the pros and cons and all the people involved will be in the room."

Flint and Genesee County have been getting water from Detroit under a 30-year contract that is now expired, and are looking to break away because of continuing price increases.

Officials with the Flint emergency manager's office have been exploring several options for water

since the city was taken over by the state in December. The options included treated Flint River water as well as blending Detroit water with Flint River water.

Now, Flint authorities say joining with Genesee County officials on **building a new pipeline from Lake Huron** is the best bet in order to stabilize Flint water rates over the long term.

The pipeline would service a wider region that could also include Lapeer, Sanilac County and Lapeer County, called the Karegnondi Water Authority.

"We're comfortable with the work we've done. We believe the numbers bear out," Croft said. "This is taking it to the next level, taking it to the state and saying these are our options."

Kurtz said that, under the emergency financial manager law, the state treasurer has to sign off on any deal more than \$50,000 -- which certainly applies to the pipeline project that's expected to cost the three-county region up to \$300 million.

The Genesee County Board of Commissioners **took steps last week to borrow** up to \$35 million to cover the initial construction costs for the pipeline.

Genesee County Drain Commissioner Jeff Wright said he was asked to attend the meeting Thursday in Lansing. He said his office will be glad to be there to answer any questions about the KWA proposal.

County officials claim that continuing to buy water from the city of Detroit will cost the region \$2.1 billion during the next 25 years. By building a pipeline, that cost would no more than \$1.9 billion over the same period.

"It's cheaper to build our own system than to continue to pay more and more to the city of Detroit," Wright said. "This is about the least expensive way for our people to get the best quality water."

Croft said the Flint River isn't the best option for Flint's primary source because of concerns about capacity during drought conditions and questions about what the city and county would rely on as their state-required backup source, which is currently the river.

If the city were to make the Flint River its primary source, major upgrades would have to be made to the dams and other infrastructure, Croft said.

Blending river water with Detroit water would still leave Flint vulnerable to future rate increases from Detroit, he said.

Going with the KWA pipeline, on the other hand, would mean a fixed water cost, Croft said.

"A lot of things are conditional (with blending)," Croft said. "That's not a good scenario for us. We're looking for a long-term solution not a short-term one."

Still, no decisions have been finalized, he said.

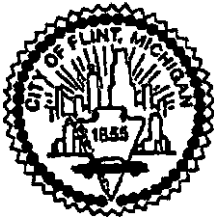
"The state has to support any decision of this magnitude," he said. "This is about us making the best-informed decision we can make

Brad Wurfel
Communications Director
Michigan Department of Environmental Quality
517-241-7395 - office
517-230-8006 - cell

From: Milne, James (DEQ)
Sent: Wednesday, October 31, 2012 10:11 AM
To: Wurfel, Brad (DEQ)
Cc: Fisher, Brant (DEQ); LeBaron, Andrew (DEQ)
Subject: Genesee Co water supply project

See if the attached files give you what you need. Brant Fisher & Andy LeBaron are probably the best people to talk to about this project.

Jim Milne, Great Lakes Shorelands Unit Chief
Water Resources Division
MI Dept. of Environmental Quality
ph: 517-373-4608 fax: 517-373-6917
e-mail: milnej@michigan.gov



Dayne Walling
Mayor

CITY OF FLINT, MICHIGAN Department of Finance

City Hall, Room #203
1101 South Saginaw Street
Flint, MI 48502
(810) 766-7268 / (810) 766-8675 (fax)

Edward J. Kurtz
Emergency Financial
Manager

Michael K. Brown
City Administrator

Gerald Ambrosia
Finance Director

October 31, 2012

Edward J. Kurtz
Emergency Financial Manager
City Of Flint Municipal Center
1101 S. Saginaw Street
Flint, MI 48502

RE: Cost Comparison, KWA v DWSD

Mr. Kurtz:

The City of Flint is considering whether joining the Karegnondi Water Authority (KWA) is a better alternative for the residents and businesses of Flint than continuing to purchase water from the Detroit Water and Sewer District (DWSD).

An important part of this consideration is the relative cost of the alternatives. We have compared the current projected costs of continuing to purchase water from DWSD to the projected costs of purchasing water from KWA.

The projected costs of purchasing water from DWSD come from our current and past experience, as well as statements from DWSD about their future costs. The costs of purchasing water from KWA are based on the KWA Lake Huron Water Supply Study, as updated by its October 2012 Preliminary Engineering Report Update, Appendix 20, dated October 4, 2012.

Based on the current contract with DWSD, the FY13 cost of purchasing water for the City of Flint only (excluding the sale of water to Genesee County) is budgeted at \$14.4 million. Past experience indicates that it is reasonable to assume a 10% increase annually in the capacity charge from DWSD and a 5% increase in the commodity cost. It is also reasonable to assume a 5% increase in operational costs for the Flint Water Treatment Plant. Consequently, it appears that the costs for continuing to purchase water from DWSD will increase to \$22.7 million by FY20.

Edward J. Kurtz
RE: Cost Comparison, KWA v DWSD
October 30, 2012
Page 2

Conversely, joining KWA and participating in the construction of infrastructure to receive water will require an up-front cost to the City of \$2.3 million, to be paid over the first three years of joining. This would be paid by the City during the construction period while the City continues to purchase its water from DWSD. However, once the construction is complete and water delivery commences, the City's capacity charge will be fixed, based on the debt service necessary to finance construction. Operational costs for KWA water delivery and the Flint WTP are projected to increase by 5% annually.

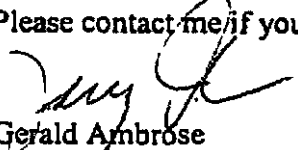
Based on the assumptions in this comparison, the annual projected cost of purchasing water for the City of Flint is 15% or \$2.6 million LESS using the KWA option in the first year of operation, increasing to 27% or \$6.1 million LESS in the fifth year of operation. The only caveat is that in order to achieve this, the City will need to upfront KWA \$3.25 million over 3 years prior to KWA beginning water delivery.

Concerns have been raised about the potential of cost overruns and delays in construction. These are reasonable concerns. An additional analysis, assuming a 15% cost overrun, and a one-year delay in construction, indicates that the gain to be achieved from participating in KWA is lessened (from \$2.6 million in the first year to \$2.3 million) and the City's upfront contribution is increased to \$10.4 million if the City is required to make its first year's debt service payment before operations begin. The City's gain from participating in KWA is delayed, but once operations begin, the City's annual costs are less than continuing with DWSD, becoming net positive in FY20. However, given the City's precarious financial position, it is likely that the City would need to find some source of capital if such an up-front payment were necessary.

Finally, we have also analyzed what constraints DWSD would need to impose on its contract with the City of Flint in order to be a positive financial option. It would appear that if the capacity costs to Flint were to be fixed at the FY13 level and if annual operating cost increases were capped at 2.25%, then the cost to the City of Flint could be less than KWA.

Attached are the three projections summarized above. First is the "Original Projection" utilizing the KWA Study. Second is the "Worse Case Projection" with cost increases and construction delays. Third is the reduced DWSD costs associated with fixed capacity costs and capped increases in operational costs.

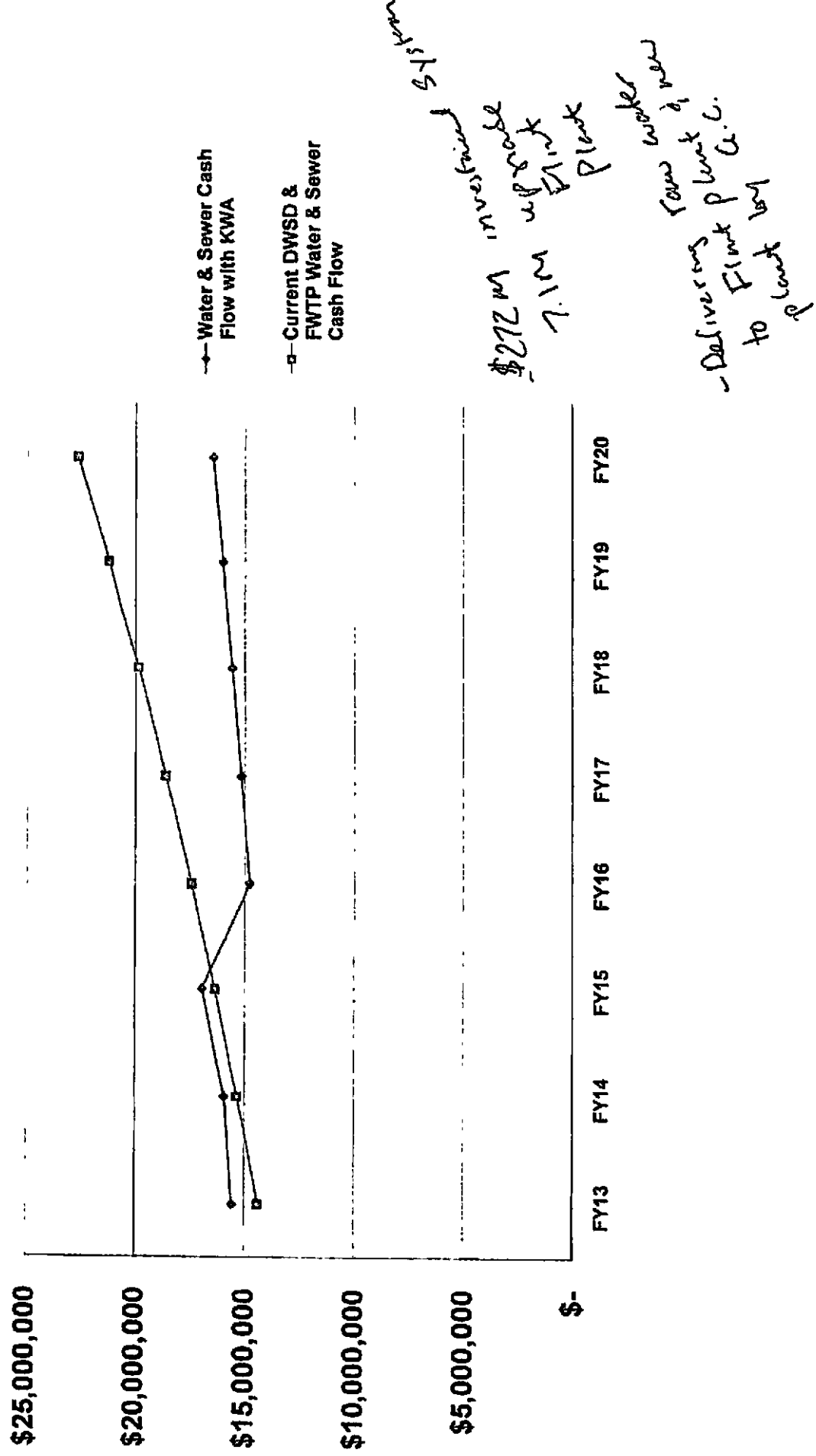
Please contact me if you have any questions.


Gerald Ambrose
Director of Finance

GA:js
Attachments

273,421,558
19,328,978
483,224,774
P&E
Total

Original Projection - Summary Comparison: KWA vs DWSD



ORIGINAL PROJECTION
SUMMARY COMPARISON: KWA V DWSD

Water and Sewer Cash Flow with KWA

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Current DWSD & FWTP Costs	\$ 14,413,858	\$ 15,355,135	\$ 16,365,534	\$ -	\$ -	\$ -	\$ -	\$ -
KWA Entry Fee \$2,225,600	\$ 1,162,800	\$ 581,400	\$ 581,400	\$ -	\$ -	\$ -	\$ -	\$ -
KWA Debt Service	\$ -	\$ -	\$ -	\$ 6,593,155	\$ 6,593,155	\$ 6,593,155	\$ 6,593,155	\$ 6,593,155
FWTP Debt Service	\$ -	\$ -	\$ -	\$ 572,781	\$ 572,781	\$ 572,781	\$ 572,781	\$ 572,781
KWA operations	\$ -	\$ -	\$ -	\$ 878,869	\$ 922,812	\$ 968,853	\$ 1,017,401	\$ 1,068,271
FWTP operations w KWA	\$ -	\$ -	\$ -	\$ 8,943,344	\$ 7,185,511	\$ 7,544,787	\$ 7,922,028	\$ 8,318,128
Total Costs	\$ 18,576,658	\$ 15,936,535	\$ 18,946,934	\$ 14,888,149	\$ 15,274,260	\$ 19,812,876	\$ 18,105,363	\$ 19,492,334

Water and Sewer Cash Flow with DWSD

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Current DWSD & FWTP Costs	\$ 14,413,858	\$ 15,355,135	\$ 16,365,534	\$ 17,460,717	\$ 18,616,851	\$ 19,870,660	\$ 21,219,438	\$ 22,671,186

6.5%

Cash Flow Difference: KWA and DWSD

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Annual Cost: DWSD - KWA	\$ (1,162,800)	\$ (581,400)	\$ (581,400)	\$ 2,582,568	\$ 3,342,591	\$ 4,190,974	\$ 5,114,072	\$ 6,118,851
Cumulative Gain with KWA	\$ (1,162,800)	\$ (1,744,200)	\$ (2,325,600)	\$ 238,968	\$ 3,579,559	\$ 7,770,533	\$ 12,884,605	\$ 19,003,456

(1) This projection assumes that KWA begins delivery of water to Flint starting in July, 2016. Any interest on the bonds will be capitalized until that period. The City will be obligated to begin paying its \$2,325,600 entry fee in FY13 - 2 payments of \$581,400 in FY13, 1 payment in FY14 and 1 payment in FY15.

(2) The cost of the KWA option is projected to be \$2,582,568 or 15% LESS than DWSD in the first year of operation (Year 4). This gain offsets the upfront costs of \$2,325,600 by \$238,968.

(3) The cost of the KWA option is projected to be \$6.1 million or 27% LESS than DWSD in the 6th year of operation (Year 6).

(4) The cumulative savings by the 8th year from the beginning of the project are projected to be \$19 million.

Cost Comparisons: Water Supply to City of Flint from DWS and proposed KWA project

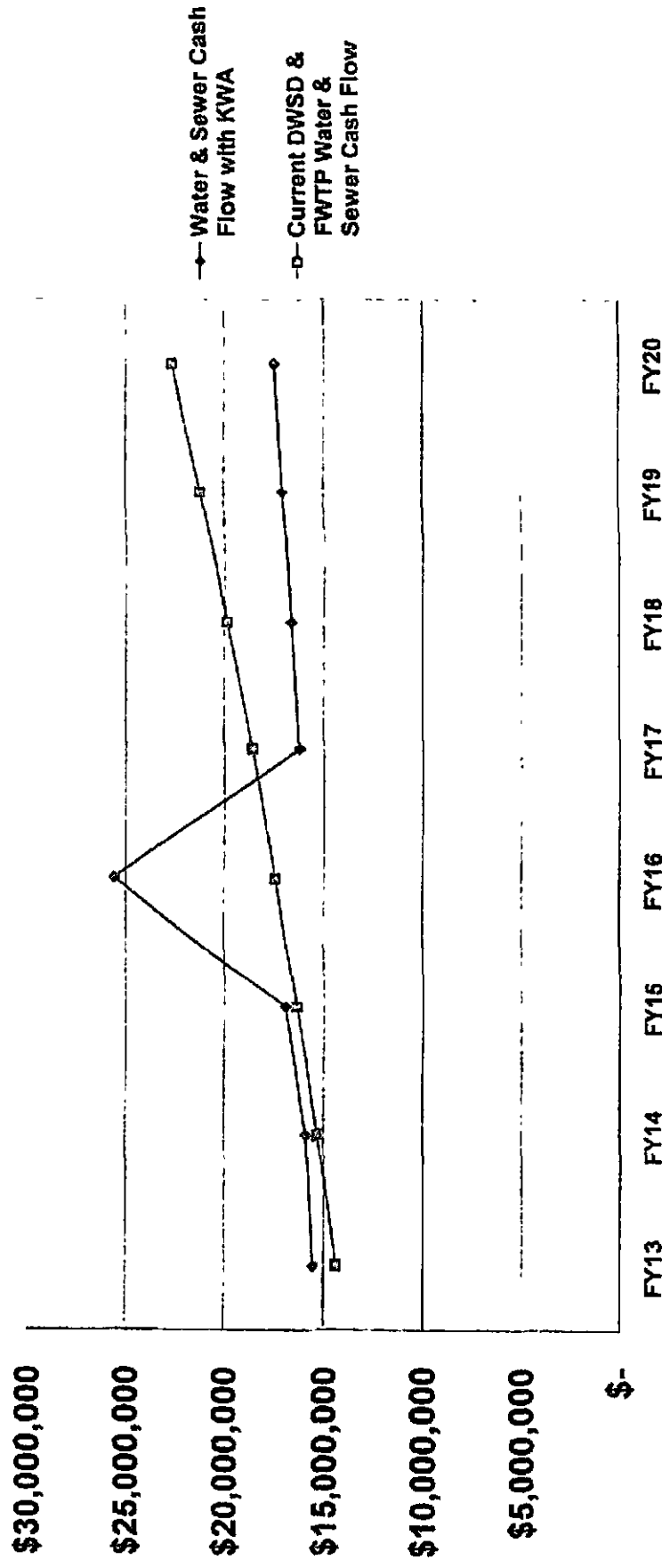
Cost of water to City of Flint (excluding Genesee) using continued service from DWSO

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Fixed Cost (1)	\$ 4,411,680	\$ 4,852,848	\$ 5,338,133	\$ 5,671,946	\$ 6,459,141	\$ 7,105,055	\$ 7,815,560	\$ 8,597,116
Commodity Cost (2)	\$ 7,276,640	\$ 7,640,472	\$ 8,022,486	\$ 8,423,620	\$ 8,844,801	\$ 9,287,041	\$ 9,751,394	\$ 10,238,863
Flint WTP Operating Cost (3)	\$ 2,725,538	\$ 2,861,815	\$ 3,004,906	\$ 3,155,151	\$ 3,312,908	\$ 3,478,554	\$ 3,652,482	\$ 3,835,106
TOTAL	\$ 14,413,858	\$ 15,355,135	\$ 16,365,524	\$ 17,450,717	\$ 18,616,851	\$ 19,870,650	\$ 21,219,436	\$ 22,671,185
(1) Per FY13 Budget and DWSD Contract, fixed charge from DWSD for FY13 is \$707,000 per month or \$8.5 million total. Flint's cost is 52% or \$4.4 million total.								
(2) Per FY13 Budget and DWSD Contract, and based on 12 million gallons per day (mgd), cost is \$7.3 million, based on \$12.48/unit (\$12.48x1600units=3855).								
(3) Per FY13 Budget, annual cost of WTP is \$4.1 million. Genesee County pays \$1,386,000 for emergency back up service.								

Cost of water to City of Flint using proposed KWA project for water supply to Flint WTP

[illegible]

Worst Case Scenario - Summary Comparison KWA vs DWSD (15% Cost Overrun; One year delay in Water Supply delivery)



WORSE CASE PROJECTION
SUMMARY COMPARISON: KWA V DWSD
(15% Cost Overrun: One year delay in Water Supply delivery)

Water and Sewer Cash Flow with KWA

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Current DWSD & FWTP Costs	\$ 14,413,858	\$ 15,355,135	\$ 16,385,534	\$ 17,450,717	\$ -	\$ -	\$ -	\$ -
KWA Entry Fee	\$ 1,182,800	\$ 591,400	\$ 591,400	\$ -	\$ -	\$ -	\$ -	\$ -
KWA Debt Service	\$ -	\$ -	\$ -	\$ 7,582,128	\$ 7,582,128	\$ 7,582,128	\$ 7,582,128	\$ 7,582,128
FWTP Debt Service	\$ -	\$ -	\$ -	\$ 658,698	\$ 658,698	\$ 658,698	\$ 658,698	\$ 658,698
KWA operations	\$ -	\$ -	\$ -	\$ -	\$ 922,912	\$ 988,953	\$ 1,017,401	\$ 1,088,271
FWTP operations w KWA	\$ -	\$ -	\$ -	\$ -	\$ 7,185,511	\$ 7,544,787	\$ 7,822,026	\$ 8,318,128
Total Costs	\$ 15,576,658	\$ 16,936,535	\$ 16,949,934	\$ 25,031,644	\$ 15,349,150	\$ 16,764,668	\$ 17,180,253	\$ 17,827,225

Water and Sewer Cash Flow with DWSD

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Current DWSD & FWTP Costs	\$ 14,413,858	\$ 15,355,135	\$ 16,385,534	\$ 17,450,717	\$ 18,618,951	\$ 19,870,860	\$ 21,219,435	\$ 22,671,185

Cash Flow Difference: KWA and DWSD

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Annual KWA - DWSD	\$ (1,182,800)	\$ (591,400)	\$ (591,400)	\$ (8,240,828)	\$ 2,267,790	\$ 3,116,884	\$ 4,039,182	\$ 5,043,950
Cumulative	\$ (1,182,800)	\$ (1,744,200)	\$ (2,325,600)	\$ (10,566,428)	\$ (8,298,728)	\$ (5,182,842)	\$ (1,143,460)	\$ 3,890,500

"Worse Case" scenario differs from Original in these respects:

(1) Delivery of water to Flint from KWA is delayed by one year and construction costs are 15% above the original projection. Consequently, the City is required to begin paying for debt service one year before KWA begins delivery of water. This is in addition to its obligation to pay its initial entry fee of \$591,400 plus \$561,400 annually for the first 5 years.

(2) Once KWA begins delivering water in year 5, the annual operating costs are less than DWSD by 12%. Considering \$10.6 million in upfront costs in the first 4 years prior to KWA operation, the cumulative cost of KWA exceeds the cost of DWSD until year 8.

(3) Cumulative savings by Year 8 are projected to be \$3.9 million, compared to \$18 million in the original projection.

Cost Comparisons: Water Supply to City of Flint from DWSD and proposed KWA project

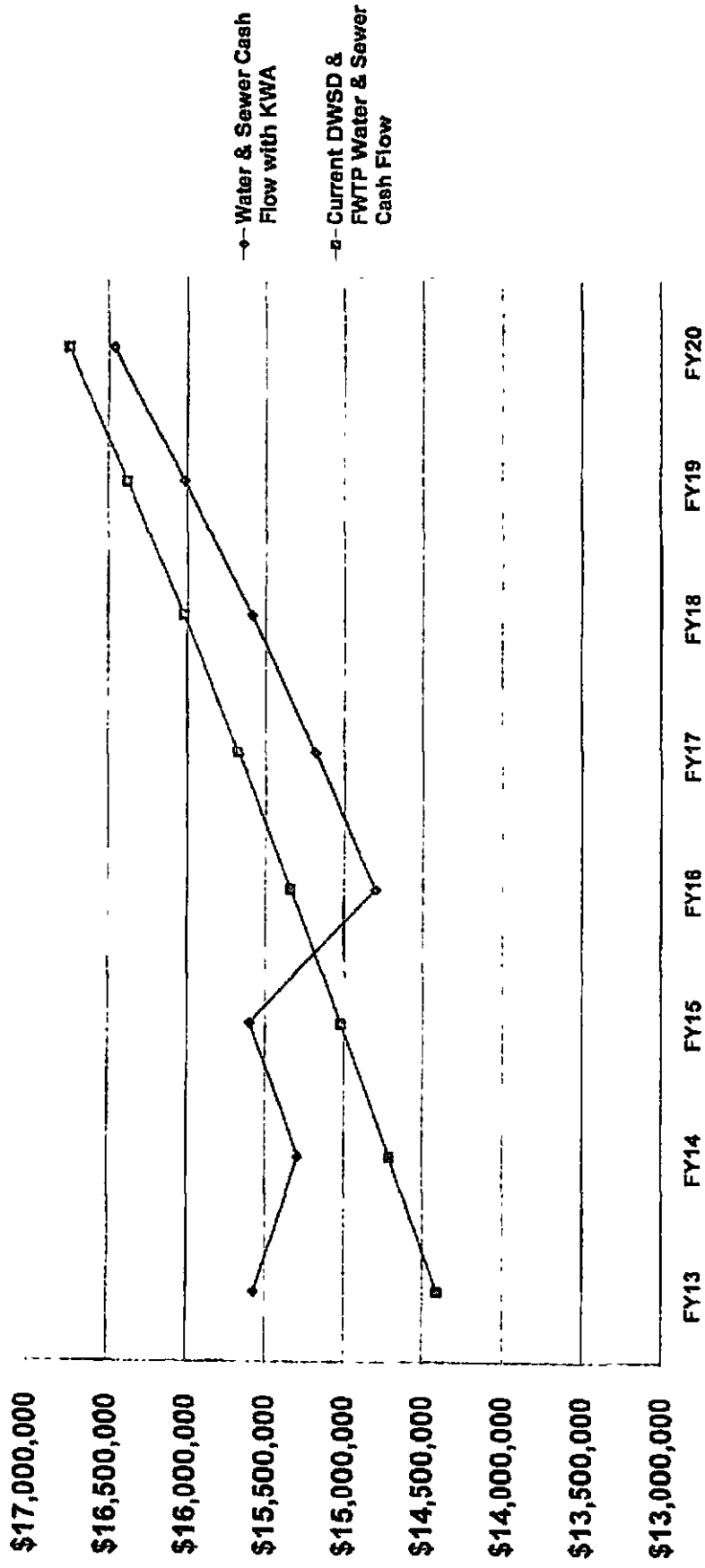
Cost Comparisons: Water Supply to City of Flint from DWSD and proposed KWA project

Cost Comparisons: Water Supply to City of Flint from DWSD and proposed KWA project

Cost Comparisons: Water Supply to City of Flint from DWSD and proposed KWA project

Cost Comparisons: Water Supply to City of Flint from DWSD and proposed KWA project

**ALTERNATE PROJECTION - SUMMARY COMPARISON: KWA V DWSD
WITH DWSD COSTS REDUCED (Fixed Costs held constant; Commodity
Costs Increased by 2.25% Annually)**



ALTERNATE PROJECTION
SUMMARY COMPARISON: KWA v DWSD WITH DWSD COSTS REDUCED
(FIXED COSTS HELD CONSTANT; COMMODITY COSTS INCREASED BY 2.25% ANNUALLY)

Water and Sewer Cash Flow with KWA

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Current DWSD & FWTP Costs	\$ 14,413,858	\$ 14,713,859	\$ 15,024,358	\$ -	\$ -	\$ -	\$ -	\$ -
KWA Entry Fee	\$ 1,162,800	\$ 581,400	\$ 581,400	\$ -	\$ -	\$ -	\$ -	\$ -
KWA Debt	\$ -	\$ -	\$ -	\$ 6,593,155	\$ 6,593,155	\$ 6,593,155	\$ 6,593,155	\$ 6,593,155
FWTP Debt	\$ -	\$ -	\$ -	\$ 572,781	\$ 572,781	\$ 572,781	\$ 572,781	\$ 572,781
KWA operations	\$ -	\$ -	\$ -	\$ 878,869	\$ 922,812	\$ 968,953	\$ 1,017,401	\$ 1,068,271
FWTP operations w KWA	\$ -	\$ -	\$ -	\$ 6,843,344	\$ 7,185,511	\$ 7,544,787	\$ 7,922,026	\$ 8,318,128
Total Costs	\$ 15,576,658	\$ 15,295,259	\$ 15,605,758	\$ 14,888,149	\$ 15,274,260	\$ 15,878,978	\$ 16,105,363	\$ 16,552,334

Water and Sewer Cash Flow with DWSD

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Current DWSD & FWTP Costs	\$ 14,413,858	\$ 14,713,859	\$ 15,024,358	\$ 15,345,778	\$ 15,678,562	\$ 16,023,172	\$ 16,380,091	\$ 16,749,823

Cash Flow Difference: KWA and DWSD

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Annual Cost: DWSD - KWA	\$ (1,162,800)	\$ (581,400)	\$ (581,400)	\$ 457,829	\$ 404,302	\$ 343,486	\$ 274,728	\$ 197,489
Cumulative Gain with KWA	\$ (1,162,800)	\$ (1,744,200)	\$ (2,325,600)	\$ (1,867,971)	\$ (1,463,669)	\$ (1,120,173)	\$ (845,445)	\$ (647,956)

(1) This projection assumes that DWSD fixed costs remain at 2013 levels and that operating costs increase by 2.25% annually.

(2) KWA costs are as in the Original Projection.

(3) In this comparison, KWA costs are still less once operations begin (by 2.9%), and cumulative gain does not occur until after year 8. Over time, DWSD costs could be less with these limitations on cost increases.

Detail of Cost Projections

FINAL 10/31/2012

Cost Comparisons: Water Supply to City of Flint from DWSD and proposed KWA project
(FIXED COSTS HELD CONSTANT; COMMODITY COSTS INCREASED BY 2.25% ANNUALLY)

Cost of water to City (excluding Genesee) using continued service from DWSD with modified escalator

	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
Fixed Cost (1) Escalator	\$ 4,411,680 1.00	\$ 4,411,680 1.00	\$ 4,411,680 1.00	\$ 4,411,680 1.00	\$ 4,411,680 1.00	\$ 4,411,680 1.00	\$ 4,411,680 1.00	\$ 4,411,680 1.00
Commodity Cost (2) Escalator	\$ 7,276,940 1.0225	\$ 7,440,364 1.0225	\$ 7,607,773 1.0225	\$ 7,778,947 1.0225	\$ 7,953,974 1.0225	\$ 8,132,936 1.0225	\$ 8,315,929 1.0225	\$ 8,503,038 1.0225
Flint WTP Operating Cost (3) Escalator	\$ 2,725,538 1.05	\$ 2,861,815 1.05	\$ 3,004,906 1.05	\$ 3,155,151 1.05	\$ 3,312,908 1.05	\$ 3,478,554 1.05	\$ 3,652,482 1.05	\$ 3,835,106 1.05
TOTAL	\$ 14,413,898	\$ 14,713,859	\$ 15,024,358	\$ 15,345,778	\$ 15,678,562	\$ 16,023,172	\$ 16,380,091	\$ 16,749,823

Cost of water to City of Flint using proposed KWA project for water supply to Flint WTP

	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
KWA Entry Costs (1) Escalator	\$ 1,162,800	\$ 581,400	\$ 581,400	\$ 581,400	\$ 581,400	\$ 581,400	\$ 581,400	\$ 581,400
Fixed KWA Construction Cost (2) Escalator				\$ 8,593,155 1.00	\$ 8,593,155 1.00	\$ 8,593,155 1.00	\$ 8,593,155 1.00	\$ 8,593,155 1.00
Fixed Flint WTP Construction Cost (3) Escalator				\$ 572,781 1.00	\$ 572,781 1.00	\$ 572,781 1.00	\$ 572,781 1.00	\$ 572,781 1.00
Flint WTP Operating Cost (4) Escalator	\$ 5,911,538 1.05	\$ 6,207,115 1.05	\$ 6,517,471 1.05	\$ 6,843,344 1.05	\$ 7,185,511 1.05	\$ 7,544,767 1.05	\$ 7,922,026 1.05	\$ 8,318,128 1.05
KWA Commodity Charge (5) Escalator	\$ 759,200 1.05	\$ 797,160 1.05	\$ 837,018 1.05	\$ 878,869 1.05	\$ 922,812 1.05	\$ 968,953 1.05	\$ 1,017,401 1.05	\$ 1,068,271 1.05
TOTAL	KWA NOT AVAILABLE			\$ 14,888,149	\$ 15,274,260	\$ 15,679,676	\$ 16,105,363	\$ 16,562,334

**Detroit Water and Sewerage Department
CS-1486
Flint Transmission System**

Summary of Construction Cost

⁽¹⁾ Facilities	Base Cost	Contingency	Subtotal	GC, Insurance, Bonds, Mob/Demob., Allowances	Escalation	Cost
South Transmission Main	\$ 180,552,670	\$ 18,055,267	\$ 198,607,937	\$ 36,446,873	\$ 28,206,577	\$ 263,261,387
North Transmission Main	\$ 152,354,280	\$ 15,235,428	\$ 167,589,708	\$ 32,284,866	\$ 23,984,949	\$ 223,859,525
Grand Blanc Pumping Station	\$ 29,171,593	\$ 2,917,159	\$ 32,088,752	\$ 8,738,638	\$ 4,899,287	\$ 45,726,677
⁽²⁾ Total Cost	\$ 362,078,543	\$ 36,207,854	\$ 398,286,397	\$ 77,470,379	\$ 57,090,813	\$ 532,847,589

⁽¹⁾ The Transmission Main and Grand Blanc Pumping Station shall be constructed under 3 separate construction contracts as follows:

1. Construction Contract No. 1 shall include the construction of the Transmission Main from the connection to the NOTS in Orion Township to the Oakland/Genesee County line (approximately 121,100 ft). The total Contract 1 construction cost is estimated to be \$ 263,261,387.
2. Construction Contract No. 2A shall include the construction of the Transmission Main from the Oakland/Genesee County line to the connection to the DWSD system near the Potter Road/Baxter Road Intersection in Davison Township (approx. 120,500 ft). The total Contract 2 construction cost is estimated to be \$ 223,859,525.
3. Construction Contract No. 2B shall include the construction of the Grand Blanc Pumping Station. The total Contract 3 construction cost is estimated to be \$ 45,726,677.

⁽²⁾ Construction duration of the project is approximately 3 years. An escalation @ 6% per year is added to cover second and third year of construction.

⁽³⁾ CM fee is not included in this cost estimate.

Detroit Water and Sewage Department
CS-1486
The Flint Transmission System
Construction Cost Estimate - South Transmission Main - Contract No. 1

Item	Unit	Quantity	Unit Cost	Total Cost
Division 1: GENERAL REQUIREMENTS				
01100 Traffic Control				
Signs	SF	6,650	\$ 28	\$ 186,250
Movable Message Boards	EA	4	\$ 25,000	\$ 100,000
Barricades	FT	15,000	\$ 75	\$ 1,125,000
Cones	EA	2,500	\$ 20	\$ 50,000
Truck-Mounted Attenuator	MO	24	\$ 42,500	\$ 1,020,000
Temporary Roads	SY	170,000	\$ 10	\$ 1,700,000
01140 Soil Erosion and Sedimentation Control				
Silt Fence	LF	100,000	\$ 6	\$ 600,000
Hay Bales	LF	2,000	\$ 10	\$ 20,000
				Subtotal Division 1 = \$ 6,294,250
Division 2: SITE WORK				
02100 Site Clearing				
Medium Brush	AC	30	\$ 500	\$ 15,000
Light Trees	AC	8	\$ 4,000	\$ 32,000
Topsoil Stripping	CY	65,750	\$ 6	\$ 448,500
02140 Dewatering				
Pumping - Operation	MO	18	\$ 45,000	\$ 810,000
Well Point System - Install/Remove	LF Mgr	60,000	\$ 190	\$ 11,400,000
02221 Trenching, Backfilling and Compacting				
Pavement Excavating and Removal	SY	22,000	\$ 8	\$ 176,000
Pavement Milling	SY	22,000	\$ 2	\$ 44,000
Excavation - Pipeline	CY	844,800	\$ 5	\$ 4,224,000
Granular Material	CY	17,500	\$ 30	\$ 525,000
Backfill and Compaction	CY	653,000	\$ 5	\$ 3,265,000
02238 Pipe Boring and Jacking				
Tunnel Casing	LF	6,250	\$ 7,250	\$ 45,312,500
Launching and Receiving Pits	EA	20	\$ 150,000	\$ 3,000,000
Soil Pre-Conditioning	LF	615	\$ 3,600	\$ 2,214,000
Mining Setup	EA	20	\$ 100,000	\$ 2,000,000
Collars	SF	6,500	\$ 40	\$ 260,000
Sheeting	SF	345,000	\$ 40	\$ 13,800,000
02600 Manholes				
6 Dia Manhole	EA	250	\$ 2,500	\$ 625,000
Frame and Cover	EA	310	\$ 500	\$ 155,000
02628 Prestressed Concrete Cylinder Pipe				
PCCP	LF	126,720	\$ 550	\$ 69,686,400
02675 Disinfection of Water Main				
Flushing and Testing	MI	24	\$ 36,000	\$ 864,000
Disinfection	MI	24	\$ 5,000	\$ 120,000
02730 Aggregate Base and Surface Course				
Base Course Drainage Layer	CY	16,000	\$ 100	\$ 1,600,000
02740 Bituminous Paving				
Binder - 2-1/2"	SY	30,576	\$ 10	\$ 305,760
Wearing - 1-1/2"	SY	62,000	\$ 5	\$ 310,000
02755 - Concrete Curb, Gutters and Sidewalks				
Concrete Curb and Gutter	LF	3,430	\$ 11	\$ 37,730
02760 - Sidewalks, Sidewalk Ramps and Driveways				
Driveway Replacement - Asphalt	SY	3,800	\$ 9	\$ 34,200
Driveway Replacement - Concrete	SF	3,150	\$ 5	\$ 15,750
02820 - Chain Link Fences and Gates				
Fencing	LF	20,000	\$ 20	\$ 400,000
02900 - Landscaping				
Topsoil	CY	18,337	\$ 20	\$ 366,740
Trees	EA	7,700	\$ 50	\$ 385,000
Grading	SY	440,000	\$ 2	\$ 880,000
Seeding	SY	440,000	\$ 2	\$ 880,000
				Subtotal Division 2 = \$ 161,260,570
Division 3: CONCRETE				
Mud Mgt	CY	591	\$ 350	\$ 206,850
Floor Slab	CY	935	\$ 600	\$ 561,000
Walls	CY	3,377	\$ 600	\$ 2,026,200
Top Slab	CY	1,312	\$ 600	\$ 787,200
Pipe Encasement	CY	2,300	\$ 400	\$ 920,000
				Subtotal Division 3 = \$ 4,481,250

**Detroit Water and Sewage Department
CS-1486**

The Flint Transmission System

Construction Cost Estimate - South Transmission Main - Contract No. 1

Item	Unit	Quantity	Unit Cost	Total Cost
Division 8: METALS				
05630 - Access Hatches				
Floor Doors	EA	4	\$ 2,500	\$ 10,000
Subtotal Division 8 =				\$ 10,000
Division 13: MECHANICAL				
15060 - Misc. Piping and Pipe				
Harnessed Couplings - 60"	EA	2	\$ 12,000	\$ 24,000
Duplex Sump Pumps	EA	8	\$ 5,000	\$ 40,000
15062 - Steel Pipe				
8" Blowoff	LF	1,200	\$ 60	\$ 72,000
15104 - Metal Sealed Gate Valves				
8" Gate Valves - Blowoff	EA	80	\$ 1,000	\$ 80,000
16" Gate Valves - Outlets	EA	6	\$ 10,000	\$ 60,000
36" Gate Valves	EA	0	\$ 10,000	\$ -
60" Gate Valves	EA	30	\$ 275,000	\$ 8,250,000
36" Cone Valves	EA	0	\$ 150,000	\$ -
15103 - Air Release and Combination Air Valves				
Manual Air Release Valves - 1-1/2"	EA	80	\$ 1,000	\$ 80,000
Automatic Air Release Valves - 1"	EA	80	\$ 2,000	\$ 160,000
Combination Air/Vacuum and Air Release - 8"	EA	2	\$ 10,000	\$ 20,000
Piping and Vents	EA	82	\$ 1,500	\$ 123,000
15140 - Pipe Supports				
Concrete Pipe Supports	EA	31	\$ 2,500	\$ 77,500
Subtotal Division 13 =				\$ 8,885,500
Division 16: ELECTRICAL				
Vault Electrical	LS	8	\$ 20,000	\$ 160,000
Subtotal Division 16 =				\$ 160,000
Division 17: INSTRUMENTATION AND CONTROLS				
17200 - Computer Systems Hardware				
Hardware, Software and Integration	EA	8	\$ 15,000	\$ 120,000
17350 - Multiple Address Radio Equipment				
Remote Telemetry Unit	EA	8	\$ 7,500	\$ 60,000
17520 - Flow Instruments				
Magnetic Flow Meters	EA	2	\$ 75,000	\$ 150,000
17530 - Pressure and Level Instruments				
Pressure Transmitters	EA	8	\$ 5,000	\$ 40,000
Subtotal Division 17 =				\$ 370,000
Subtotal Division 2 through 17 =				\$ 159,854,570
Contingency			10%	\$ 15,985,457
Subtotal - I				\$ 169,037,837
General Conditions				
General Conditions	LS		9%	\$ 9,930,367
Mobilization/Demobilization, Bonds & Insurance	LS		6%	\$ 11,918,476
Cash Allowance - Electric Utility Connections	LS			\$ 400,000
Cash Allowance - Gas Line Relocations	LS			\$ 400,000
Cash Allowance - Data Programming	LS			\$ 1,500,000
Cash Allowance - MDOT - T&P	LS			\$ 300,000
Cash Allowance - MDEQ/MDOT Permits and Inspection	LS			\$ 1,500,000
Cash Allowance - RCOC Permit Compliance	LS			\$ 1,800,000
Cash Allowance - Spare Parts	LS			\$ 250,000
Provisionary Allowance - Unforeseen Conditions	LS			\$ 9,750,000
Subtotal - II				\$ 39,448,873
Total Construction Cost (2005)				\$ 228,284,510
Escalation to Mid-Point of Construction			12%	\$ 23,263,477
Total Construction Cost (2011)				\$ 251,261,387

Construction cost estimate does not include CM fee
Contractor's overhead and profit is included in the Unit Cost

Detroit Water and Sewage Department
CS-1486
The Flint Transmission System
Construction Cost Estimate - North Transmission Main - Contract No. 2

Item	Unit	Quantity	Unit Cost	Total Cost
Division 1: GENERAL REQUIREMENTS				
01100 Traffic Control				
Signs	SF	6,650	\$ 25	\$ 166,250
Movable Message Boards	EA	4	\$ 25,000	\$ 100,000
Barricades	FT	16,000	\$ 75	\$ 1,200,000
Cones	EA	2,500	\$ 20	\$ 50,000
Truck-Mounted Attenuator	MO	24	\$ 42,000	\$ 1,008,000
Temporary Roads	SY	42,240	\$ 10	\$ 422,400
01140 Soil Erosion and Sedimentation Control				
Silt Fence	LF	198,000	\$ 5	\$ 990,000
Hay Bales	LF	4,000	\$ 10	\$ 40,000
Subtotal Division 1 =				\$ 3,876,650
Division 2: SITE WORK				
02100 Site Clearing				
Medium Brush	AC	38	\$ 500	\$ 19,000
Light Trees	AC	7	\$ 4,000	\$ 28,000
Topsoil Stripping	CY	7,500	\$ 8	\$ 60,000
02140 Dewatering				
Pumping - Operation	MO	18	\$ 45,000	\$ 810,000
Well Point System - Install/Remove	LF Hdr	60,000	\$ 100	\$ 6,000,000
02221 Trenching, Backfilling and Compacting				
Pavement Sawcutting and Removal	SY	176,000	8	\$ 1,408,000
Pavement Milling	SY	176,000	2	\$ 352,000
Excavation - Pipeline	CY	844,800	\$ 5	\$ 4,224,000
Granular Material	CY	17,500	\$ 30	\$ 525,000
Backfill and Compaction	CY	683,000	\$ 5	\$ 3,415,000
02236 Pipe Boring and Jacking				
Tunnel Casing	LF	2,510	\$ 7,250	\$ 18,197,500
Launching and Receiving Pits	EA	12	\$ 150,000	\$ 1,800,000
Soil Pre-Conditioning	LF	350	\$ 3,600	\$ 1,260,000
Mining Setup	EA	12	\$ 100,000	\$ 1,200,000
Cofferdams	SF	6,600	\$ 40	\$ 264,000
Sheeting	SF	270,000	\$ 40	\$ 10,800,000
02600 Manholes				
6' Dia Manhole	EA	228	\$ 2,500	\$ 570,000
Frame and Cover	EA	276	\$ 500	\$ 138,000
02628 Prestressed Concrete Cylinder Pipe				
PCCP	LF	126,720	\$ 550	\$ 69,696,000
02675 Disinfection of Water Main				
Flushing and Testing	MI	24	\$ 36,000	\$ 864,000
Disinfection	MI	24	\$ 5,000	\$ 120,000
02730 Aggregate Base and Surface Course				
Base Course Drainage Layer	CY	60,150	\$ 100	\$ 6,015,000
02740 Bituminous Paving				
Binder - 2-1/2"	SY	127,750	\$ 10	\$ 1,277,500
Wearing - 1-1/2"	SY	214,250	\$ 6	\$ 1,285,500
02755 - Concrete Curbs, Gutters and Sidewalks				
Concrete Curb and Gutter	LF	13,720	\$ 11	\$ 150,920
02760 - Sidewalks, Sidewalk Ramps and Driveways				
Driveway Replacement - Asphalt	SY	4,000	\$ 9	\$ 36,000
Driveway Replacement - Concrete	SF	4,320	\$ 5	\$ 21,600
02820 - Chain Link Fences and Gates				
Fencing	LF	20,000	\$ 20	\$ 400,000
02900 - Landscaping				
Topsoil	CY	18,338	\$ 20	\$ 366,760
Trees	EA	1,925	\$ 50	\$ 96,250
Grading	SY	440,000	\$ 2	\$ 880,000
Seeding	SY	440,000	\$ 2	\$ 880,000

Detroit Water and Sewage Department

CS-1486

The Flint Transmission System

Construction Cost Estimate - North Transmission Main - Contract No. 2

Item	Unit	Quantity	Unit Cost	Total Cost
Subtotal Division 2 =				\$ 133,160,030
Division 3: CONCRETE				
Mud Mat	CY	858	\$ 350	\$ 229,600
Floor Slab	CY	1,410	\$ 600	\$ 846,000
Walls	CY	3,828	\$ 600	\$ 2,298,800
Top Slab	CY	1,379	\$ 600	\$ 827,400
Pipe Encasement	CY	2,775	\$ 400	\$ 1,110,000
Subtotal Division 3 =				\$ 6,309,800
Division 6: METALS				
05830 - Access Hatches				
Floor Doors	EA	2	\$ 2,500	\$ 5,000
Subtotal Division 6 =				\$ 5,000
Division 15: MECHANICAL				
15060 - Misc. Piping and Pipe				
Dismantling Joints - 60"	EA	2	\$ 12,000	\$ 24,000
Dismantling Joints - 30"	EA	10	\$ 7,500	\$ 75,000
Wall Sleeves - 48"	EA	4	\$ 7,500	\$ 30,000
48" D.I. Pipe	LF	36	\$ 2,300	\$ 82,800
30" D.I. Pipe	LF	105	\$ 1,500	\$ 157,500
48" x 30" Cross	EA	2	\$ 40,000	\$ 80,000
48" x 30" Reducer	EA	2	\$ 40,000	\$ 80,000
30" x 20" Reducer	EA	12	\$ 30,000	\$ 360,000
30" - 90 Bend	EA	4	\$ 22,000	\$ 88,000
Duplex Sump Pumps	EA	9	\$ 5,000	\$ 45,000
15062 - Steel Pipe				
8" Blowoff	LF	1,200	\$ 60	\$ 72,000
15104 - Metal Seated Gate Valves				
8" Gate Valves - Blowoff	EA	80	\$ 1,000	\$ 80,000
16" Gate Valves - Outlets	EA	6	\$ 10,000	\$ 60,000
30" Gate Valves	EA	4	\$ 50,000	\$ 200,000
48" Gate Valves	EA	4	\$ 100,000	\$ 400,000
60" Gate Valves	EA	24	\$ 275,000	\$ 6,600,000
20" Cone Valves	EA	6	\$ 75,000	\$ 450,000
15108 - Air Release and Combination Air Valves				
Manual Air Release Valves - 1-1/2"	EA	75	\$ 1,000	\$ 75,000
Automatic Air Release Valves - 1"	EA	75	\$ 2,000	\$ 150,000
Combination Air/Vacuum and Air Release - 8"	EA	1	\$ 10,000	\$ 10,000
Piping and Vents	EA	76	\$ 1,500	\$ 114,000
15140 - Pipe Supports				
Concrete Pipe Supports	EA	51	\$ 2,500	\$ 127,500
Subtotal Division 15 =				\$ 9,360,800
Division 16: ELECTRICAL				
PRV Electrical	LS	1	\$ 32,000	\$ 32,000
Vault Electrical	LS	7	\$ 20,000	\$ 140,000
Subtotal Division 16 =				\$ 172,000
Division 17: INSTRUMENTATION AND CONTROLS				
17200 - Computer Systems Hardware				
Hardware, Software	EA	8	\$ 15,000	\$ 120,000
17350 - Multiple Address Radio Equipment				
Remote Telemetry Unit	EA	8	\$ 7,500	\$ 60,000
17520 - Flow Instruments				
Magnetic Flow Meters	EA	2	\$ 75,000	\$ 150,000
17530 - Pressure and Level Instruments				

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Construction Cost Estimate - North Transmission Main - Contract No. 2

Item	Unit	Quantity	Unit Cost	Total Cost
Pressure Transmitters	EA	8	\$ 5,000	\$ 40,000
Subtotal Division 17 =				\$ 370,000
Subtotal Division 2 through 17 =				\$ 162,354,280
Contingency			10%	\$ 15,235,428
Subtotal - I				\$ 167,589,708
General Conditions	LS		5%	\$ 8,379,485
Mobilization/Demobilization, Bonds & Insurance	LS		6%	\$ 10,055,382
Cash Allowance - Electric Utility Connections	LS			\$ 400,000
Cash Allowance - Gas Line Relocations	LS			\$ 400,000
Cash Allowance - Data Programming	LS			\$ 1,500,000
Cash Allowance - MDOT - TMP	LS			\$ 300,000
Cash Allowance - MDEQ/MDOT Permits and Inspection	LS			\$ 750,000
Cash Allowance - GCRC Permit Compliance	LS			\$ 1,500,000
Cash Allowance - Spare Parts	LS			\$ 250,000
Provisionary Allowance - Unforeseen Conditions	LS			\$ 8,750,000
Subtotal - II				\$ 32,284,868
Total Construction Cost (2008)				\$ 199,874,576
Escalation to Mid-Point of Construction			12%	\$ 23,984,949
Total Construction Cost (2011)				\$ 223,859,525

Construction cost estimate does not include CM fee
Contractor's overhead and profit is included in the Unit Cost

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The Flint Transmission System
Construction Cost Estimate - Grand Blanc Pumping Station

Item	Unit	Quantity	Unit Cost	Total Cost
Division 1: GENERAL REQUIREMENTS				
01100 Traffic Control				
Maintaining Traffic allowance	LS	1	\$ 35,000	\$ 35,000
01140 Soil Erosion and Sedimentation Control				
Construction Entrance	LS	1	\$ 5,000	\$ 5,000
Silt Fence	LF	5,000	\$ 1	\$ 5,000
Subtotal Division 1 =				\$ 45,000
Division 2: SITE WORK				
02200 Earthwork and Backfill				
Excavation for Pumping Station	CY	7,650	\$ 16	\$ 122,400
Backfill for Pumping Station	CY	2,500	\$ 20	\$ 50,000
02012 Soil Boring and Testing	LS	1	\$ 10,000	\$ 10,000
02050 Demolition	LS	1	\$ 10,000	\$ 10,000
02100 Site Clearing				
Clear brush, trees	LS	1	\$ 20,000	\$ 20,000
topsoil, strip and stack	cy	5,000	\$ 10	\$ 50,000
02140 Dewatering				
Well Points & Pumping	LS	1	\$ 50,000	\$ 50,000
02221 Trenching, Backfilling and Compacting				
Undercut unstable soil allowance	LS	800	\$ 7	\$ 5,600
Structural fill	CY	3,000	\$ 30	\$ 90,000
02530 Sanitary sewers				
8" dia San	LF	2,500	\$ 40	\$ 100,000
02600 Manholes				
	Each	7	\$ 2,500	\$ 17,500
02628 Water Main				
72-inch Suction and Discharge lines	LF	1,200	\$ 750	\$ 900,000
60-inch Gate Valves	Each	3	\$ 275,000	\$ 825,000
8-inch Gate Valve (Blow-off)	Each	2	\$ 1,000	\$ 2,000
8-inch water	LF	2,000	\$ 60	\$ 120,000
Hydrant	Each	2	\$ 3,000	\$ 6,000
02630 Storm Drainage & Pipe Culverts				
12" dia Storm	LF	1,000	\$ 40	\$ 40,000
15" dia Storm	LF	400	\$ 50	\$ 20,000
Culvert	LF	40	\$ 25	\$ 1,000
Manholes and catch basins	Each	7	\$ 2,000	\$ 14,000
Detention Basin	Each	1	\$ 25,000	\$ 25,000
02640 Natural Gas				
	LS	1	\$ 8,000	\$ 8,000
02740 Bituminous Paving				
	SY	8,000	\$ 38	\$ 304,000
02750 Concrete Pavement				
	SY	3,000	\$ 60	\$ 180,000
02760 Sidewalks, Sidewalks & Driveways				
Curb and Gutter	LF	3,000	\$ 16	\$ 48,000
Granular Material	cy	4,000	\$ 20	\$ 80,000
Backfill and Compaction	cy	3,000	\$ 12	\$ 36,000
02820 Chainlink Fence and Gates				
8' high security fence w/ barbed wire	LF	3,600	\$ 53	\$ 190,800
Cattlelever sliding gates, motorized	Each	1	\$ 18,000	\$ 18,000
02900 Landscaping				
Topsoil	CY	4,000	\$ 20	\$ 80,000
Grading	SY	20,000	\$ 2	\$ 40,000
Seeding	SY	12,000	\$ 2	\$ 24,000
Trees & Shrubs	LS	1	\$ 15,000	\$ 15,000
General Contractor's Mark-up (10%)	LS	1	\$ 350,230	\$ 350,230
Subtotal Division 2 =				\$ 3,852,530
Division 3: CONCRETE				
Pumping Station				

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Construction Cost Estimate - Grand Blanc Pumping Station

Foundation	CY	1,213	\$ 300	\$ 363,900
Walls (East & West)	CY	100	\$ 400	\$ 40,000
Walls (North & South)	CY	29	\$ 400	\$ 11,600
Flow Meter Vault Walls (East & West)	CY	13	\$ 400	\$ 5,200
Flow Meter Vault Walls (North & South)	CY	9	\$ 400	\$ 3,600
Vault Walls (East & West)	CY	19	\$ 400	\$ 7,600
Vault Walls (North & South)	CY	14	\$ 400	\$ 5,600
Footings (East & West)	CY	225	\$ 300	\$ 67,500
Footings (North & South)	CY	65	\$ 300	\$ 19,500
Column Pillasters	CY	21	\$ 750	\$ 15,750
Column Pillasters Foundation	CY	24	\$ 750	\$ 18,000
Vaults for 60-inch Gate Valves				
Walls (East & West)	CY	150	\$ 400	\$ 60,000
Walls (North & South)	CY	100	\$ 400	\$ 40,000
Floor (Roof Plan)	CY	100	\$ 300	\$ 30,000
Floor (Floor Plan)	CY	17	\$ 300	\$ 5,100
Slab	CY	25	\$ 500	\$ 12,500
72" Pipe Encasement				
Concrete	CY	529	\$ 400	\$ 211,600
Pipe Encasement	CY	12	\$ 400	\$ 4,800
Electrical Room				
AHU Concrete Pad (Typ of 4)	CY	11	\$ 400	\$ 4,400
VFD Concrete Pad (Typ of 5)	CY	8	\$ 400	\$ 3,200
Double Ended Substation Concrete Support Pad (Typ)	CY	3	\$ 400	\$ 1,200
Primary Switch Gear Concrete Support Pad (Typ)	CY	5	\$ 400	\$ 2,000
6" Hollowcore (Office/Restroom Roof)	SF	250	\$ 32	\$ 8,000
Pump Room				
Valve Support Concrete Pad (Typ of 5) (Motor)	CY	5	\$ 400	\$ 2,000
Valve Support Concrete Pad (Typ of 5) (Pump)	CY	7	\$ 400	\$ 2,800
Valve Support Concrete Support Pad (Typ of 5)	CY	3	\$ 400	\$ 1,200
Valve Support Concrete Support Pad (Typ of 6)	CY	2	\$ 400	\$ 800
Valve Support Concrete Support Pad (Typ of 10)	CY	1	\$ 400	\$ 400
Thrust Restraint	CY	333	\$ 400	\$ 133,200
Subtotal Division 3 =				\$ 1,081,480
Division 4: MASONRY				
Exterior Masonry Wall (12" CMU, 4" face brick, cavity,	SF	16,850	\$ 38	\$ 644,100
12" interior masonry walls (Sound and Burnished block)	SF	4,050	\$ 25	\$ 101,250
8" interior masonry walls (Burnished Block)	SF	638	\$ 22	\$ 14,036
Subtotal Division 4 =				\$ 759,386
Division 6: METALS				
W14x90	LF	2,160	\$ 140	\$ 302,400
W12x40	LF	160	\$ 60	\$ 9,600
Cross Brace (2L3 1/2 x3x 1/2)	LF	320	\$ 50	\$ 16,000
W6x15	LF	45	\$ 35	\$ 1,575
W10x33	LF	99	\$ 60	\$ 5,940
20LH09 Steel Joists	LF	1,295	\$ 30	\$ 38,850
Engineered Steel Truss	LF	3,240	\$ 100	\$ 324,000
Cross Bracing (L6x3 1/2 x 1/2)	LF	688	\$ 35	\$ 24,080
3" Metal Decking	SF	13,200	\$ 20	\$ 264,000
2" Metal Decking	SF	7,500	\$ 15	\$ 112,500
Grating				
Removable St. Grating (Pump Room)	SF	930	\$ 30	\$ 27,900
Aluminum Grating (Valve Vault) - (Typ of 3)	SF	27	\$ 30	\$ 810
Removable painted St. Handrail (around removable	LF	150	\$ 55	\$ 8,250
Painted steel railing (Stairways)	LF	40	\$ 55	\$ 2,200
Metal stair (2 stairs)	Riser	40	\$ 550	\$ 22,000

Detroit Water and Sewage Department
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Construction Cost Estimate - Grand Blanc Pumping Station

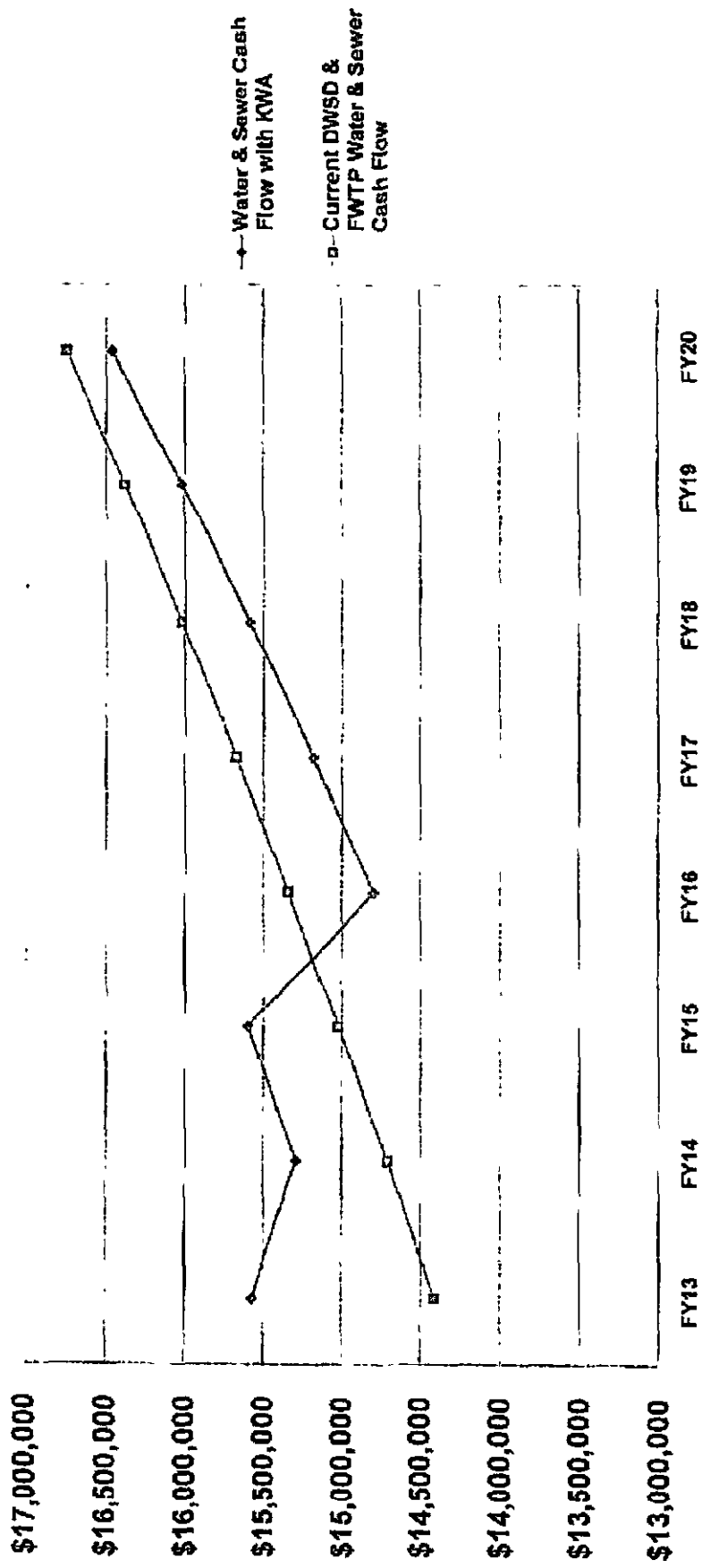
Subtotal Division 5 = \$ 1,180,108				
Division 6: WOOD AND PLASTIC				
Rough carpentry	LS	1	\$ 9,200	\$ 9,200
Subtotal Division 6 = \$ 9,200				
Division 7: THERMAL AND MOISTURE PROTECTION				
Built Up Roofing	SF	7,700	\$ 9	\$ 69,300
Standing seam roofing	SF	16,900	\$ 14	\$ 236,600
Subtotal Division 7 = \$ 236,600				
Division 8: DOORS AND WINDOWS				
Exterior HM doors	EA	6	\$ 2,530	\$ 15,180
Interior HM doors	EA	4	\$ 1,840	\$ 7,360
Overhead Door	EA	2	\$ 11,200	\$ 22,400
Aluminum Windows	SF	98	\$ 50	\$ 4,900
Translucent Panels	SF	996	\$ 45	\$ 44,820
Subtotal Division 8 = \$ 94,660				
Division 9: FINISHES				
Painting				
Subtotal Division 9 = \$ 337,282				
Division 10: SPECIALTIES				
Louvers	LS	1	\$ 30,000	\$ 30,000
xx	x	0	\$ -	\$ -
Subtotal Division 11 = \$ -				
Division 12: FURNISHINGS				
Control room furniture	LS	1	\$ 3,450	\$ 3,450
Subtotal Division 12 = \$ 3,450				
Division 13: SPECIAL CONSTRUCTION				
xx	x	0	\$ -	\$ -
Subtotal Division 13 = \$ -				
Division 14: CONVEYING SYSTEMS				
15 Ton Crane 60' Span	LS	1	\$ 265,810	\$ 265,810
Subtotal Division 14 = \$ 265,810				
Division 16: MECHANICAL				
Pumps - w/2250 HP Motors and VFD's	each	5	\$ 1,410,000	\$ 7,050,000
30 inch Piping	l.f.	200	\$ 1,200	\$ 240,000
30 inch 90° Bends	each	10	\$ 22,000	\$ 220,000
30 inch Coupling	each	10	\$ 8,300	\$ 83,000
30 inch Gate Valve w/Manual Operator	each	10	\$ 115,000	\$ 1,150,000
20 inch Cone Valve w/EH Operator	each	5	\$ 135,000	\$ 675,000
72 inch Header Piping	l.f.	520	\$ 3,000	\$ 1,560,000
72 inch Tees	each	12	\$ 114,000	\$ 1,368,000
72 inch 90° Bends	each	2	\$ 90,000	\$ 180,000
Magnetic Flow Meter	each	1	\$ 57,000	\$ 57,000
72 & 60 inch Bypass Piping	l.f.	100	\$ 1,450	\$ 145,000
48" Gate Valve w/Manual Operator	each	2	\$ 167,500	\$ 335,000
36 inch Cone Valve w/EH Operator	each	1	\$ 305,000	\$ 305,000
72 inch Couplings	each	4	\$ 6,900	\$ 27,600
Supply Water System	each	1	\$ 54,000	\$ 54,000
Drain Pumping Station (Interior)	each	1	\$ 25,200	\$ 25,200
Air/Vacuum Relief Valves	each	10	\$ 1,500	\$ 15,000
Plumbing	s.f.	18,000	\$ 20	\$ 360,000

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Construction Cost Estimate - Grand Blanc Pumping Station

Mechanical Start-up, Testing and Disinfection	each	1	\$ 100,000	\$ 100,000
HVAC	s.f.	18,000	\$ 35	\$ 630,000
General Contractor's Mark-up (10%)	LS	1	\$ 1,455,980	\$ 1,455,980
			Subtotal Division 15 =	\$ 16,015,780
Division 16: ELECTRICAL				
15 KV Metal Enclosed Switchgear W/DTE Meter	Each	1	\$ 80,000	\$ 80,000
Primary Power Transformer	Each	1	\$ 850,000	\$ 850,000
Neutral Grounding Resistor	Each	1	\$ 50,000	\$ 50,000
5 KV Metal Clad Switchgear Lineup	Each	1	\$ 850,000	\$ 850,000
Distribution Equipment	LS	1	\$ 250,000	\$ 250,000
Lighting System	LS	1	\$ 125,000	\$ 125,000
Grounding - Building & Equipment	LS	1	\$ 50,000	\$ 50,000
MV Cables	LS	1	\$ 75,000	\$ 75,000
Wiring and Control Devices	LS	1	\$ 50,000	\$ 50,000
Cable and Wires	LS	1	\$ 150,000	\$ 150,000
Installation	LS	1	\$ 1,155,250	\$ 1,155,250
Startup, testing and training	LS	1	\$ 150,000	\$ 150,000
Short Circuit & Coordination Study	LS	1	\$ 75,000	\$ 75,000
Gate/Card Access	LS	1	\$ 11,000	\$ 11,000
Network Video Recorder and Cameras	LS	1	\$ 13,000	\$ 13,000
Interior Motion/door contracts	LS	1	\$ 10,000	\$ 10,000
Documentation and Manuals	LS	1	\$ 55,000	\$ 55,000
General Contractor's Mark-up (10%)	LS	1	\$ 399,925	\$ 399,925
			Subtotal Division 16 =	\$ 4,399,175
Division 17: INSTRUMENTATION AND CONTROLS				
Control System - with Remote Operator Station (ROS)	LS	1	\$ 450,000	\$ 450,000
Radio System	LS	1	\$ 53,000	\$ 53,000
Field Instruments- Flow, Pressure, etc	LS	1	\$ 59,400	\$ 59,400
Programming - Control System including upgrade to SCC	LS	1	\$ 57,500	\$ 57,500
Start-up/Phase-over and Testing	LS	1	\$ 140,000	\$ 140,000
Documentation and Manuals	LS	1	\$ 45,000	\$ 45,000
Network/Communication Equipment	LS	1	\$ 19,800	\$ 19,800
General Contractor's Mark-up (10%)	LS	1	\$ 82,470	\$ 82,470
			Subtotal Division 17 =	\$ 807,170
			Subtotal Division 2 through 17 =	\$ 29,171,593
Contingency			10%	\$ 2,917,159
Subtotal - I				\$ 32,088,752
General Conditions	1		5%	\$ 1,604,438
Mobilization/Demobilization, Bonds & Insurance	1		8%	\$ 1,925,325
Allowance for Primary Feed To Station	LS		\$ 2,000,000	\$ 2,000,000
Provisionary Allowance - Unforeseen Conditions	1		10%	\$ 3,208,875
Subtotal - II				\$ 8,738,638
				Total Construction Cost (2008)
				\$ 40,827,390
Escalation to Mid-Point of Construction			12%	\$ 4,899,287
				Total Construction Cost (2011)
				\$ 45,726,677

Construction cost estimate does not include CM fee
Contractor's overhead and profit is included in the Unit Cost

**ALTERNATE PROJECTION - SUMMARY COMPARISON: KWA V DWSD
WITH DWSD COSTS REDUCED (Fixed Costs held constant; Commodity
Costs Increased by 2.25% Annually)**



ALTERNATE PROJECTION
SUMMARY COMPARISON: KWA v DWSD WITH DWSD COSTS REDUCED
(FIXED COSTS HELD CONSTANT; COMMODITY COSTS INCREASED BY 2.25% ANNUALLY)

Water and Sewer Cash Flow with KWA

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Current DWSD & FWTP Costs	\$ 14,413,858	\$ 14,713,859	\$ 15,024,358	\$ -	\$ -	\$ -	\$ -	\$ -
KWA Entry Fee	\$ 1,162,800	\$ 581,400	\$ 581,400	\$ -	\$ -	\$ -	\$ -	\$ -
KWA Debt	\$ -	\$ -	\$ -	\$ 6,593,155	\$ 6,593,155	\$ 6,593,155	\$ 6,593,155	\$ 6,593,155
FWTP Debt	\$ -	\$ -	\$ -	\$ 572,781	\$ 572,781	\$ 572,781	\$ 572,781	\$ 572,781
KWA operations	\$ -	\$ -	\$ -	\$ 878,869	\$ 922,612	\$ 968,953	\$ 1,017,401	\$ 1,068,271
FWTP operations w KWA	\$ -	\$ -	\$ -	\$ 6,943,344	\$ 7,185,511	\$ 7,544,767	\$ 7,922,026	\$ 8,318,128
Total Costs	\$ 15,576,658	\$ 15,295,259	\$ 16,606,758	\$ 14,888,149	\$ 15,274,260	\$ 15,879,878	\$ 16,105,363	\$ 16,562,334

Water and Sewer Cash Flow with DWSD

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Current DWSD & FWTP Costs	\$ 14,413,858	\$ 14,713,859	\$ 15,024,358	\$ 15,345,778	\$ 15,678,562	\$ 16,023,172	\$ 16,380,091	\$ 16,749,823

Cash Flow Difference: KWA and DWSD

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Annual Cost: DWSD - KWA	\$ (1,162,800)	\$ (581,400)	\$ (581,400)	\$ 457,628	\$ 404,302	\$ 343,488	\$ 274,728	\$ 197,489
Cumulative Gain with KWA	\$ (1,162,800)	\$ (1,744,200)	\$ (2,325,600)	\$ (1,887,971)	\$ (1,483,669)	\$ (1,120,173)	\$ (845,445)	\$ (847,956)

(1) This projection assumes that DWSD fixed costs remain at 2013 levels and that operating costs increase by 2.25% annually

(2) KWA costs are as in the Original Projection.

(3) In this comparison, KWA costs are still less once operations begin (by 2.8%), and cumulative gain does not occur until after year 6. Over time, DWSD costs could be less with these limitations on cost increases.

Worse Case Scenario

Cost Comparisons: Water Supply to City of Flint from DWSD and proposed KWA project

Cost of water to City of Flint (excluding Genesee) using continued service from DWSD

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Fixed Cost (1)	\$ 4,411,080	\$ 4,052,848	\$ 3,338,131	\$ 3,871,848	\$ 8,468,141	\$ 7,105,055	\$ 7,815,660	\$ 8,587,118
Commodity Cost (2)	\$ 7,276,640	\$ 7,840,472	\$ 8,022,488	\$ 8,423,820	\$ 8,044,801	\$ 9,287,041	\$ 9,781,384	\$ 10,238,983
Flint WTP Operating Cost (3)	\$ 2,725,538	\$ 2,851,815	\$ 3,004,008	\$ 3,168,151	\$ 3,312,908	\$ 3,478,554	\$ 3,652,482	\$ 3,835,108
TOTAL	\$ 14,413,258	\$ 14,745,135	\$ 14,364,627	\$ 15,463,819	\$ 19,825,850	\$ 19,870,650	\$ 21,249,526	\$ 22,661,209
(1) Per FY13 Budget and DWSD Contract, fixed charge from DWSD for FY13 is \$707,000 per month or \$8.6 million total. Flint's cost is 62% or \$4.4 million total.								
(2) Per FY13 Budget and DWSD Contract, and based on 12 million gallons per day (mgd), cost is \$7.3 million, based on \$12.48/unit or \$4.4 million total.								
(3) (\$12.48x180unitsx365)								

Cost of water to City of Flint using proposed KWA project for water supply to Flint WTP

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
KWA Entry Costs (1)	\$ 1,182,800	\$ 581,400	\$ 581,400	\$ 581,400	\$ -	\$ -	\$ -	\$ -
Fixed KWA Construction Cost (2)				\$ 7,582,128	\$ 7,582,128	\$ 7,582,128	\$ 7,582,128	\$ 7,582,128
Fixed Flint WTP Construction Cost (3)				\$ 858,088	\$ 858,088	\$ 858,088	\$ 858,088	\$ 858,088
Flint WTP Operating Cost (4)	\$ 5,811,538	\$ 8,207,115	\$ 6,517,471	\$ 6,843,344	\$ 7,185,511	\$ 7,544,787	\$ 7,922,028	\$ 8,318,128
KWA Commodity Charge (5)	\$ 739,300	\$ 797,180	\$ 837,018	\$ 878,089	\$ 922,812	\$ 968,953	\$ 1,017,461	\$ 1,068,271
TOTAL	\$ 7,733,638	\$ 9,385,695	\$ 8,015,899	\$ 15,240,931	\$ 15,690,431	\$ 16,164,069	\$ 16,600,705	\$ 17,027,225
(1) The City will, upon joining, be required to pay a, initial fee of \$32,300 per MGD plus the same amount for each year until bonding for the project is obtained. At 18MGD, the City's cost is \$581,400, for a total of \$2,325,600.								
(2) Per KWA proposal, original project cost is \$272 million. City's fixed cost would be 30% of total service, based on capacity design of 60mgd, of which 18MGD is for Flint. Debt service is based on 5% interest rate @ 25 years; 5% added to principal for capitalized interest (or FY13, FY14, and FY15). (\$272,421,588 plus \$13,671,078 for 3 years = \$313,284,782). The costs here are increased by 15%; debt service starts in FY16 but water is not available until FY17.								
(3) Per KWA proposal, the cost of upgrading the Flint is \$7.1 million. City's fixed cost would be 100% of debt service based on 5% interest rate @ 25 years, with 5% added to cover capitalized interest for FY13, FY14, and FY15. (total principal = \$6.165 million). Again, costs here are increased by 15%; debt service starts in FY16 but water is not available until FY17. Debt service is now on \$9.4 million.								
(4) Per FY13 Budget annual cost of WTP is \$4,111,538. \$1.6 million for electricity and chemicals & 2 FTE's are added. 100% City cost.								
(5) Per KWA proposal, initial commodity charge would be based on \$1.30/unit or 7,500 gallons. Charge is based on 12MIGD								

WORSE CASE PROJECTION
SUMMARY COMPARISON: KWA v DWSD
(15% Cost Overrun: One year delay in Water Supply delivery)

Water and Sewer Cash Flow with KWA

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Current DWSD & FWTP Costs	\$ 14,413,868	\$ 15,355,136	\$ 16,366,534	\$ 17,450,717	\$ -	\$ -	\$ -	\$ -
KWA Entry Fee	\$ 1,162,800	\$ 581,400	\$ 581,400	\$ -	\$ -	\$ -	\$ -	\$ -
KWA Debt Service	\$ -	\$ -	\$ -	\$ 7,582,128	\$ 7,582,128	\$ 7,582,128	\$ 7,582,128	\$ 7,582,128
FWTP Debt Service	\$ -	\$ -	\$ -	\$ 658,698	\$ 658,698	\$ 658,698	\$ 658,698	\$ 658,698
KWA operations	\$ -	\$ -	\$ -	\$ -	\$ 922,812	\$ 922,812	\$ 1,017,401	\$ 1,060,271
FWTP operations w KWA	\$ -	\$ -	\$ -	\$ -	\$ 7,185,511	\$ 7,544,787	\$ 7,922,026	\$ 8,318,128
Total Costs	\$ 15,576,668	\$ 15,936,536	\$ 16,947,934	\$ 17,450,717	\$ 15,348,150	\$ 15,754,896	\$ 17,180,283	\$ 17,827,226

Water and Sewer Cash Flow with DWSD

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Current DWSD & FWTP Costs	\$ 14,413,868	\$ 15,355,136	\$ 16,366,534	\$ 17,450,717	\$ 18,616,851	\$ 19,870,660	\$ 21,219,438	\$ 22,571,185

Cash Flow Difference: KWA and DWSD

	Year 1 FY13	Year 2 FY14	Year 3 FY15	Year 4 FY16	Year 5 FY17	Year 6 FY18	Year 7 FY19	Year 8 FY20
Annual KWA - DWSD	\$ (1,162,800)	\$ (581,400)	\$ (581,400)	\$ (8,240,828)	\$ 2,267,700	\$ 3,116,084	\$ 4,039,182	\$ 5,043,980
Cumulative	\$ (1,162,800)	\$ (1,744,200)	\$ (2,325,600)	\$ (10,566,428)	\$ (8,298,728)	\$ (5,182,642)	\$ (1,143,460)	\$ 3,800,560

"Worse Case" scenario differs from Original in the ways respects:

(1) Delivery of water to Flint from KWA is delayed by one year and construction costs are 15% above the original projection. Consequently, the City is required to begin paying for debt service one year before KWA begins delivery of water. This is in addition to its obligation to pay its initial entry fee of \$581,400 plus \$581,400 annually for the first 3 years.

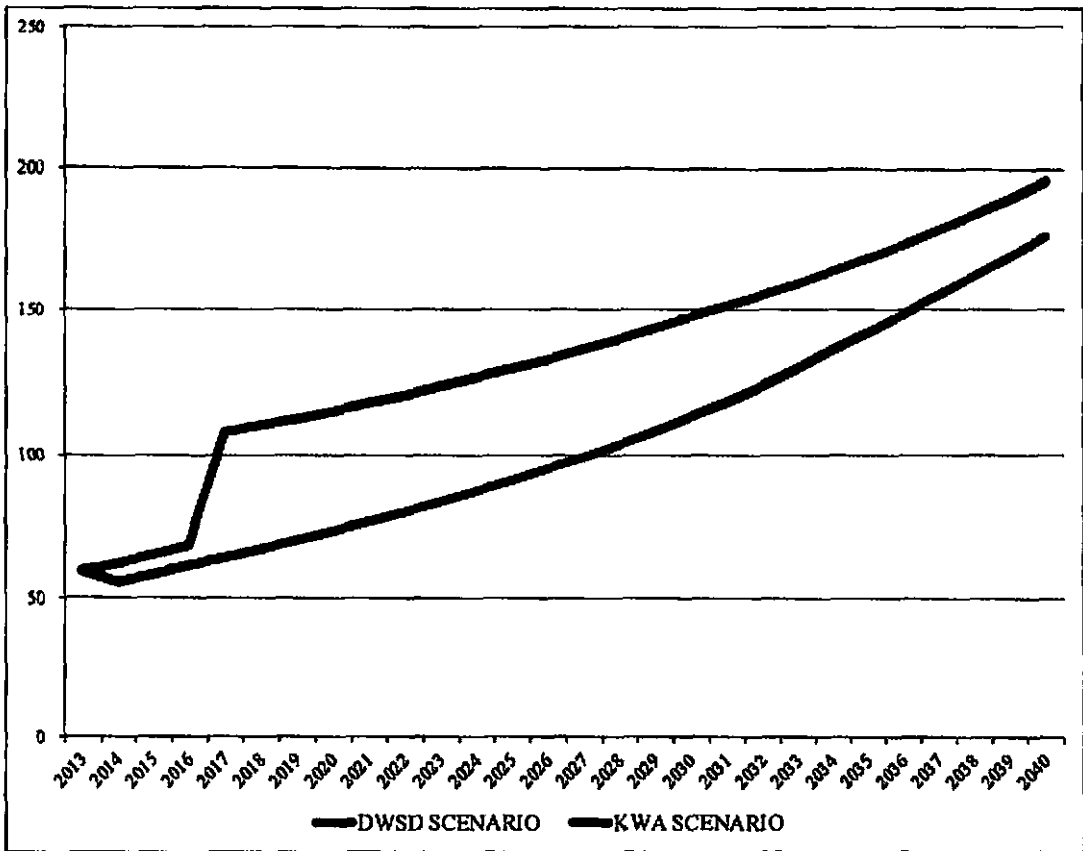
(2) Once KWA begins delivering water in year 6, the annual operating costs are less than DWSD by 12%. Considering \$10.5 million in upfront costs in the first 4 years prior to KWA operation, the cumulative cost of KWA exceeds the cost of DWSD until year 8.

(3) Cumulative savings by Year 8 are projected to be \$3.9 million, compared to \$19 million in the original projection.



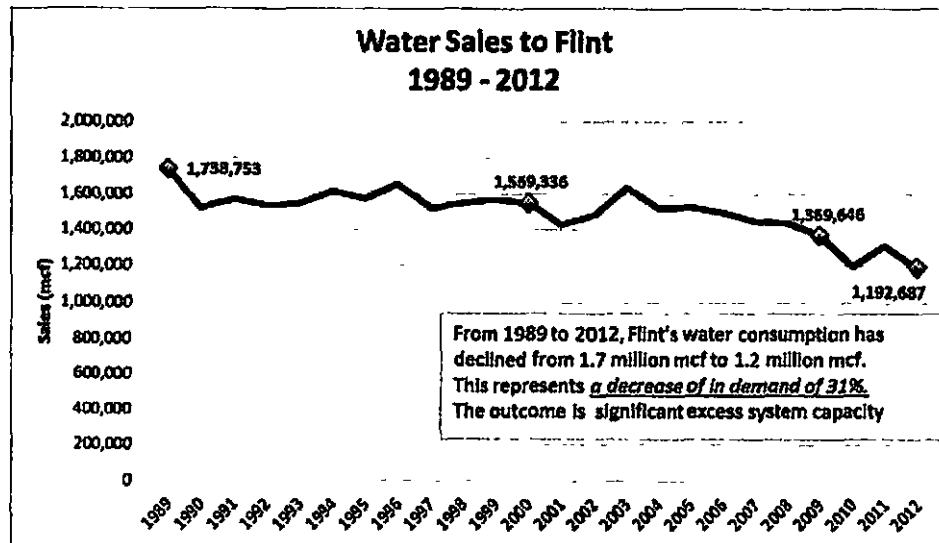
Attachment 2

SUMMARY OF TOTAL PROJECTED WATER COSTS TO FLINT/GCDC - SCENARIO COMPARISON (\$ millions)





Attachment 3





**Indefinite-scope, Indefinite-delivery Contract Number 00383
2012 Professional General Architectural/Engineering Services**

**CITY OF FLINT WATER SUPPLY ASSESSMENT
SAMPLE PROJECT PLAN**

November 2012

1. Scope of Work

Tucker, Young, Jackson, Tull, Inc. (TYJT), at the request of the State Treasurer is providing a proposal to perform an analysis of the water supply options being considered by the City of Flint. The work would be completed as an authorized task under the reference contract, Contract No. 00383. This proposal provides a background of our understanding of the issues, our approach, schedule dates, and the level of effort to perform the task

2. Background

The City of Flint is presently supplied potable water from the Detroit Water and Sewerage Department (DWSD). This supply is from a single 72-inch water main that terminates at a master meter located at Potter and Baxter. Additionally, downstream of the DWSD master meter, Flint supplies its customer Genesee County. The City of Flint also operates a water treatment plant that uses the Flint River as its source of supply to provide back up and redundancy to the DWSD supply as required by MDEQ

The Karegnondi Water Authority (KWA) is planning on constructing a raw water supply system that could provide Lake Huron water to the Flint's Water Treatment Plant. Flint's existing plant would be upgraded to treat the new raw water source.

The State Treasurer has appointed an emergency financial manager for the City of Flint. As such the Treasurer has requested TYJT to provide an analysis of the water supply options to assist the Treasurer in determining the best course going forward for the City of Flint.

3. Scope of Work

The proposed scope of work summarizes TYJT's approach to perform the analysis. The work includes data collection and review, an engineering evaluation, and recommendations. The recommendations would be provided in a report that would also include a description of all the work performed under this task.

3.1. Data Collection and Review

To perform an analysis of competing proposals it is important to provide a relative or "apples-to-apples" comparison. As example, DWSD's cost of service includes all capital, financing, and operation and maintenance costs to deliver the water to Flint's system. Therefore, it will be necessary for an assessment of KWA's proposal to also include all of these costs in the comparison.

Additionally, DWSD is proposing other alternatives to its existing agreement with Flint that will also need to be evaluated. The options currently proposed include:



- Using DWSD's new model contract that provides reduction in cost for communities with their own storage,
- Moving the location of supply from Potter and Baxter to the Imlay Pumping Station to reduce fees associated with elevation and distance from DWSD's water plants,
- Providing finished (potable) non-pumped water from the Lake Huron Water Treatment Plant, and
- Providing raw (not treated) non-pumped water from the Lake Huron Water Treatment Plant.

This phase of the work would include the collection and review of the following documents:

- The Lake Huron Water Supply Karegnondi Water Authority Preliminary Engineering Report, dated September 2009 and the 2012 update by Rowe Engineering;
- The Analysis of the Flint River as a Permanent Water Supply for the City of Flint Report, dated July 2011;
- Proposed or draft contract agreements that would be used between the KWA and the City of Flint;
- DWSD's contract rates based on the new model contracts;
- Information related to other DWSD proposals for service to Flint; and
- Other letters, minutes, etc. from all parties that provide information that could be used in the evaluation.

All information provided would be evaluated and subsequent meetings would be held with the DWSD, Flint and the KWA to address any data gaps or clarifications that may be required. These meetings would be coordinated with the Treasurer so that its representatives can be present at the meetings. For the purpose of this proposal, TYJT has assumed a total of two meetings for both the DWSD and KWA.

3.2. Engineering Evaluation

The City of Flint Emergency Financial Manager has indicated that he believes the determination of who supplies water to the City's system should mainly be based on the following criteria (in order of importance):

- Cost,
- System redundancy/reliability, and
- The recognized limitation of the Flint River as a source to supplying all of Flint's water needs.

In consultation with the Treasurer, these factors plus additional ones that may be identified in the evaluation process would be used.

An analysis will be performed for the options identified and a comparison will be made based on cost, reliability of supply, and any limitations that may identified by both suppliers in providing the needed service.



TYJT will draft a report for the Treasurer that identifies the information collected, the analysis process, our findings, and the recommendations made. Our recommendations will be based on the risks to Flint associated with the options identified. TYJT will then incorporate comments from the Treasury's review and submit a final document to the Department of Treasury for their use.

Furthermore, as is done as a standard of practice at TYJT for quality control and quality assurance (QA/QC), an independent review will be completed by staff or outside consultants not directly involved in the project. These reviewers will have noted experience in the field necessary to complete the QA/QC reviews. Two reviews are envisioned; one to review the evaluation process and the other to review the findings and recommendations.

4. Schedule

At the meeting between all interested parties on November 1, 2012, two dates were identified by the Treasurer. The first date identified was December 20, 2012 for the preliminary evaluation to be provided to the State. The second date was January 15, 2013 for the Treasury to make a decision on the City of Flint water supply. TYJT proposes to complete the draft report for submittal on December 20th. This will provide a two week review period by the Treasury. The final report would then be completed and submitted one week prior to the January 15th deadline. TYJT will also be available, if requested by the Treasurer, to attend a general meeting with all parties involved at the conclusion of the work.

Koryzno, Edward (Treasury)

Subject: Briefing on Karegnondi Project/City of Flint
Location: Treas_Confrm_StateTreasurersBrdRm

Start: Thu 11/1/2012 10:00 AM
End: Thu 11/1/2012 11:30 AM

Recurrence: (none)

Meeting Status: Accepted

Organizer: Fraser, Roger (Treasury)
Required Attendees: Dillon, Andy (Treasury); Stibitz, Brom (Treasury); Koryzno, Edward (Treasury); Mike Brown (mbrown@reinvestflint.org)
Optional Attendees: Hichez, Amy (Treasury); Cousineau, Sara (Treasury); 'mmurray@cityofflint.com'; 'mking@dwsd.org'; 'Fausone, Jim'

Please note – location change AND additional attendees:

Discussion: Brief Treasury on pros and cons of Karegnondi project. There are concerns about cost and engineering constraints. Report for Flint in late 90's....suggested this project was not financially feasible.

Attendees:

State of Michigan

Andy Dillon - Treasurer
Brom Stibitz – Policy Advisor
Roger Fraser – Deputy Treasurer
Ed Koryzno – Office of Fiscal Responsibility

City of Flint – (confirmed attendance with Maxine Murray)

Mike Brown – City Administrator
Jerry Ambrose, Finance Director
Howard Croft, Director of Infrastructure & Development
Bob Emerson – CEO Lawrence Moon Funeral Home
Bob Emerson – Former State Senator
John Matonich, EDO Rowe Professional Svcs.

Genesee County – (confirmed attendance with Maxine Murray)

Jeff Wright, Genesee County Drain Commissioner
John OBrian, Chief Deputy Drain Commissioner
Dave Jansen, Assistant Director, Genesee County Drain Commission
Rick Freeman, Rowe Professional Service

Tucker, Young, Jackson & Tull – (confirmed attendance with David Guastella)

George Karmo, President
David Guastella
Awni Qaqish

Detroit – (confirmed with Marian King-Bell)

James Fauson – DWSB Chair

Sue McCormick – DWS Director

Matt Schenk – DWS COO

11/1/12

Koroyed - MWA

Andy Roper, Brian, Sue McLaughlin, Mike Brown, Ed Keith,
Amy Ambrose, ~~Bar~~ Dave Griesel, Pringle, p
TYOT, Howard, Craft, ^{Reg} Rick ^{Harrel} ~~Conity~~ Bo,
were → Jeff ~~the~~ Wright, ^{Eng} ~~Rowe~~ John Hester,
Jim Fossom, ^{Wet} ~~Harry~~ ^{Moan Fruit} ~~Moan~~ Duane MDA,
was Dave ~~James~~ John ^{WOC} ~~Obum~~, Bob Evans
Janson

Keith (hand out)

KWA provides best option for 'the City'

1. Cost

2. Reliability

3.

Ambrose estimated Cost compare KWA (hand out)

DWSD

\$14.4 m (H2O cost) more to \$20+ by 2020

KWA

City of Kewaunee

STANLEY

LAPER

CHASSER

FLINT

15% or \$2.6 m less more to 27% by year
5,

Proposed to Strong, Pump Station, ^{under} systems ~~isolated~~
57 miles of proposed pipe route will be
in ROW

permanently \$35 m but for intake

Deadline for City 1st time; end of Dec / early Jan 2013.

1000 gal - 6⁰⁰ (2003) → 21⁰⁰ (2012)

pg 2

Kerengorde

pt. of delivery cost

First Contract of DWSO dated, not subj. to ^{contract} ~~revised~~ ^{revised} ~~not~~ ^{not} ~~any~~ ^{any} ~~cost~~ ^{cost}
1. ^{per} ~~per~~ ^{hr.} ~~hr.~~ ^{report} ~~report~~

Alternatives

distance for system costs Elent.

- 1) transfer of ^{the} ~~line~~ ^{from} ~~from~~ ^{Tracy} ~~Tracy ^{City} ~~City~~~~
- 2) parallel sys for Hum Plant ^{improvement} ~~improvement~~ ^{water} ~~water~~
costs of lat Hum plant (treated water)
treatment cost \$21 (3rd), \$18 Transmission cost.

KWA = Fix Costs for 25 yrs.

- pk day

- max day

- elevation

- distance for plant

Blend = treated DWSO w/ treated Elent Run HSD

1 meet

2 criteria for DWSO of KWA

3. Regd - the Gov

4. TY & ET ~~commit~~

KWA Study, 2009, 5 ^{consultant} ~~consultant~~ ^{involved} ~~involved~~, specialists
in each field,

Decision Date 1/15/13

- Deadline for ~~the~~ 12/20/12

11/1/12

KWA - Briefing →

Flint decision needed by ^{Jan 15} ~~Apr~~ end - determines
Pipe size →

Summary of rel. cost to Andy by 12/20 -

DWSD - Flint could see rate adj. for chging
peak load -

- Use Pt. Huron as service pt. reduce delivery
cost -

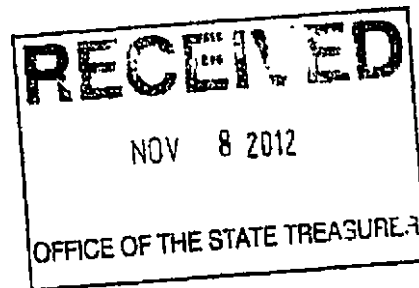
Edward J. Kurtz
Emergency Financial Manager



Dayne Walling
Mayor

November 6, 2012

Mr. Andy Dillon, Treasurer
Michigan Department of Treasury
430 W. Allegan Street
Lansing, MI 48922



Dear Treasurer Dillon

First, thank you for giving us the opportunity to present our plan for the "Flint Water Supply Future" with you. We have already had initial contact with DWSD about scheduling meetings as well as what information is needed by them to make a proposal to us. Our understanding from the meeting is that DWSD needs to make a proposal to us for consideration along with the KWA proposal by the 20th of December. We would then make a recommendation to you for the Governor's consideration. A final recommendation will be made by the Governor's office by January 15, 2013.

I assure you, that we will work diligently with DWSD to provide them with whatever they need, so they can meet that deadline. We will give serious consideration to their proposal.

As I stated at the meeting, I am not an advocate for KWA but for the best cost option for the next 30 to 40 years for the people of the City of Flint. However, in our analysis of the options, KWA does several things that I think are in the best interest of our city, our region (Mid Michigan) and the State of Michigan. They are:

1. It provides a second source of water from Lake Huron. Currently over 40% of the people of the state are served by DWSD.
2. DWSD does not provide water services to the Thumb area, namely Sanilac and Lapeer Counties.
3. It affords the opportunity for the region to form a water and sewer authority in the future. Genesee County, the Genesee County Drain Commission, the Cities of Flint and Lapeer, Lapeer and Sanilac Counties as well as other regional municipalities could come together to form a Mid Michigan Water and Sewer Authority to the benefit of the entire region.

Andy Dillon, Treasurer
November 6, 2012
Page 2

- 4 It gives the City of Flint "ownership" in a water distribution system and the ability, along with its partners, to control its own water resource destiny
5. It offers additional economic development opportunities for the region by providing businesses with a source of low cost water

I think it is also important to again indicate that Genesee County intends to go ahead with the pipe line with or without Flint. The County Board of Commissioners has already approved bonding for the first stage of the project.

Again, let me assure you that we in the City of Flint have an open mind relative to the outcome.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward Kurtz", with a stylized flourish extending from the end.

Edward Kurtz
Emergency Financial Manager

Byrne, Randall (TREASURY)

From: Cline, Richard (Treasury)
Sent: Friday, November 16, 2012 4:14 PM
To: Koryzno, Edward (Treasury); Byrne, Randall (TREASURY)
Subject: Flint Water Analysis Statement of Work (SOW) #271Q3209
Attachments: 271Q3209 Flint Water Supply Assessment SOW 11-14-12 (3).pdf; RE: Statement of Work (SOW) #271Q3209

Importance: High

can they perform the
work in time

Ed/Randy,

Attached is the submitted proposal from TYJT to perform the water system analysis for Flint.

I received this from Tom Falik today. I am not sure to whom this needs to be reviewed by but I have noticed that their submitted price is \$45,000; their original information estimated a cost of \$39,000.

Regards,

Eric Cline | Unit Operations Specialist - Office of Fiscal Responsibility
State of Michigan | Michigan Department of Treasury
430 W Allegan Street, 3rd Floor | Lansing, MI 48922
(517) 335-2078 | cliner1@michigan.gov

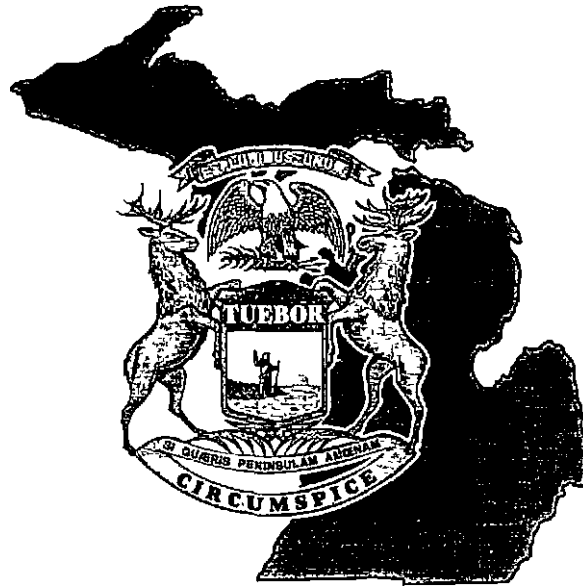
CONFIDENTIALITY NOTICE: This e-mail, and any attachments, is for the sole use of the intended recipient(s) and may contain information that is confidential and protected from disclosure under the law. Any unauthorized review, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail, and delete/destroy all copies of the original message and attachments. Thank you.

addition to

note to Mary McDowell
in their absence

from email approval
11/16

\$ 5 million in 2013 has to go
through our budget



STATE OF MICHIGAN
Department of Treasury
Purchasing Section

Statement of Work (SOW) No. 271Q3209
Municipal Water Supply Assessment

Buyer Name. Thomas Falik
Telephone Number: 517-373-3185
E-Mail Address: FalikT@michigan.gov

Estimated Timeline:

Key Milestone:	Date:
Issue Date	11/14/2012
Questions Due	11/16/2012
Bid Due Date	11/21/2012
Anticipated Contract Start Date	11/26/2012

SOW Checklist for Contractor Proposal Contents and Responsiveness

This checklist is provided for your convenience to help remind Contractors of the important requirements of the SOW. The list may not be all inclusive. The Contractor is responsible to read the SOW and submit all the required responses. If Contractors have any questions concerning these requirements please contact the Buyer listed on the front page of this SOW document.

Article 1 and Attachment A:

☒ Responses have been provided for all items requested in Article 1, Statement of Work, as requested. Technical Proposal Requirements have been met and responses are included within the format designated by the State in Article 3.

☒ Price Proposal, Article 1, Section 1.061, for the proposal has been included in Contractor's proposal, according to the instructions laid out in Article 3 and using the format in Attachment A (if required in 1.061).

Article 3:

☒ The complete proposal was submitted to the appropriate location and on time in an electronic format.

☒ Responses have been provided for all items requested in Article 3 and includes signature by an individual authorized to legally bind Contractor's company.



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Attachment A, Pricing



Article 1 – Statement of Work (SOW)

Note to Contractors: Proposals must include detailed responses to all tasks as requested in Article 1. Contractors should provide thorough responses to each task, or, when appropriate, state their agreement that the Contractor will provide the requested services. Contractors are encouraged to provide detailed responses in order to allow the State to fully evaluate the Contractor's capabilities.

Throughout this SOW, language referring to Contract or Contractor(s) refers to any Contract awarded from this SOW. This SOW in itself is not to be construed as a Contract.

1.010 Project Identification

1.011 Project Request

This is an SOW for a Municipal Water Supply Assessment on behalf of the Department of Treasury and the City of Flint in Genesee County. This is a formal request to prospective Contractors to solicit bids or price quotations. Contractors must submit written proposals according to the instructions contained within this document, discussing how they will meet the specific requirements.

Any awarded Purchase Order(s) between the State and any awarded Contractor(s) is a separate document, whose terms are limited by the Contract.

1.012 Background

The Treasury Department is charged with monitoring, oversight and provision of assistance to local units of government under various statutes, including but not limited to, the Home Rule City Act (Act 279 of 1909), the Uniform Budgeting and Accounting Act (Act 2 of 1968), and the Glenn Steil State Revenue Sharing Act (Act 140 of 1971). In providing such monitoring and assistance to local units of government, the Treasury Department strives to preserve the capacity of local units to provide those services essential to the public health, safety and welfare of the citizens of this State.

The City of Flint is currently supplied potable water from the Detroit Water and Sewerage Department (DWSD). This supply is provided through a single 72-inch water main that terminates at a master meter. The City of Flint's water treatment plant uses the Flint River as a back-up and redundancy supply source to the DWSD supply, as required by the Michigan Department of Environmental Quality (MDEQ). The City of Flint also provides potable water to Genesee County downstream of the DWSD master meter.

The newly formed Karegnondi Water Authority (KWA) plans to construct a raw water supply system that will feed Flint's water treatment plant with water directly from Lake Huron. The Flint water treatment plant could be upgraded to accommodate and treat this new raw water source. DWSD has also proposed alternatives to the existing agreement with the City of Flint that could also be pursued.

A Contractor is needed to provide services to the Department of Treasury and the City of Flint upon request of the Treasury Department. The Department of Treasury is requesting a Contractor provide an analysis of the water supply options for the City of Flint to assist the Department of Treasury and the City of Flint in determining the best available option.

1.020 Scope of Work and Deliverables

1.021 In Scope



The Contractor must provide Water Supply Assessment as requested by the Department of Treasury. These services will include data collection and review, an engineering evaluation and the generation of recommendations.

Bidder Response:

Agreed; our attached Sample Project Plan describes our approach for these services

1.022 Work and Deliverable

Contractor must provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

A. Data Collection and Review:

1. Provide all labor, materials and equipment to fully perform the work of data collection and review for an assessment of water supply options for the City of Flint.

Bidder Response:

Our Price Proposal in Attachment A includes all labor, materials and equipment to perform the base work described in our Sample Project Plan.

2. Perform an analysis and comparison of the KWA and DWSD proposals that includes all capital, financing, operational and maintenance costs.

Bidder Response:

Agreed; our attached Sample Project Plan describes our approach for these services.

3. Prepare and submit for Department of Treasury and City of Flint review a preliminary report on the findings by Thursday, December 20, 2012; additionally, a final inspection report of findings and recommendations must be presented no later than January 8, 2013 (also see Section 1.022.E).

Bidder Response:

Agreed; however, meeting these dates are predicated on receiving a notice to proceed from the Treasury Department by November 26, 2012.

B. Data collection and analysis services must include the following:

1. DWSD's proposed contract with the City of Flint.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.

2. DWSD's proposed water rates with the City of Flint.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.



3. Other relevant DWSD documents or information regarding the provision of municipal water to the City of Flint.

Bidder Response:

Agreed.

4. KWA's proposed contract with the City of Flint.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.

5. Any engineering or environmental reports that evaluate KWA's proposal to provide municipal water to the City of Flint.

Bidder Response:

Agreed.

6. Other relevant KWA documents or information regarding the provision of municipal water to the City of Flint.

Bidder Response:

Agreed.

C. Engineering Evaluation:

1. Evaluation and recommendation of a potential water supply for the City of Flint must be based upon: 1) Cost; 2) System redundancy and reliability; and 3) The capacity for the Flint River to supply all of the City of Flint's water needs.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.

2. Evaluation and recommendation of a potential water supply for the City of Flint will also be based upon any additional criteria mutually agreed upon by the Department of Treasury, the City of Flint and the Contractor.

Bidder Response:

Agreed.

- D. The Contractor must carry out its operations in strict accordance with local, state, federal regulations.

Bidder Response:

Agreed.

- E. Provide electronic copies (in the most suitable format) of the final inspection report of findings and recommendations to the City of Flint and the Department of Treasury, Office of Fiscal Responsibility by January 8, 2013:



Bidder Response:

Agreed.

1. Describe format of findings and recommendations. Format should also include a description of all work performed.

Bidder Response:

Our attached Sample Project Plan describes our approach for the findings and recommendations. TYJT will draft a report for the Treasurer that identifies the information collected, the analysis process, our findings, and the recommendations made. Our recommendations will be based on the risks to Flint associated with the options identified.

- a) Preliminary inspection report of findings and recommendations must be presented by December 20, 2012.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan and the date is predicated on receiving a notice to proceed from the Treasury Department by November 26, 2012.

- b) Final inspection report of findings and recommendations must be presented no later than January 8, 2013.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan and the date is predicated on receiving a notice to proceed from the Treasury Department by November 26, 2012.

2. Describe electronic formats available.

Bidder Response:

Document formats would include PDF's or in their initial format (Word, Excel, GIS/CAD, etc.).

- F. Submit findings and recommendations to an independent Quality Control and Quality Assurance (QA/QC) review process for validation.

Bidder Response:

Agreed; the independent QA/QC approach is included in our attached Sample Project Plan.

1. Provide electronic copies (in the most suitable format) of the independent QA/QC review to the City of Flint and the Department of Treasury, Office of Fiscal Responsibility by January 8, 2013, with the final inspection report.

Bidder Response:

Agreed; however, meeting this date are predicated on receiving a notice to proceed from the Treasury Department by November 26, 2012.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities



1. Contractor must identify staff who will be involved in the project, including the name of each individual, work locations, and detailed descriptions of their roles and responsibilities.

Note: If an overall organization chart has been developed, provide a reference to that chart as well.
Note any part-time personnel.

Bidder Response:

The staff will be comprised of our senior management: Messrs. David Guastella and Awni Qaqish. Also, we will be supported by our part-time staff member, former Finance Director of Redford. Their roles will include meeting with Flint, KWA, and DWSD; estimating capital costs of all options; estimating all operation and maintenance costs of all options, a financial analysis for funding capital; and all other issues related to the costs of service.

2. Specific work schedules for this project are Monday through Friday, 8:00 a.m. to 5:00 p.m. Eastern Time; however, possible night and weekend hours may be required.

Bidder Response:

Agreed.

1.032 State Staff, Roles, and Responsibilities

1. Contract Compliance Inspector (CCI): The State's CCI provides oversight and monitoring of the selected Contractor's adherence to the terms and conditions of this project and the Contract.
2. Project Manager: The State's Project Manager will monitor the project activities.

1.040 Project Plan

1.041 Project Plan Management

1. The Contractor will carry out this project under the direction and control of the CCI or designee.
2. Although there will be continuous liaison with the Contractor team, the CCI or designee will meet quarterly as a minimum, or as requested by the CCI or designee, with the Contractor's Project Manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
3. Contractors must provide a sample project plan with proposal for the deliverables proposed in section 1.022. The plan must include the details noted in section 1.041.4.

Contractor Response:

Agreed; the Sample Project Plan is attached.

4. Within five working days of Contract or purchase order award, the Contractor must submit to the CCI or designee for final approval a detailed project plan. This final project plan must be in agreement with the Contractor's proposal and accepted by the State for Contract, and must include the following:
 - a. The Contractor's project organizational structure.
 - b. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions



due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.

- c. The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each (e.g., estimated levels of effort for each level of personnel for Contractor personnel, including any contractual employees, and State personnel).

1.042 Reports

1. The Contractor must submit written bi-weekly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the CCI; and notification of any significant deviation from previously agreed-upon work plans.

1.050 Acceptance – Deleted – N/A

1.060 Proposal Pricing

1.061 Proposal Pricing

1. For authorized Services and Price List, see Attachment A (Price Proposal). Please complete Attachment A and submit with proposal.
2. Bidders are encouraged to offer quick payment terms (i.e. 0% discount off invoice if paid within days). This information can be noted on the Bidders price proposal (see Attachment A). This may be a factor considered in the award decision.
3. Contractor's out-of-pocket expenses are not separately reimbursable by the State or local unit of government unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for the expense at the State's current travel reimbursement rates. See www.michigan.gov/dtmb for current rates.
4. Invoicing and payment must occur per Article 2 (Compensation) of Indefinite Scope Indefinite Delivery Contract No. 263 (Discretionary Contract Number 00263) and Attachment A.

1.070 Additional Requirements – Deleted – N/A



Article 2, Terms and Conditions

The terms and conditions of Indefinite Scope Indefinite Delivery Contract No. 263 (Discretionary Contract Number 00263) and apply to this SOW and any resulting Contract or purchase order.



Article 3 – Proposal Process

3.010 Introduction

3.011 Pre Bid Meetings – Deleted – N/A

3.012 Communications – Deleted – N/A

3.013 Questions

Questions concerning the SOW are to be submitted, in writing, no later than 3:00 p.m. Eastern Time on November 16, 2012 to:

Thomas Falik
Michigan Department of Treasury
430 West Allegan
Lansing, MI 48922
Email: FalikT@michigan.gov.

All questions must be submitted in writing and sent as an attachment in Microsoft Word or Rich Text Format (RTF). Changes to the SOW and answers to questions will be prepared as an addendum and issued to Contractors. Any issued addendum officially revises and supersedes the original SOW. Any addenda will be issued approximately November 19, 2012.

3.020 Award Process

3.021 Reservations

(a) The State reserves the right to award by item, part or portion of an item, group of items or total proposal, to reject any and all proposals in whole or in part, if, the best interest of the State will be so served.

3.022 Award Decision

Award recommendation will be made to the Administrator of Office of Departmental Services. Pending award recommendation approval, a purchase order will be issued authorizing services to commence.

3.030 Proposal Details

3.031 Complete Proposal

To be considered, each Contractor must submit a COMPLETE proposal in response to this SOW, using the format specified. No other distribution of proposals is to be made by the Contractor. The proposal must state how long it remains valid. This period must be at least 15 days from the due date for responses to this SOW.

3.032 Efficient Proposal

Each proposal should be prepared simply and economically, providing a straightforward, concise description of the Contractor's ability to meet the requirements of the SOW. Emphasis should be on completeness and clarity of content in the format specified.

3.033 Proposal Format



The following information must be included in all proposals. Contractors must respond to all sections of the SOW. Proposals should be formatted to include each of the following sections, which should be clearly identified using the same format as the SOW is written in and with the appropriate headings:

Article 1 – Statement of Work – Contractor must respond to each section. **Proposal must include detailed responses to all tasks as requested in Article 1. Contractors must copy these sections, and provide Contractor's response in the area specified for "Contractor Response". This area has been designed to expand as necessary**

3.040 Submitting Bids and Proposals

3.041 Proposal Submission

Proposal is due November 21, 2012 at 3:00 p.m. Eastern Time or as soon as possible. Submit an electronic copy of your proposal via e-mail to FalikT@michigan.gov in a Microsoft Office format. If an electronic copy of the proposal is not available, it can be mailed to the following address:

Michigan Department of Treasury
Purchasing Section
Attn: Thomas Falik
430 West Allegan
Lansing, MI 48922.

**SIGNATURE AUTHORITY**

I/We certify that the undersigned is authorized to submit bids/quotations on behalf of Tucker, Young, Jackson, Tull, Inc. (TYJT). The information provided about the attached response, pricing and sample project plan and TYJT's ability to provide the goods and/or services outlined in this SOW document is true and accurate. I/We understand that our product and/or service offerings must be in compliance with all requirements of this SOW document.

Name of Contractor/Supplier

Tucker, Young, Jackson, Tull, Inc.
565 East Larned, Suite 300
Detroit, Michigan 48226

Address of Contractor/Supplier

313-963-0612
313-963-2156 (fax)

Telephone and Fax No. of Contractor/Supplier

gkarmo@tyjt.com

E-mail Address of Contractor/Supplier

A handwritten signature in black ink, appearing to read "George Y. Karmo".

George Y. Karmo, BCEE, P.E.

Signature of Contractor/Supplier's Authorized Representative
President

Title of Supplier Representative

11/15/12

Date

Additional Signature

Contractor/Supplier's Authorized Representative

Title of Supplier Representative

Date



Attachment A, Price Proposal

Bidders are encouraged to offer quick payment terms (i.e. 0 % discount off invoice if paid within days). This information can be noted on the price proposal. This may be a factor considered in the award decision.

Provide the price per deliverable for the proposed services in section 1.022.

Deliverable	Price
A. <u>Municipal Water Supply Assessment</u>	
1. Data Collection and Review	\$ 7,000
2. Engineering Evaluation	\$ 30,000
3. Provide Results of QA/QC Review	\$ 5,000
4. Provide Copies of Findings and Review Findings	\$ 3,000
Grand Total	\$ 45,000
B. <u>Optional Services</u>	
1.	\$
2.	\$
3.	\$
4.	\$
5.	\$

39,500

On a Tim & Material
 Do not have a net to
 fixed charge as an
 amount.



**Indefinite-scope, Indefinite-delivery Contract Number 00383
2012 Professional General Architectural/Engineering Services**

**CITY OF FLINT WATER SUPPLY ASSESSMENT
SAMPLE PROJECT PLAN**

November 2012

1. Scope of Work

Tucker, Young, Jackson, Tull, Inc. (TYJT), at the request of the State Treasurer is providing a proposal to perform an analysis of the water supply options being considered by the City of Flint. The work would be completed as an authorized task under the reference contract, Contract No. 00383. This proposal provides a background of our understanding of the issues, our approach, schedule dates, and the level of effort to perform the task.

2. Background

The City of Flint is presently supplied potable water from the Detroit Water and Sewerage Department (DWSD). This supply is from a single 72-inch water main that terminates at a master meter located at Potter and Baxter. Additionally, downstream of the DWSD master meter, Flint supplies its customer Genesee County. The City of Flint also operates a water treatment plant that uses the Flint River as its source of supply to provide back up and redundancy to the DWSD supply as required by MDEQ.

The Karegnondi Water Authority (KWA) is planning on constructing a raw water supply system that could provide Lake Huron water to the Flint's Water Treatment Plant. Flint's existing plant would be upgraded to treat the new raw water source.

The State Treasurer has appointed an emergency financial manager for the City of Flint. As such the Treasurer has requested TYJT to provide an analysis of the water supply options to assist the Treasurer in determining the best course going forward for the City of Flint.

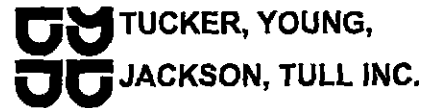
3. Scope of Work

The proposed scope of work summarizes TYJT's approach to perform the analysis. The work includes data collection and review, an engineering evaluation, and recommendations. The recommendations would be provided in a report that would also include a description of all the work performed under this task.

3.1. Data Collection and Review

To perform an analysis of competing proposals it is important to provide a relative or "apples-to-apples" comparison. As example, DWSD's cost of service includes all capital, financing, and operation and maintenance costs to deliver the water to Flint's system. Therefore, it will be necessary for an assessment of KWA's proposal to also include all of these costs in the comparison.

Additionally, DWSD is proposing other alternatives to its existing agreement with Flint that will also need to be evaluated. The options currently proposed include:



CONSULTING ENGINEERS-PLANNERS
565 E. Larned Suite 300
Detroit, Michigan 48226
(313)963-0612 FAX (313)963-2156

**Indefinite-scope, Indefinite-delivery Contract Number 00383
2012 Professional General Architectural/Engineering Services**

CITY OF FLINT WATER SUPPLY ASSESSMENT

DWSD Discussion/Questions for the November 19, 2012 Meeting

1. Verify that the four options presented at the November 1, 2012 meeting are still available for consideration:
 - c. Supplied from Potter & Baxter using the new model contract (assume a Maximum Day Customer),
 - d. Supplied from Inlay Station,
 - e. Finished un-pumped supply from Lake Huron WTP, and
 - f. Raw un-pumped supply from Lake Huron WTP.
2. What additional capital improvements will be required for each option?
3. Are there other options being presented that should be considered (e.g., blending)?
4. To evaluate each option over the 25 year planning period, provide:
 - g. Annual water rate for Flint for 2002 through 2012, and the
 - h. Projected annual rate adjustment for each option. What are the proposed measures to keep the rate adjustments down in the future?
5. Flint stated a 10% increase in the capacity charge. What number did DWSD provide Flint?
6. Flint financial comparison is based on the initial Cost of \$14,413,858, which includes \$2,725,538 for Flint WTP operating cost, i.e DWSD charge is \$11,688,320. How good is this number?
7. KWA's initial charge to Flint is based on 12 MGD. Is DWSD charge based on 12 MGD?

Comments: Meeting minutes were recorded based on the understanding of the author. Please contact the author within three days if you have any different understanding of the meeting. These minutes will be considered approved unless comments are provided within three days.

Summary of DWSD Cost Allocations to Flint Under Various Scenarios
Flint Only

	Revenue	Rates and Charges		
	<u>Requirement</u>	<u>Fixed</u>	<u>Commodity</u>	<u>Avg Unit Cost</u>
1 Status Quo	11,461,700	357,271	12.46	19.91
2 Model Contract	9,732,100	275,517	11.16	16.90
3 Change	(1,729,600)	(81,754)	(1.30)	(3.00)
4 % Change	-15.1%	-22.9%	-10.4%	-15.1%
5 Max Day Only	9,424,700	271,010	10.72	16.37
6 Change	(307,400)	(4,507)	(0.44)	(0.53)
7 % Change	-3.3%	-1.7%	-4.1%	-3.3%
8 Allow Blending	6,302,800	182,369	10.72	16.42
9 Change	(3,121,900)	(88,641)	0.00	0.05
10 % Change	-49.5%	-48.6%	0.0%	0.3%
11 Imlay City Connections	5,800,700	170,912	9.77	15.11
12 Change	(502,100)	(11,457)	(0.95)	(1.31)
13 % Change	-8.7%	-6.7%	-9.7%	-8.7%
14 Cumulative Change	(5,661,000)	(186,359)	(2.69)	(4.80)
15 Cumulative %Change	-49.4%	-52.2%	-21.6%	-24.1%

	Assumptions					
	Avg Day	Max Day	Peak Hour	Distance	Elevation	Sales
	<i>mgd</i>	<i>mgd</i>	<i>mgd</i>	<i>miles</i>	<i>feet</i>	<i>mgd</i>
1 Status Quo	11.8	21.6	22.6	52.0	866	11.8
2 Model Contract	11.8	17.9	18.8	52.0	866	11.8
3 Max Day Only	11.8	17.9	17.9	52.0	866	11.8
4 Allow Blending	7.9	11.9	11.9	52.0	866	7.9
5 Imlay City Connections	7.9	11.9	11.9	45.2	866	7.9

Recent DWSD Water Rates to Flint

FY	Rates and Charges			Annual Change			Average
	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Annual Change
<u>As Charged</u>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		14.32	14.32			9.6%	
2011	182,301	14.29	16.01		-0.2%	11.8%	
2012	443,096	13.36	17.53	143.1%	-6.5%	9.5%	
2013	707,000	12.46	19.12	59.6%	-6.7%	9.1%	6.3%
<u>Hypothetical Model Contract</u>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		13.96	13.96			6.8%	
2011	145,918	13.74	15.28		-1.6%	9.5%	
2012	378,968	12.58	16.57	159.7%	-8.4%	8.4%	
2013	597,323	11.63	17.93	57.6%	-7.6%	8.2%	5.5%

Recent DWSD Water Rates to Flint

FY	Rates and Charges			Annual Change			Average
	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Annual Change
<u>As Charged</u>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		14.32	14.32			9.6%	
2011	182,301	14.29	16.01		-0.2%	11.8%	
2012	443,096	13.36	17.53	143.1%	-6.5%	-9.5%	
2013	707,000	12.46	19.12	59.6%	-6.7%	9.1%	6.3%
<u>Hypothetical Model Contract - Flint Only</u>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		11.73	11.73			-10.3%	
2011	70,060	12.45	13.89		6.1%	18.4%	
2012	175,882	11.47	15.08	151.0%	-7.9%	8.6%	
2013	272,923	10.65	16.24	55.2%	-7.1%	7.7%	4.4%

Recent DWSD Water Rates to Flint

FY	Rates and Charges			Annual Change			Average
	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Annual Change
<u>As Charged</u>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		14.32	14.32			9.6%	
2011	182,301	14.29	16.01		-0.2%	11.8%	
2012	443,096	13.36	17.53	143.1%	-6.5%	9.5%	
2013	707,000	12.46	19.12	59.6%	-6.7%	9.1%	6.3%
<u>Hypothetical Model Contract - Flint Only @ Imlay</u>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		11.16	11.16			-14.6%	
2011	65,919	10.88	12.23		-2.5%	9.6%	
2012	165,275	9.89	13.28	150.7%	-9.1%	8.6%	
2013	255,580	9.09	14.32	54.6%	-8.1%	7.8%	2.9%

MEETING MINUTES

IN ATTENDANCE: Ed Kurtz; Flint Emergency Financial Manager, City of Flint
Dayne Walling; Mayor, City of Flint
Mike Brown, City of Flint
John O'Brien, Genesee County
Howard Croft, City of Flint
Dwayne "Duffy" Johnson, City of Flint
Brent Wright, City of Flint
Awni Qaqish, TYJT
Dave Guastella, TYJT

DATE: November 24, 2012

PURPOSE OF MEETING: Meeting with the City of Flint for the Indefinite-scope, Indefinite-delivery Contract Number 00383, 2012 Professional General Architectural/Engineering Services – City of Flint Water Supply Assessment

PREPARED BY: Dave Guastella

A meeting was held at the City of Flint Municipal Center on November 20, 2012 to discuss the water supply option being presented by the Karegnondi Water Authority (KWA) to the City of Flint. The main items discussed generally followed the attached KWA Discussion/Questions that were provided to City prior to the meeting. A summary of the key points discussed are provided below.

The questions submitted are repeated in the Discussion Items for easy reference. A summary of the action items generated from the meeting follow the Discussion Items.

DISCUSSION ITEMS

1. Question/Discussion Item: Is the maximum day demand of 18 MGD for Flint the maximum day demand (MDD) throughout the 25 year planning period? If not, what is the 25 year projected MDD?

KWA would supply up to 18 MGD. 18 MGD has been assumed as the maximum day demand and 12 MGD is assumed as the average day demand throughout the 25 year planning period.

2. Question/Discussion Item: Copy of the intake contract documents and engineer's estimate.

The intake contract documents are approximately 90% complete and are not available for distribution. However, the updated Appendix 20, dated October 4, 2012 includes the most recent cost estimate of the intake based on the current design in process.

Comments: Meeting minutes were recorded based on the understanding of the author. Please contact the author within three days if you have any different understanding of the meeting. These minutes will be considered approved unless comments are provided within three days.

-
3. Question/Discussion Item: Documentation of the Flint WTP improvements required and cost estimate.

The costs are approximately \$7M as presented in the September 2009 Preliminary Engineering Report. However, this estimate has been updated. Some processes have been eliminated. John O'Brien will provide the updated costs and the description of the planned improvements to the plant.

4. Question/Discussion Item: Confirm Flint's allocated percentage of the KWA capital improvements (30%?).

Yes, the allocation is based on 18 MGD/60 MGD total capacity.

5. Question/Discussion Item: Copy of the proposed KWA operating agreement for Flint.

John O'Brien will provide the operating agreement as well as the Capacity Contract and Articles of Incorporation.

6. Question/Discussion Item: What is the annual operating agreement adjustment projected for the 25 year planning period?

This information is provided in Appendix 14, Table 14.2 of the September 2009 Preliminary Engineering Report. Operating cost based on Table 1. Used 12 MGD as average day demand (ADD). Assumed 5% as the annual increase in operating costs. John O'Brien indicated that these operating costs were based on Genesee County's operating costs. John O'Brien will provide the last 10 years of audited financial statements for the water fund.

To assess operating and maintenance costs for the Flint WTP, Duffy will provide multiple years of financial statements for the water fund. Duffy did not believe they had 10 years, but they will provide what they have.

Regarding operation and maintenance costs, Flint believes that these costs will increase by 2/3 of what they are now.

-
7. Question/Discussion Item: Need the route of the pipelines and the locations of the facilities proposed. Purpose is to identify constraints that impact costs (i.e., utilities, environmental (e.g. wetlands), easements, etc.).

KWA will not release the route due to concerns regarding speculation of land and easements. John O'Brien did indicate that the Lake Huron pump station would be at Fisher and M-25. The intermediate pump station site is near a location of the Lapeer/Sanilac/St. Clair border; where all three meet.

8. Question/Discussion Item: KWA's initial charge to Flint is based on a 12 MGD average day demand. What is the basis of this number? Are there population projections and water use figures available that were used to determine the Flint demand for the 25 year planning period?

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This was answered in Question No. 1 above.

9. Question/Discussion Item: Is there a transition plan and cost during construction of the KWA system identified?

Flint is looking for an agreement with DWSD for back-up supply from the 72-inch main at the Genesee border.

10. Question/Discussion Item: The October 4, 2012 Preliminary Engineering Report Update states: "no backup power is planned for the pumps" (LHPS) and "No backup power is planned for pumping" (IPS). In case of power loss, how would Flint supply its customers?

Flint indicated that they have adequate storage to supply the system for 6 to 7 days. Flint has 55 MG of storage and Genesee County has 65 MG for 2.5 days.

11. Question/Discussion Item: The latest plan shows only a 5 million gallon ground reservoir is planned for balancing between LHPS and IPS. How is redundancy maintained?

In cases of emergency, Flint indicated that the back-up for the KWA system will be the same as it is now with DWSD; they will use the Flint River as the source water. Flint currently operates their plant four times a year.

When questioned as to whether the WTP will be able to treat both lake water from the KWA system and river water Flint indicated that once the improvements identified in the September 2009 Preliminary Engineering Report are completed they will be able to accomplish both treatment processes. Flint will provide a schematic of the treatment trains at the WTP and a copy of the Flint transmission system.

Genesee County indicated that additional redundancy would also be provided from the new Genesee County WTP.

Regarding hydraulic transients; Genesee County indicated that a model analysis has not been included, but capital costs for mitigating transients have been included.

12. Question/Discussion Item: Related to the construction cost:

- a. Does it include an additional traffic lane since the construction will occupy half the right of way? *Not required, all roads are county roads; however, there are a few State road crossings.*
- b. Does it include costs/fees for permit requirements such as inspection cost by the jurisdictional authorities? As a point of reference, the permit fee costs for the Flint Transmission System came out to be \$5.8 million. *Not required; all of the counties have waived any fees.*
- c. Does the cost of the steel pipe segments include corrosion protection measures such as

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anode stations and related O&M? *Yes; however, the KWA has not settled on using steel pipe. PCCP pipe may be used. Steel shown in estimate because it is highest in cost and therefore the pricing is conservative.*

d. SCADA monitoring stations require power. Is the cost of bring power to the SCADA stations included? Again, as a point of reference for the Flint Transmission System we estimated \$800,000 for power to SCADA and valve operators. *Yes, Genesee County did emphasize that the SCADA system will be simple and straightforward because a lot of controls are not required.*

e. Other items discussed at the meeting included:

- The 2009 plant improvement cost is still good; however, there will be some reduction, such as a sulfuric chloride feed system that was eliminated. Plant capacity now is 36MGD, but will be 18 MGD.
- The KWA Lake Huron Pumping Station (LHPS) is now only high lift pump station.
- Genesee County will provide the distance of the intake pipe from the crib to the LHPS.
- The intake project is almost ready to bid; waiting for the COE permit.
- Genesee County is estimating the construction for the pipe lines and pump stations will begin July 2013.
- The route has been flown for survey.
- Genesee County is estimating construction will be complete and the project will be placed in service by Jan 2016.
- Genesee County to provide a list of assumptions that the \$272 million cost estimate is based on since the route is now known.

13. The Flint River is identified as a backup: At what capacity? MDD or emergency supply?

The Flint River would serve as a back up supply.

14. Where did the 40 years come from (Flint hostage to Detroit)? DWSD's new contracts are 30 years with openers to revise terms of supply (volume and pressure) after the first two years, then three years, and then in five year increments thereafter.

The 40 years was stated in error. The reference was to DWSD's requirement to sign a 30 year contract.

After 40 years Flint will own 30% of the project and can sell their share of ownership if they want. Conversely, with DWSD, they continue to pay for the capital projects but have no ownership. Flint believes they will know what they will be charged for the next 25 years versus DWSD that can't commit to a fixed escalation.

Comments: Meeting minutes were recorded based on the understanding of the author. Please contact the author within three days if you have any different understanding of the meeting. These minutes will be considered approved unless comments are provided within three days.

Action Items for Follow-up		
Items:	Assigned To:	Date to Complete
1. Updated Costs for the Flint WTP Improvements and a description of the improvements.	John O'Brien	11/21/12
2. KWA Operating Agreement, Capacity Contract and Articles of Incorporation.	John O'Brien	11/20/12
3. Provide the last 10 years of audited financial statements for the Genesee water fund.	John O'Brien	11/20/12
4. Provide multiple years of financial statements for the City of Flint water fund.	Duffy Johnson	11/26/12
5. Provide schematic of the Flint WTP and a map of the Flint transmission system.	Brent Wright	11/26/12
6. Provide the length of the intake pipe from the crib to the pump station.	John O'Brien	11/20/12
7. Provide a list of assumptions that the \$272 million cost estimate is based on since the route is now known.	John O'Brien	11/26/12

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**Indefinite-scope, Indefinite-delivery Contract Number 00383
2012 Professional General Architectural/Engineering Services**

CITY OF FLINT WATER SUPPLY ASSESSMENT

KWA Discussion/Questions for the November 20, 2012 Meeting

1. Is the maximum day demand of 18 MGD for Flint the maximum day demand (MDD) throughout the 25 year planning period? If not, what is the 25 year projected MDD?
2. Copy of the intake contract documents and engineer's estimate.
3. Documentation of the Flint WTP improvements required and cost estimate.
4. Confirm Flint's allocated percentage of the KWA capital improvements (30%?).
5. Copy of the proposed KWA operating agreement for Flint.
6. What is the annual operating agreement adjustment projected for the 25 year planning period?
7. Need the route of the pipelines and the locations of the facilities proposed. Purpose is to identify constraints that impact costs (i.e., utilities, environmental (e.g. wetlands), easements, etc.).
8. KWA's initial charge to Flint is based on a 12 MGD maximum day demand. What is the basis of this number? Are there population projections and water use figures available that were used to determine the Flint demand for the 25 year planning period?
9. Is there a transition plan and cost during construction of the KWA system identified?
10. The October 4, 2012 Preliminary Engineering Report Update states: "no backup power is planned for the pumps" (LHPS) and "No backup power is planned for pumping" (IPS). In case of power loss, how would Flint supply its customers?
11. The latest plan shows only a 5 million gallon ground reservoir is planned for balancing between LHPS and IPS. How is redundancy maintained?
12. Related to the construction cost:
 - a. Does it include an additional traffic lane since the construction will occupy half the right of way?
 - b. Does it include costs/fees for permit requirements such as inspection cost by the jurisdictional authorities? As a point of reference, the permit fee costs for the Flint Transmission System came out to be \$5.8 million.

Comments: Meeting minutes were recorded based on the understanding of the author. Please contact the author within three days if you have any different understanding of the meeting. These minutes will be considered approved unless comments are provided within three days.

-
- c. Does the cost of the steel pipe segments include corrosion protection measures such as anode stations and related O&M?
 - d. SCADA monitoring stations require power. Is the cost of bring power to the SCADA stations included? Again, as a point of reference the for the Flint Transmission System we estimated \$800,000 for power to SCADA and valve operators.
13. The Flint River is identified as a backup: At what capacity? MDD or emergency supply?
14. Where did the 40 years come from (Flint hostage to Detroit)? DWSD's new contracts are 30 years with openers to revise terms of supply (volume and pressure) after the first two years, then three years, and then in five year increments thereafter.
-

Comments: Meeting minutes were recorded based on the understanding of the author. Please contact the author within three days if you have any different understanding of the meeting. These minutes will be considered approved unless comments are provided within three days.

STATE OF MICHIGAN CONTRACT NO. 271N3200089

CITY OF FLINT WATER SUPPLY ASSESSMENT

State of Michigan, Department of Treasury

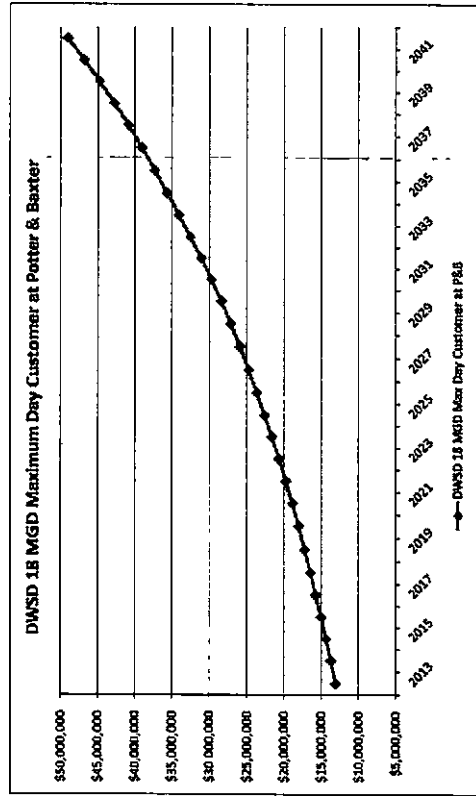
Appendix B: Cost Worksheets

Capacity	Flint ADD. DWSD ADD	0 MG 12 MGSD	81 MCF/Day 1,604 MCF/Day
Annual Volume	Flint DWSD	29,412 MCF 585,561 MCF	
2013 Cost of Supply	Flint WTP O&M DWSD \$	120.30 /MCF 16.37 /MCF	\$ 3,538,214 /Yr \$ 9,585,642 /Yr
Escalation/Inflation Rate	Flint DWSD	4.51% /Yr 4.7% /Yr	

Year	First WTP O&M	Water Purchases	Revenue Bond Payment	Interest on Reserve	TOTAL
2013	\$ 3,536,214	9,585,647	-	-	\$ 13,121,855
2014	\$ 3,697,788	10,036,162	-	-	\$ 13,733,955
2015	\$ 3,864,558	10,507,887	-	-	\$ 14,372,445
2016	\$ 4,038,850	11,001,798	-	-	\$ 15,040,648
2017	\$ 4,221,002	11,518,811	-	-	\$ 15,739,813
2018	\$ 4,411,369	12,060,203	-	-	\$ 16,471,571
2019	\$ 4,610,322	12,632,032	-	-	\$ 17,242,354
2020	\$ 4,818,247	13,230,503	-	-	\$ 18,048,750
2021	\$ 5,035,550	13,841,866	-	-	\$ 18,877,416
2022	\$ 5,262,653	14,492,434	-	-	\$ 19,755,087
2023	\$ 5,498,999	15,173,578	-	-	\$ 20,672,577
2024	\$ 5,748,049	15,886,736	-	-	\$ 21,634,785
2025	\$ 6,007,288	16,633,413	-	-	\$ 22,640,699
2026	\$ 6,278,215	17,415,183	-	-	\$ 23,693,398
2027	\$ 6,561,362	18,233,697	-	-	\$ 24,795,059
2028	\$ 6,851,279	19,090,681	-	-	\$ 25,941,960
2029	\$ 7,158,548	19,987,943	-	-	\$ 27,146,486
2030	\$ 7,489,754	20,927,376	-	-	\$ 28,417,130
2031	\$ 7,827,542	21,910,963	-	-	\$ 29,738,505
2032	\$ 8,180,564	22,940,778	-	-	\$ 31,121,342
2033	\$ 8,549,507	24,018,995	-	-	\$ 32,568,502
2034	\$ 8,935,080	25,147,887	-	-	\$ 34,082,977
2035	\$ 9,338,063	26,339,838	-	-	\$ 35,667,901
2036	\$ 9,759,209	27,567,941	-	-	\$ 37,326,550
2037	\$ 10,199,350	28,865,006	-	-	\$ 39,064,355
2038	\$ 10,659,340	30,218,587	-	-	\$ 40,877,927
2039	\$ 11,140,076	31,638,886	-	-	\$ 42,778,963
2040	\$ 11,641,494	33,136,961	-	-	\$ 44,778,455
2041	\$ 12,167,570	34,683,928	-	-	\$ 46,851,499
2042	\$ 12,716,528	36,314,073	-	-	\$ 49,030,601

23 Yrs Cumulative	\$ 596,916.00

30 Yrs Guaranteed 821.226.268



DWSD Worksheet : 12 MGD Maximum Day Customer with Model Contract at Potter & Baxter/Blending with Flint

Category	Flint ADD, DWSD ADD	4 MGD 8 MGD	535 MCF/Day 1,070 MCF/Day	Year	Flint WTP OS&M	Water Purchase	Revenue Bond Payment	Interest on Reserve	TOTAL
Annual Volume	Flint, DWSD	195,187 MCF 390,374 MCF	195,187 MCF 589,507 MCF	1	2013	\$ 5,895,097	\$ 6,367,003	\$ 12,262,103	
				2	2014	\$ 6,160,966	\$ 6,666,255	\$ 12,827,221	
				3	2015	\$ 6,438,826	\$ 6,979,589	\$ 13,418,395	
				4	2016	\$ 6,720,217	\$ 7,307,808	\$ 14,028,025	
				5	2017	\$ 7,032,705	\$ 7,651,066	\$ 14,683,771	
				6	2018	\$ 7,349,880	\$ 8,010,666	\$ 15,360,546	
				7	2019	\$ 7,681,359	\$ 8,387,167	\$ 16,068,527	
				8	2020	\$ 8,027,789	\$ 8,781,354	\$ 16,809,139	
				9	2021	\$ 8,389,842	\$ 9,194,088	\$ 17,583,930	
				10	2022	\$ 8,768,274	\$ 9,626,220	\$ 18,394,494	
				11	2023	\$ 9,163,671	\$ 10,078,642	\$ 19,242,313	
				12	2024	\$ 9,576,952	\$ 10,552,338	\$ 20,129,291	
				13	2025	\$ 10,008,873	\$ 11,048,298	\$ 21,057,171	
				14	2026	\$ 10,460,273	\$ 11,567,563	\$ 22,027,841	
				15	2027	\$ 10,932,031	\$ 12,111,244	\$ 23,043,275	
				16	2028	\$ 11,425,066	\$ 12,680,473	\$ 24,105,538	
				17	2029	\$ 11,940,336	\$ 13,276,455	\$ 25,216,791	
				18	2030	\$ 12,478,845	\$ 13,900,448	\$ 26,379,294	
				19	2031	\$ 13,041,641	\$ 14,553,769	\$ 27,595,410	
				20	2032	\$ 13,629,819	\$ 15,237,796	\$ 28,867,616	
				21	2033	\$ 14,244,524	\$ 15,953,973	\$ 30,198,497	
				22	2034	\$ 14,886,952	\$ 16,703,810	\$ 31,590,762	
				23	2035	\$ 15,558,354	\$ 17,488,869	\$ 33,047,242	
				24	2036	\$ 16,260,035	\$ 18,310,866	\$ 34,570,902	
				25	2037	\$ 16,993,383	\$ 19,171,477	\$ 36,164,840	
				2038	\$ 17,759,764	\$ 20,072,537	\$ 37,832,300		
				2039	\$ 18,560,729	\$ 21,015,946	\$ 39,576,675		
				2040	\$ 19,397,818	\$ 22,003,695	\$ 41,401,513		
				2041	\$ 20,272,660	\$ 23,037,869	\$ 43,310,528		
				2042	\$ 21,186,956	\$ 24,120,649	\$ 45,307,605		

2013 Cost of Supply

Flint WTP OS&M \$ 30.20 /MCF \$ 5,895,097 /Yr
DWSD \$ 16.31 /MCF \$ 6,367,005 /Yr

Escalation/Inflation Rate

Flint 4.51% /Yr
DWSD 4.79% /Yr

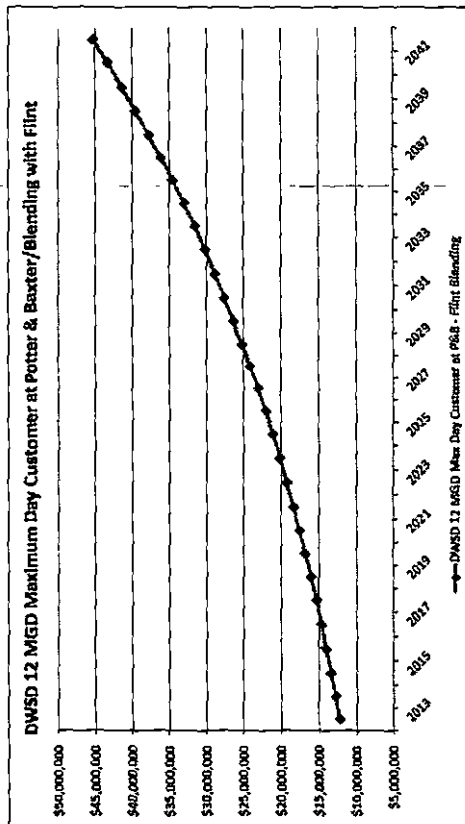
Capital Expenditures

Amount \$ -
Reserve \$ -
Amount plus Reserve \$ -
Revenue Bond Rate 5%
Number of Years, Annual Cost: \$0

DWSD 12 MGD Maximum Day Customer at Potter & Baxter/Blending with Flint

25 Yrs Cumulative
\$ 554,681,656

30 Yrs Cumulative
\$ 762,110,308

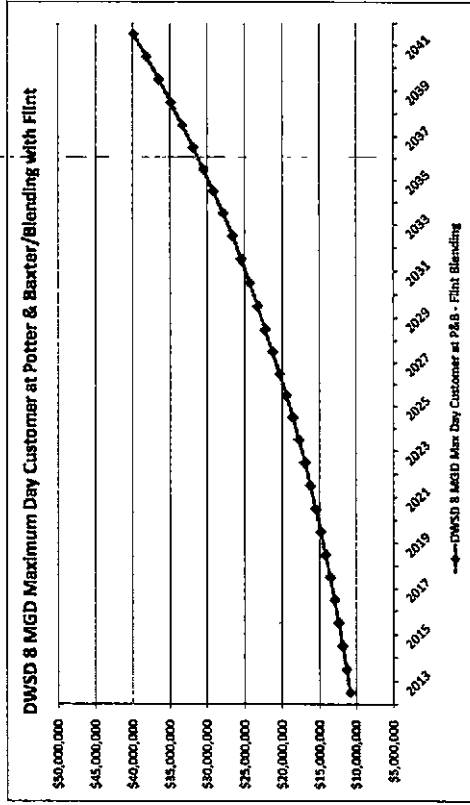


DWSD Worksheet : 8 MGD Maximum Day Customer with Model Contract at Potter & Baxter/Blending with Flint

Capacity	Flint ADD- DWSD ADD	4 MGD 8 MGD	535 MCF/Day 1,070 MCF/Day	Year	Flint WTP OB&M	Water Purchase	Revenue Bond Payment	Interest on Reserve	TOTAL
Annual Volume	Flint DWSD	195,187 MCF 390,374 MCF		1	2013	\$ 5,895,097	4,949,947	\$ 10,845,044	
				2	2014	\$ 6,160,966	5,182,594	\$ 11,343,560	
				3	2015	\$ 6,438,826	5,426,176	\$ 11,865,002	
				4	2016	\$ 6,729,217	5,681,206	\$ 12,410,423	
				5	2017	\$ 7,032,705	5,948,223	\$ 12,980,928	
				6	2018	\$ 7,349,880	6,227,789	\$ 13,577,669	
				7	2019	\$ 7,681,959	6,520,495	\$ 14,202,455	
				8	2020	\$ 8,027,789	6,826,959	\$ 14,854,747	
				9	2021	\$ 8,389,842	7,147,826	\$ 15,537,668	
				10	2022	\$ 8,768,224	7,483,774	\$ 16,251,997	
				11	2023	\$ 9,163,671	7,835,511	\$ 16,999,182	
				12	2024	\$ 9,576,952	8,203,780	\$ 17,780,732	
				13	2025	\$ 10,008,873	8,589,958	\$ 18,598,830	
				14	2026	\$ 10,460,273	8,993,057	\$ 19,453,330	
				15	2027	\$ 10,932,031	9,415,731	\$ 20,347,762	
				16	2028	\$ 11,425,066	9,858,271	\$ 21,283,336	
				17	2029	\$ 11,940,336	10,321,609	\$ 22,261,945	
				18	2030	\$ 12,478,845	10,806,725	\$ 23,285,570	
				19	2031	\$ 13,041,641	11,314,641	\$ 24,356,282	
				20	2032	\$ 13,629,819	11,846,429	\$ 25,476,248	
				21	2033	\$ 14,244,524	12,403,211	\$ 26,647,735	
				22	2034	\$ 14,886,952	12,986,162	\$ 27,873,114	
				23	2035	\$ 15,558,354	13,596,512	\$ 29,154,866	
				24	2036	\$ 16,260,035	14,235,548	\$ 30,495,583	
				25	2037	\$ 16,993,363	14,904,619	\$ 31,897,982	
				26	2038	\$ 17,759,764	15,605,196	\$ 33,364,960	
				27	2039	\$ 18,560,729	16,338,577	\$ 34,899,306	
				28	2040	\$ 19,397,818	17,106,490	\$ 36,504,308	
				29	2041	\$ 20,272,660	17,910,495	\$ 38,183,155	
				30	2042	\$ 21,186,956	18,752,288	\$ 39,939,245	

25 Yrs Cumulative
\$ 489,780,792

30 Yrs Cumulative
\$ 672,571,705

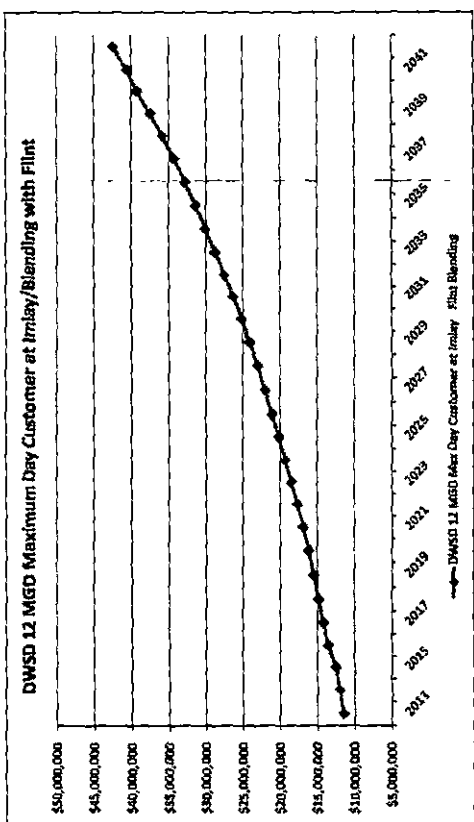


DWSD Worksheet : 12 MGD Maximum Day Customer with Model Contract at Inlay/Blending with Flint

Capacity	Flint ADD	DWSD ADD	4 MGD	535 MCF/Day	1,070 MCF/Day	Year	Flint WTP O&M	Water Purchase	Bond Payment	Interest on Reserve	TOTAL
Annual Volume	Flint	DWSD	195,187 MCF	390,374 MCF		2013	\$ 5,895,097	5,613,583		19,500	\$ 11,409,180
2013 Cost of Supply	Flint WTP O&M	DWSD	30.20 /MCF	14.38 /MCF		2014	\$ 6,160,966	5,877,421		19,500	\$ 12,018,888
						2015	\$ 6,438,826	6,153,660	462,610	19,500	\$ 13,572,806
						2016	\$ 6,729,217	6,442,882	462,610	19,500	\$ 15,127,209
						2017	\$ 7,032,705	6,745,698	462,610	19,500	\$ 16,783,718
						2018	\$ 7,349,880	7,062,745	462,610	19,500	\$ 18,442,794
						2019	\$ 7,681,359	7,394,694	462,610	19,500	\$ 20,102,134
						2020	\$ 8,027,789	7,742,245	462,610	19,500	\$ 21,761,575
						2021	\$ 8,389,842	8,106,131	462,610	19,500	\$ 23,421,016
						2022	\$ 8,768,224	8,487,119	462,610	19,500	\$ 25,080,457
						2023	\$ 9,163,671	8,886,013	462,610	19,500	\$ 26,739,898
						2024	\$ 9,576,952	9,303,556	462,610	19,500	\$ 28,400,339
						2025	\$ 10,009,873	9,740,928	462,610	19,500	\$ 30,060,780
						2026	\$ 10,460,273	10,198,751	462,610	19,500	\$ 31,721,221
						2027	\$ 10,932,031	10,678,093	462,610	19,500	\$ 33,381,662
						2028	\$ 11,425,066	11,179,963	462,610	19,500	\$ 35,042,103
						2029	\$ 11,940,336	11,705,421	462,610	19,500	\$ 36,702,544
						2030	\$ 12,478,845	12,255,576	462,610	19,500	\$ 38,362,985
						2031	\$ 13,041,641	12,831,588	462,610	19,500	\$ 40,023,426
						2032	\$ 13,629,819	13,434,673	462,610	19,500	\$ 41,683,867
						2033	\$ 14,244,574	14,066,102	462,610	19,500	\$ 43,344,308
						2034	\$ 14,886,952	14,727,209	462,610	19,500	\$ 45,004,749
						2035	\$ 15,558,354	15,419,368	462,610	19,500	\$ 46,665,190
						2036	\$ 16,260,035	16,144,099	462,610	19,500	\$ 48,325,631
						2037	\$ 16,993,963	16,902,872	462,610	19,500	\$ 50,000,000
						2038	\$ 17,759,764	17,697,307	462,610	19,500	\$ 51,674,379
						2039	\$ 18,550,729	18,529,080	462,610	19,500	\$ 53,348,758
						2040	\$ 19,397,818	19,398,947	462,610	19,500	\$ 55,023,137
						2041	\$ 20,272,660	20,311,745	462,610	19,500	\$ 56,697,516
						2042	\$ 21,186,956	21,266,397	462,610	19,500	\$ 58,371,895

25 Yrs Cumulative
\$ 525,893,071

30 Yrs Cumulative
\$ 725,576,803



Revenue Bond Rate	3%
Number of Years	25
Annual Cost:	\$462,610
Interest on Reserve	3%
Capital \$	4,700,000
Bond Insurance (3% of Total)	141,000
3 Years of Capitalized Interest	975,000
Reserve (10% of Total)	470,000
Total \$	6,520,000

Escalation/Inflation Rate

Flint	4.51% /Yr
DWSD	4.7% /Yr

Capital Expenditure

Flint WTP O&M	\$ 5,895,097 /Yr
DWSD	\$ 5,613,583 /Yr

Annual Volume

Flint	195,187 MCF
DWSD	390,374 MCF

Capacity

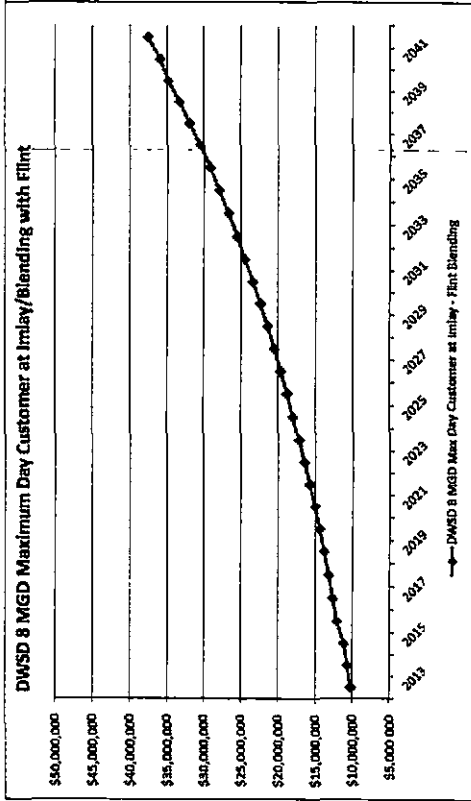
Flint ADD	4 MGD
DWSD ADD	8 MGD

DWSD Worksheet : 8 MGD Maximum Day Customer with Model Contract at Inlay/Blending with Flint

Capacity	Flint ADD	4 MGD	535 MCF/Day	Year	Flint WTP O&M	Water Purchase	Revenue Bond Payment	Interest on Reserve	TOTAL
DWSD ADD		8 MGD	1,070 MCF/Day	2013	\$ 5,895,097	4,337,059	19,500	\$ 10,212,656	
Annual Volume				2014	\$ 6,160,966	4,340,901	19,500	\$ 10,662,367	
				2015	\$ 6,438,826	4,754,323	19,500	\$ 11,173,649	
				2016	\$ 6,729,217	4,977,776	462,610	\$ 12,150,103	
				2017	\$ 7,032,705	5,211,732	462,610	\$ 12,687,548	
				2018	\$ 7,349,680	5,456,683	462,610	\$ 13,269,973	
				2019	\$ 7,681,359	5,713,147	462,610	\$ 13,857,515	
2013 Cost of Supply				2020	\$ 8,027,788	5,981,665	462,610	\$ 14,452,564	
Flint WTP O&M	\$ 30.20 /MCF		/Yr	2021	\$ 8,389,842	6,262,803	462,610	\$ 15,095,755	
DWSD	\$ 11.11 /MCF		/Yr	2022	\$ 8,768,224	6,557,155	462,610	\$ 15,768,489	
				2023	\$ 9,163,671	6,865,341	462,610	\$ 16,472,122	
				2024	\$ 9,576,952	7,188,012	462,610	\$ 17,209,074	
				2025	\$ 10,008,673	7,525,849	462,610	\$ 17,977,832	
				2026	\$ 10,460,273	7,879,564	462,610	\$ 18,782,947	
				2027	\$ 10,932,031	8,249,903	462,610	\$ 19,639,044	
				2028	\$ 11,425,066	8,637,649	462,610	\$ 20,505,824	
				2029	\$ 11,940,336	9,043,618	462,610	\$ 21,427,064	
				2030	\$ 12,478,845	9,468,668	462,610	\$ 22,390,524	
				2031	\$ 13,041,641	9,913,636	462,610	\$ 23,398,477	
				2032	\$ 13,629,819	10,379,639	462,610	\$ 24,452,589	
				2033	\$ 14,244,524	10,867,482	462,610	\$ 25,555,117	
				2034	\$ 14,886,952	11,378,254	462,610	\$ 26,708,515	
				2035	\$ 15,558,354	11,913,032	462,610	\$ 27,914,496	
				2036	\$ 16,260,035	12,472,945	462,610	\$ 29,176,090	
				2037	\$ 16,993,563	13,059,173	462,610	\$ 30,485,648	
				2038	\$ 17,759,764	13,672,954	462,610	\$ 31,875,828	
				2039	\$ 18,560,729	14,315,588	462,610	\$ 33,318,422	
				2040	\$ 19,397,818	14,988,415	462,610	\$ 34,829,343	
				2041	\$ 20,272,660	15,692,871	19,500	\$ 35,965,530	
				2042	\$ 21,186,955	16,430,436		\$ 37,617,392	

23 Yr Cumulative
\$ 493,063,801

30 Yr Cumulative
\$ 694,789,488



Revenue Bond Rate	5%
Number of Years	25
Annual Cost	\$462,610
Interest on Reserve	3%

Capital Expenditure	Capital \$ 4,700,000
Bond Issuance (5% of Total)	195,000
3 Years of Capitalized Interest	975,000
Reserve (10% of Total)	650,000
Total	\$ 6,520,000

Escalation/Inflation Rate	Flint: 4.51% /Yr
	DWSD: 4.7% /Yr

2013 Cost of Supply	Flint WTP O&M \$ 30.20 /MCF
	DWSD \$ 11.11 /MCF

Annual Volume	Flint 195,187
	DWSD 390,374

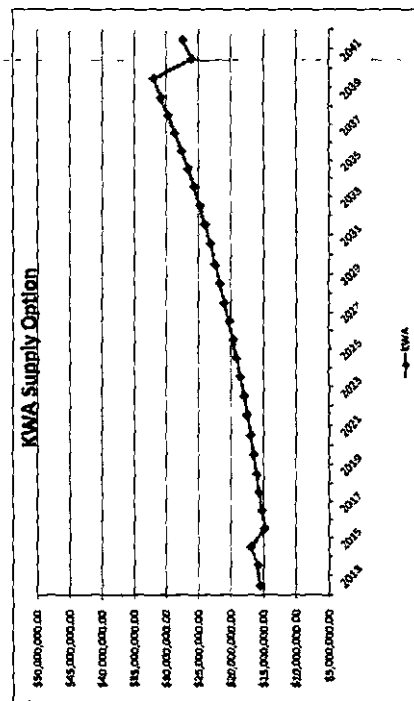
Capacity	Flint ADD 4 MGD
	DWSD ADD 8 MGD

KWA Supply Option Worksheet
KWA 10/31/12 No Overruns

Year	DWSD & Flint WTP Costs	KWA Entry Fee	KWA Debt service	Flint WTP Debt Service	KWA Operation \$	Flint WTP Operations with KWA	TOTAL
1 2013	\$ 14,413,858	1,102,800			572,781	572,869	\$ 15,176,858
2 2014	\$ 15,355,135	581,400			572,781	572,869	\$ 16,509,304
3 2015	\$ 16,365,584				572,781	572,869	\$ 17,524,233
4 2016					572,781	572,869	\$ 18,619,932
5 2017					572,781	572,869	\$ 19,795,561
6 2018					572,781	572,869	\$ 21,056,260
7 2019					572,781	572,869	\$ 22,407,159
8 2020					572,781	572,869	\$ 23,853,288
9 2021					572,781	572,869	\$ 25,399,417
10 2022					572,781	572,869	\$ 27,041,606
11 2023					572,781	572,869	\$ 28,774,895
12 2024					572,781	572,869	\$ 30,604,284
13 2025					572,781	572,869	\$ 32,534,673
14 2026					572,781	572,869	\$ 34,561,062
15 2027					572,781	572,869	\$ 36,689,451
16 2028					572,781	572,869	\$ 38,914,840
17 2029					572,781	572,869	\$ 41,241,229
18 2030					572,781	572,869	\$ 43,672,618
19 2031					572,781	572,869	\$ 46,213,007
20 2032					572,781	572,869	\$ 48,867,396
21 2033					572,781	572,869	\$ 51,639,785
22 2034					572,781	572,869	\$ 54,534,174
23 2035					572,781	572,869	\$ 57,555,563
24 2036					572,781	572,869	\$ 60,707,952
25 2037					572,781	572,869	\$ 63,996,341
2038					572,781	572,869	\$ 67,425,730
2039					572,781	572,869	\$ 70,999,119
2040					572,781	572,869	\$ 74,719,508
2041					572,781	572,869	\$ 78,589,897
2042					572,781	572,869	\$ 82,613,286

25 Yrs Cumulative \$ 2,094,485,186

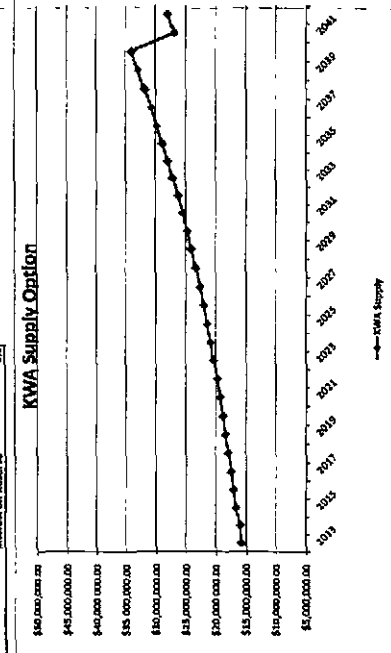
20 Yrs Cumulative \$ 1,682,779,186



KWA Supply Option Worksheet
KWA-1

Capacity	Plant ADR	12 MW	1,604 MCF/Day
	KWA ADR	12 MW	1,604 MCF/Day
Annual Volume	Plant	585,561 MCF	
	KWA	585,561 MCF	
2018 Cost of Supply	Plant WTP O&M	13.31 /MCF	\$ 7,813,118 /Yr
	KWA	1.50 /MCF	\$ 878,849 /Yr
Establishment/Inflation Rate	Plant	4.51% /Yr	
	KWA	6.0% /Yr	
Capital Expenditures	Capital	\$ 272,421,558	
	Bond Issuance (2.25% of Total)	\$ 6,040,000	
	8 Years of Capitalized Interest	\$ 66,000,000	
	Reserve (10% of Total)	\$ 27,242,156	
	Total	\$ 361,663,614	
Plant's Share (50%)		\$ 180,831,807	
Revenue Bond Rate	Number of Years	25	
	Annual Cost	\$ 7,862,562	
	Interest on Reserve	\$ 10,688,562	
Capital	Cost	\$ 7,798,562	
	Bond Issuance (2.25% of Total)	\$ 6,040,000	
	8 Years of Capitalized Interest	\$ 66,000,000	
	Reserve (10% of Total)	\$ 27,242,156	
	Total	\$ 99,282,156	
Revenue Bond Rate	Number of Years	25	
	Annual Cost	\$ 7,798,562	
	Interest on Reserve	\$ 10,688,562	

Capital	Cost	\$ 7,798,562	
	Bond Issuance (2.25% of Total)	\$ 6,040,000	
	8 Years of Capitalized Interest	\$ 66,000,000	
	Reserve (10% of Total)	\$ 27,242,156	
	Total	\$ 99,282,156	
Revenue Bond Rate	Number of Years	25	
	Annual Cost	\$ 7,798,562	
	Interest on Reserve	\$ 10,688,562	



Year	Plant WTP O&M	Market Purchases	KWA Revenue Pre-Bond Entry Fee & Bond Payments	Plant Revenue Bond Payment	Interest on Reserve	TOTAL
2018	\$ 9,839,218	\$ 11,452,700	\$ 1,102,800	\$ 750,946	\$ 309,000	\$ 15,793,114
2019	\$ 10,267,789	\$ 11,881,275	\$ 1,131,400	\$ 750,946	\$ 309,000	\$ 16,340,410
2020	\$ 10,700,000	\$ 12,312,850	\$ 1,160,000	\$ 750,946	\$ 309,000	\$ 16,889,702
2021	\$ 11,137,118	\$ 12,746,425	\$ 1,188,600	\$ 750,946	\$ 309,000	\$ 17,440,099
2022	\$ 11,578,236	\$ 13,182,000	\$ 1,217,200	\$ 750,946	\$ 309,000	\$ 17,991,488
2023	\$ 12,023,354	\$ 13,619,575	\$ 1,245,800	\$ 750,946	\$ 309,000	\$ 18,543,877
2024	\$ 12,472,472	\$ 14,059,150	\$ 1,274,400	\$ 750,946	\$ 309,000	\$ 19,097,266
2025	\$ 12,925,590	\$ 14,500,725	\$ 1,303,000	\$ 750,946	\$ 309,000	\$ 19,651,655
2026	\$ 13,382,708	\$ 14,944,300	\$ 1,331,600	\$ 750,946	\$ 309,000	\$ 20,207,044
2027	\$ 13,843,826	\$ 15,389,875	\$ 1,360,200	\$ 750,946	\$ 309,000	\$ 20,763,433
2028	\$ 14,308,944	\$ 15,837,450	\$ 1,388,800	\$ 750,946	\$ 309,000	\$ 21,320,822
2029	\$ 14,778,062	\$ 16,286,025	\$ 1,417,400	\$ 750,946	\$ 309,000	\$ 21,879,211
2030	\$ 15,251,180	\$ 16,736,600	\$ 1,446,000	\$ 750,946	\$ 309,000	\$ 22,438,600
2031	\$ 15,728,298	\$ 17,189,175	\$ 1,474,600	\$ 750,946	\$ 309,000	\$ 22,999,089
2032	\$ 16,209,416	\$ 17,643,750	\$ 1,503,200	\$ 750,946	\$ 309,000	\$ 23,560,578
2033	\$ 16,694,534	\$ 18,099,325	\$ 1,531,800	\$ 750,946	\$ 309,000	\$ 24,123,067
2034	\$ 17,183,652	\$ 18,556,900	\$ 1,560,400	\$ 750,946	\$ 309,000	\$ 24,686,556
2035	\$ 17,676,770	\$ 19,016,475	\$ 1,589,000	\$ 750,946	\$ 309,000	\$ 25,251,045
2036	\$ 18,173,888	\$ 19,478,050	\$ 1,617,600	\$ 750,946	\$ 309,000	\$ 25,816,534
2037	\$ 18,675,006	\$ 19,941,625	\$ 1,646,200	\$ 750,946	\$ 309,000	\$ 26,383,023
2038	\$ 19,180,124	\$ 20,407,200	\$ 1,674,800	\$ 750,946	\$ 309,000	\$ 26,950,512
2039	\$ 19,689,242	\$ 20,874,775	\$ 1,703,400	\$ 750,946	\$ 309,000	\$ 27,519,001
2040	\$ 20,202,360	\$ 21,344,350	\$ 1,732,000	\$ 750,946	\$ 309,000	\$ 28,088,490
2041	\$ 20,719,478	\$ 21,815,925	\$ 1,760,600	\$ 750,946	\$ 309,000	\$ 28,658,979
2042	\$ 21,240,596	\$ 22,289,500	\$ 1,789,200	\$ 750,946	\$ 309,000	\$ 29,230,468

25 Yrs Commutation
\$ 830,793,118

30 Yrs Commutation
\$ 972,279,715

Expenditure	12 MGD	1 MGD	1,604 MGD/Day
Flint Add			
KWA Add			

INFL VOLUMES				
FIRE:	\$48,561	MCF		
KWA:	\$48,561	MCF		
CORE OF SUGAR				
FIRE WTP D&M:	\$	13.51	MCF	\$ 7,913.118 /Yr
KWA:	\$	1.50	MCF	\$ 878,869 /Yr

Transmission/Infection Rate

FLUC	4.53% /r
KWA	5.0% /r

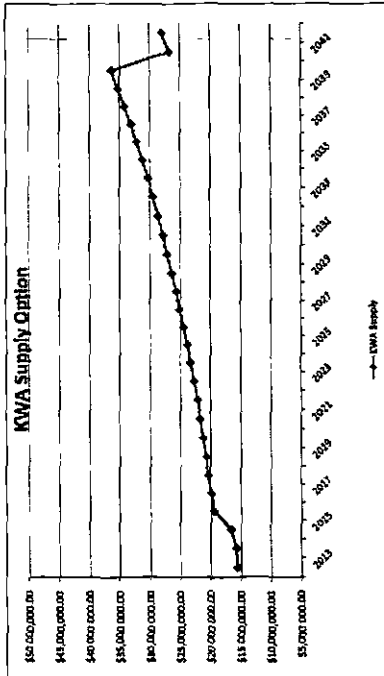
Capital Expenditures

Capital, \$	857,378,060	
Issues (2.25% of Total)	11,050,000	Check; 2.25%
Reserve of Capitalized Interest	74,000,000	Check; 5.0% / Repd
Reserve (10% of Total)	49,020,000	Check; 10.0%
Total	\$ 991,448,060	

Revenue Bond Rate	5%
Number of Years	20
Annual Cost	\$10,464,666
Interest on Reserve	5%
Unit's Share (107)	\$ 107,460,416

Capital	7,758,362	
and Insurance (8% of Total)	240,000	2.25%
Reserve for Capitalized Interest	1,400,000	5.07%
Reserve (10% of Total)	1,070,000	10.0%

Revenue Bond Rate.	5%
Number of Years.	25
Annual Cost	\$750,000
Interest on Reserve.	3%



David Guastella

From: Darryl A. Latimer <latimer@dwsd.org>
Sent: Tuesday, November 20, 2012 2:43 PM
To: David Guastella
Subject: Flint
Attachments: Flint Rate Hist.pdf; Flint Rate Hist Imlay.pdf

Flint / Genesee (Page 1)

My original assessment was slightly off – the benefit is more gradual than I anticipated, probably because of the movement with all of the other customers in their exhibit Bs. Bottom line – average annual rate increase to Flint over the last 10 years has been 6.3% - it would be 5.5% had they contracted at 23mgd/40mgd with the second wave for FY 2010. (I left the FY 2009 figures alone to indicate the impact they got from the first wave).

Flint Only (Page 2)

Historical rates unchanged until hypothetical switch to negotiated contract for Flint only in FY 2010. The lower (relative to the combined Flint / Gen CO customer) max day results in a large decrease from the Page 1 figures, similar to what we showed last week. Bottom line – average annual rate increase to Flint over the last 10 years has been 6.3% - it would be 4.4% had they contracted at 12mgd/18mgd wit the second wave for FY 2010.

Flint rate if Imlay Station was point of connection.

--

Darryl A. Latimer
Deputy Director
Detroit Water and Sewerage Department
506 Water Board Building
(313) 224-4784 (Office)
(313) 224-6067 (Fax)
latimer@dwsd.org

Recent DWSD Water Rates to Flint

FY	Rates and Charges			Annual Change			Average
	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Annual Change
<i>As Charged</i>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		14.32	14.32			9.6%	
2011	182,301	14.29	16.01		-0.2%	11.8%	
2012	443,096	13.36	17.53	143.1%	-6.5%	9.5%	
2013	707,000	12.46	19.12	59.6%	-6.7%	9.1%	6.3%
<i>Hypothetical Model Contract</i>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		13.96	13.96			6.8%	
2011	145,918	13.74	15.28		-1.6%	9.5%	
2012	378,968	12.58	16.57	159.7%	-8.4%	8.4%	
2013	597,323	11.63	17.93	57.6%	-7.6%	8.2%	5.5%

TFG

Recent DWSD Water Rates to Flint

FY	Rates and Charges			Annual Change			Average
	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Annual Change
<i>As Charged</i>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		14.32	14.32			9.6%	
2011	182,301	14.29	16.01		-0.2%	11.8%	
2012	443,096	13.36	17.53	143.1%	-6.5%	9.5%	
2013	707,000	12.46	19.12	59.6%	-6.7%	9.1%	6.3%
<i>Hypothetical Model Contract - Flint Only</i>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		11.73	11.73			-10.3%	
2011	70,060	12.45	13.89		6.1%	18.4%	
2012	175,882	11.47	15.08	151.0%	-7.9%	8.6%	
2013	272,923	10.65	16.24	55.2%	-7.1%	7.7%	4.4%

TFG

Recent DWSD Water Rates to Flint

FY	Rates and Charges			Annual Change			Average
	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Fixed \$/mo	Commodity \$/Mcf	Avg Unit Cost \$/Mcf	Annual Change
<i>As Charged</i>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		14.32	14.32			9.6%	
2011	182,301	14.29	16.01		-0.2%	11.8%	
2012	443,096	13.36	17.53	143.1%	-6.5%	9.5%	
2013	707,000	12.46	19.12	59.6%	-6.7%	9.1%	6.3%
<i>Hypothetical Model Contract - Flint Only @ Imlay</i>							
2004		11.06	11.06				
2005		10.24	10.24			-7.4%	
2006		10.56	10.56			3.1%	
2007		11.09	11.09			5.0%	
2008		11.35	11.35			2.3%	
2009		13.07	13.07			15.2%	
2010		11.16	11.16			-14.6%	
2011	65,919	10.88	12.23		-2.5%	9.6%	
2012	165,275	9.89	13.28	150.7%	-9.1%	8.6%	
2013	255,580	9.09	14.32	54.6%	-8.1%	7.8%	2.9%

TFG

Sent to Agardh - 21
 Guertelle - 26
 on KWA website.
 Indefinite-scope, Indefinite-delivery Contract Number 00383
 2012 Professional General Architectural/Engineering Services

11/21/12
 get info
 from O'Brien
 updates

CITY OF FLINT WATER SUPPLY ASSESSMENT

Action Items for Follow-up			
Items	Assigned To:	Date to Complete	Status as of 11/29/12
Requests Made at 11/20/12 Meeting			
1. Updated Costs for the Flint WTP Improvements and a description of the improvements.	John O'Brien	11/21/12	Not Received \$7.1 mm
2. KWA Operating Agreement, Capacity Contract and Articles of Incorporation.	John O'Brien	11/20/12	Not Received
3. Provide the last 10 years of audited financial statements for the Genesee water fund.	John O'Brien	11/20/12	Received 11/29/12
4. Provide multiple years of financial statements for the City of Flint water fund.	Duffy Johnson	11/26/12	Received 11/26/12
5. Provide schematic of the Flint WTP and a map of the Flint transmission system.	Brent Wright	11/26/12	Received 11/21/12
6. Provide the length of the intake pipe from the crib to the pump station.	John O'Brien	11/20/12	Received 11/29/12
7. Provide a list of assumptions that the \$272 million cost estimate is based on since the route is now known.	John O'Brien	11/26/12	Not Received
Email request to D. Johnson 11/26/12			
8. Copy of the labor agreements for the Flint WTP	Duffy Johnson		Not Received
Email to E. Kurtz 11/28/12			
9. Please identify the type of bonds, KWA is anticipating on using. If they are municipal bonds, whose credit rating will be used for the KWA work?	Ed Kurtz		Not Received
10. Please provide the most recent credit ratings for the appropriate enterprise fund applicable for the Flint work at the WTP and the KWA transmission system.	Ed Kurtz		Not Received
11. If the bonds are revenue bonds, please identify the percent reserve assumed and the percent coverage anticipated.	Ed Kurtz		Not Received
12. In the 09' KWA report 37% was assumed for engineering, contingencies, and bonding. In the 2012 update the percentage dropped to 25% for engineering and contingencies; bonding was not shown as part of the percentage. Does the 25% include bonding issuance costs? What percentage is assumed in either case for the issuance of bonds?	Ed Kurtz		Not Received

eng contingencies 22%

13. Please provide the last three years of water purchased and water billed. This will help us to determine the water loss amount. If the water loss is high, a proactive water audit program could reduce the total volume needed from the KWA. This could reduce the size of the pipeline and pumping needs.	Ed Kurtz <i>Ed suggested</i>	<i>12/4/17</i>	<i>Not Received</i>

X

— Did not receive it —

STATE OF MICHIGAN
 DEPARTMENT OF TREASURY
 PURCHASING
 P.O. BOX 30791, LANSING, MI 48909
 OR
 430 W. ALLEGAN, LANSING, MI 48933

NOTICE OF CONTRACT NO. 271N3200089
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Tucker, Young, Jackson, Tull, Inc. 565 East Larned, Suite 300 Detroit, Michigan 48226	George Y. Karmo, BCEE, P.E	gkarmo@tyjt.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	313-963-0612	On-file

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	Treasury	Eric Cline	517-373-4415	cliner1@michigan.gov
BUYER:	Treasury	Thomas Falik	517-373-3185	falikt@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION:			
Municipal Water Supply Assessment			
INITIAL TERM	EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS
Two Months	11/28/2012	01/31/2013	0
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
NET30	Destination	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MIDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other			☐ YES ☒ NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			
MISCELLANEOUS INFORMATION:			
The terms and conditions of Indefinite-Scope, Indefinite-Delivery Contract No. 00383 (Discretionary Contract Number 00263), Statement of Work (SOW) #271Q3209 and clarification dated November 21, 2012 apply to this Contract.			
CONTRACT VALUE:			\$39,500.00

This Contract Agreement is awarded on the basis of our inquiry bearing solicitation #271Q3208.

Notice of Contract #: 271N3200089

FOR THE CONTRACTOR:

Tucker, Young, Jackson, Tull, Inc.

Firm Name



Authorized Agent Signature

GEORGE Y. KARMO

Authorized Agent (Print or Type)

11-28-12

Date

FOR THE STATE:

Digitally signed by Thomas Falik
DN: cn=Thomas Falik, o=Michigan Department of
Treasury, ou=Purchasing, email=thomas.falik@state.mi.gov

at 11:27:11 AM 11/28/12

Thomas Falik/Purchasing Manager

Name/Title

Department of Treasury

Enter Name of Agency

11-28-12

Date



Article 1 – Statement of Work (SOW)

Note to Contractors: Proposals must include detailed responses to all tasks as requested in Article 1. Contractors should provide thorough responses to each task, or, when appropriate, state their agreement that the Contractor will provide the requested services. Contractors are encouraged to provide detailed responses in order to allow the State to fully evaluate the Contractor's capabilities.

Throughout this SOW, language referring to Contract or Contractor(s) refers to any Contract awarded from this SOW. This SOW in itself is not to be construed as a Contract.

1.010 Project Identification

1.011 Project Request

This is an SOW for a Municipal Water Supply Assessment on behalf of the Department of Treasury and the City of Flint in Genesee County. This is a formal request to prospective Contractors to solicit bids or price quotations. Contractors must submit written proposals according to the instructions contained within this document, discussing how they will meet the specific requirements.

Any awarded Purchase Order(s) between the State and any awarded Contractor(s) is a separate document, whose terms are limited by the Contract.

1.012 Background

The Treasury Department is charged with monitoring, oversight and provision of assistance to local units of government under various statutes, including but not limited to, the Home Rule City Act (Act 279 of 1909), the Uniform Budgeting and Accounting Act (Act 2 of 1968), and the Glenn Steil State Revenue Sharing Act (Act 140 of 1971). In providing such monitoring and assistance to local units of government, the Treasury Department strives to preserve the capacity of local units to provide those services essential to the public health, safety and welfare of the citizens of this State.

The City of Flint is currently supplied potable water from the Detroit Water and Sewerage Department (DWSD). This supply is provided through a single 72-inch water main that terminates at a master meter. The City of Flint's water treatment plant uses the Flint River as a back-up and redundancy supply source to the DWSD supply, as required by the Michigan Department of Environmental Quality (MDEQ). The City of Flint also provides potable water to Genesee County downstream of the DWSD master meter.

The newly formed Karegnondi Water Authority (KWA) plans to construct a raw water supply system that will feed Flint's water treatment plant with water directly from Lake Huron. The Flint water treatment plant could be upgraded to accommodate and treat this new raw water source. DWSD has also proposed alternatives to the existing agreement with the City of Flint that could also be pursued.

A Contractor is needed to provide services to the Department of Treasury and the City of Flint upon request of the Treasury Department. The Department of Treasury is requesting a Contractor provide an analysis of the water supply options for the City of Flint to assist the Department of Treasury and the City of Flint in determining the best available option.

1.020 Scope of Work and Deliverables

1.021 In Scope



The Contractor must provide Water Supply Assessment as requested by the Department of Treasury. These services will include data collection and review, an engineering evaluation and the generation of recommendations.

Bidder Response:

Agreed; our attached Sample Project Plan describes our approach for these services.

1.022 Work and Deliverable

Contractor must provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

A. Data Collection and Review:

1. Provide all labor, materials and equipment to fully perform the work of data collection and review for an assessment of water supply options for the City of Flint.

Bidder Response:

Our Price Proposal in Attachment A includes all labor, materials and equipment to perform the base work described in our Sample Project Plan.

2. Perform an analysis and comparison of the KWA and DWSD proposals that includes all capital, financing, operational and maintenance costs.

Bidder Response:

Agreed; our attached Sample Project Plan describes our approach for these services.

3. Prepare and submit for Department of Treasury and City of Flint review a preliminary report on the findings by Thursday, December 20, 2012; additionally, a final inspection report of findings and recommendations must be presented no later than January 8, 2013 (also see Section 1.022.E).

Bidder Response:

Agreed; however, meeting these dates are predicated on receiving a notice to proceed from the Treasury Department by November 26, 2012.

B. Data collection and analysis services must include the following:

1. DWSD's proposed contract with the City of Flint.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.

2. DWSD's proposed water rates with the City of Flint.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.



3. Other relevant DWSD documents or information regarding the provision of municipal water to the City of Flint.

Bidder Response:

Agreed.

4. KWA's proposed contract with the City of Flint.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.

5. Any engineering or environmental reports that evaluate KWA's proposal to provide municipal water to the City of Flint.

Bidder Response:

Agreed.

6. Other relevant KWA documents or information regarding the provision of municipal water to the City of Flint.

Bidder Response:

Agreed.

C. Engineering Evaluation:

1. Evaluation and recommendation of a potential water supply for the City of Flint must be based upon: 1) Cost; 2) System redundancy and reliability; and 3) The capacity for the Flint River to supply all of the City of Flint's water needs.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.

2. Evaluation and recommendation of a potential water supply for the City of Flint will also be based upon any additional criteria mutually agreed upon by the Department of Treasury, the City of Flint and the Contractor.

Bidder Response:

Agreed.

- D. The Contractor must carry out its operations in strict accordance with local, state, federal regulations.

Bidder Response:

Agreed.

- E. Provide electronic copies (in the most suitable format) of the final inspection report of findings and recommendations to the City of Flint and the Department of Treasury, Office of Fiscal Responsibility by January 8, 2013:



Bidder Response:

Agreed.

1. Describe format of findings and recommendations. Format should also include a description of all work performed.

Bidder Response:

Our attached Sample Project Plan describes our approach for the findings and recommendations. TYJT will draft a report for the Treasurer that identifies the information collected, the analysis process, our findings, and the recommendations made. Our recommendations will be based on the risks to Flint associated with the options identified.

- a) Preliminary inspection report of findings and recommendations must be presented by December 20, 2012.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan and the date is predicated on receiving a notice to proceed from the Treasury Department by November 26, 2012.

- b) Final inspection report of findings and recommendations must be presented no later than January 8, 2013.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan and the date is predicated on receiving a notice to proceed from the Treasury Department by November 26, 2012.

2. Describe electronic formats available.

Bidder Response:

Document formats would include PDF's or in their initial format (Word, Excel, GIS/CAD, etc.).

- F. Submit findings and recommendations to an independent Quality Control and Quality Assurance (QA/QC) review process for validation

Bidder Response:

Agreed; the independent QA/QC approach is included in our attached Sample Project Plan.

1. Provide electronic copies (in the most suitable format) of the independent QA/QC review to the City of Flint and the Department of Treasury, Office of Fiscal Responsibility by January 8, 2013, with the final inspection report.

Bidder Response:

Agreed; however, meeting this date are predicated on receiving a notice to proceed from the Treasury Department by November 26, 2012.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities



1. Contractor must identify staff who will be involved in the project, including the name of each individual, work locations, and detailed descriptions of their roles and responsibilities.

Note: If an overall organization chart has been developed, provide a reference to that chart as well.
Note any part-time personnel.

Bidder Response:

The staff will be comprised of our senior management: Messrs. David Guastella and Awni Qaqish. Also, we will be supported by our part-time staff member, former Finance Director of Redford. Their roles will include meeting with Flint, KWA, and DWSD; estimating capital costs of all options; estimating all operation and maintenance costs of all options, a financial analysis for funding capital; and all other issues related to the costs of service.

2. Specific work schedules for this project are Monday through Friday, 8:00 a.m. to 5:00 p.m. Eastern Time; however, possible night and weekend hours may be required.

Bidder Response:

Agreed.

1.032 State Staff, Roles, and Responsibilities

1. Contract Compliance Inspector (CCI): The State's CCI provides oversight and monitoring of the selected Contractor's adherence to the terms and conditions of this project and the Contract.
2. Project Manager: The State's Project Manager will monitor the project activities.

1.040 Project Plan

1.041 Project Plan Management

1. The Contractor will carry out this project under the direction and control of the CCI or designee.
2. Although there will be continuous liaison with the Contractor team, the CCI or designee will meet quarterly as a minimum, or as requested by the CCI or designee, with the Contractor's Project Manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
3. Contractors must provide a sample project plan with proposal for the deliverables proposed in section 1.022. The plan must include the details noted in section 1.041.4.

Contractor Response:

Agreed; the Sample Project Plan is attached.

4. Within five working days of Contract or purchase order award, the Contractor must submit to the CCI or designee for final approval a detailed project plan. This final project plan must be in agreement with the Contractor's proposal and accepted by the State for Contract, and must include the following:
 - a. The Contractor's project organizational structure.
 - b. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions



due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.

- c. The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each (e.g., estimated levels of effort for each level of personnel for Contractor personnel, including any contractual employees, and State personnel).

1.042 Reports

1. The Contractor must submit written bi-weekly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the CCI; and notification of any significant deviation from previously agreed-upon work plans.

1.050 Acceptance – Deleted – N/A

1.060 Proposal Pricing

1.061 Proposal Pricing

1. For authorized Services and Price List, see Attachment A (Price Proposal). Please complete Attachment A and submit with proposal.
2. Bidders are encouraged to offer quick payment terms (i.e. 0 % discount off invoice if paid within days). This information can be noted on the Bidders price proposal (see Attachment A). This may be a factor considered in the award decision.
3. Contractor's out-of-pocket expenses are not separately reimbursable by the State or local unit of government unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for the expense at the State's current travel reimbursement rates. See www.michigan.gov/dtmb for current rates.
4. Invoicing and payment must occur per Article 2 (Compensation) of Indefinite Scope Indefinite Delivery Contract No. 263 (Discretionary Contract Number 00263) and Attachment A.

1.070 Additional Requirements – Deleted – N/A



Attachment A, Price Proposal

Bidders are encouraged to offer quick payment terms (i.e. __0__% discount off invoice if paid within ____ days). This information can be noted on the price proposal. This may be a factor considered in the award decision

Provide the price per deliverable for the proposed services in section 1.022.	
Deliverable	Price
A. <u>Municipal Water Supply Assessment</u>	
1. Data Collection and Review	\$ 6,500
2. Engineering Evaluation	\$ 30,000
3. Provide Copies of Findings and Review Findings	\$ 3,000
Grand Total	\$ 39,500
B. <u>Optional Services</u>	
1.	\$
2.	\$
3.	\$
4.	\$
5.	\$



**Indefinite-scope, Indefinite-delivery Contract Number 00383
2012 Professional General Architectural/Engineering Services**

**CITY OF FLINT WATER SUPPLY ASSESSMENT
SAMPLE PROJECT PLAN**

November 2012

1. Scope of Work

Tucker, Young, Jackson, Tull, Inc. (TYJT), at the request of the State Treasurer is providing a proposal to perform an analysis of the water supply options being considered by the City of Flint. The work would be completed as an authorized task under the reference contract, Contract No. 00383. This proposal provides a background of our understanding of the issues, our approach, schedule dates, and the level of effort to perform the task.

2. Background

The City of Flint is presently supplied potable water from the Detroit Water and Sewerage Department (DWSD). This supply is from a single 72-inch water main that terminates at a master meter located at Potter and Baxter. Additionally, downstream of the DWSD master meter, Flint supplies its customer Genesee County. The City of Flint also operates a water treatment plant that uses the Flint River as its source of supply to provide back up and redundancy to the DWSD supply as required by MDEQ.

The Karegnondi Water Authority (KWA) is planning on constructing a raw water supply system that could provide Lake Huron water to the Flint's Water Treatment Plant. Flint's existing plant would be upgraded to treat the new raw water source.

The State Treasurer has appointed an emergency financial manager for the City of Flint. As such the Treasurer has requested TYJT to provide an analysis of the water supply options to assist the Treasurer in determining the best course going forward for the City of Flint.

3. Scope of Work

The proposed scope of work summarizes TYJT's approach to perform the analysis. The work includes data collection and review, an engineering evaluation, and recommendations. The recommendations would be provided in a report that would also include a description of all the work performed under this task.

3.1. Data Collection and Review

To perform an analysis of competing proposals it is important to provide a relative or "apples-to-apples" comparison. As example, DWSD's cost of service includes all capital, financing, and operation and maintenance costs to deliver the water to Flint's system. Therefore, it will be necessary for an assessment of KWA's proposal to also include all of these costs in the comparison.

Additionally, DWSD is proposing other alternatives to its existing agreement with Flint that will also need to be evaluated. The options currently proposed include:



- Using DWSD's new model contract that provides reduction in cost for communities with their own storage,
- Moving the location of supply from Potter and Baxter to the Imlay Pumping Station to reduce fees associated with elevation and distance from DWSD's water plants,
- Providing finished (potable) non-pumped water from the Lake Huron Water Treatment Plant, and
- Providing raw (not treated) non-pumped water from the Lake Huron Water Treatment Plant.

This phase of the work would include the collection and review of the following documents:

- The Lake Huron Water Supply Karegnondi Water Authority Preliminary Engineering Report, dated September 2009 and the 2012 update by Rowe Engineering;
- The Analysis of the Flint River as a Permanent Water Supply for the City of Flint Report, dated July 2011;
- Proposed or draft contract agreements that would be used between the KWA and the City of Flint;
- DWSD's contract rates based on the new model contracts;
- Information related to other DWSD proposals for service to Flint; and
- Other letters, minutes, etc. from all parties that provide information that could be used in the evaluation.

All information provided would be evaluated and subsequent meetings would be held with the DWSD, Flint and the KWA to address any data gaps or clarifications that may be required. These meetings would be coordinated with the Treasurer so that its representatives can be present at the meetings. For the purpose of this proposal, TYJT has assumed a total of two meetings for both the DWSD and KWA.

3.2. Engineering Evaluation

The City of Flint Emergency Financial Manager has indicated that he believes the determination of who supplies water to the City's system should mainly be based on the following criteria (in order of importance):

- Cost,
- System redundancy/reliability, and
- The recognized limitation of the Flint River as a source to supplying all of Flint's water needs.

In consultation with the Treasurer, these factors plus additional ones that may be identified in the evaluation process would be used.

An analysis will be performed for the options identified and a comparison will be made based on cost, reliability of supply, and any limitations that may identified by both suppliers in providing the needed service.



TYJT will draft a report for the Treasurer that identifies the information collected, the analysis process, our findings, and the recommendations made. Our recommendations will be based on the risks to Flint associated with the options identified. TYJT will then incorporate comments from the Treasury's review and submit a final document to the Department of Treasury for their use.

Furthermore, as is done as a standard of practice at TYJT for quality control and quality assurance (QA/QC), an independent review will be completed by staff or outside consultants not directly involved in the project. These reviewers will have noted experience in the field necessary to complete the QA/QC reviews. Two reviews are envisioned; one to review the evaluation process and the other to review the findings and recommendations.

4. Schedule

At the meeting between all interested parties on November 1, 2012, two dates were identified by the Treasurer. The first date identified was December 20, 2012 for the preliminary evaluation to be provided to the State. The second date was January 15, 2013 for the Treasury to make a decision on the City of Flint water supply. TYJT proposes to complete the draft report for submittal on December 20th. This will provide a two week review period by the Treasury. The final report would then be completed and submitted one week prior to the January 15th deadline. TYJT will also be available, if requested by the Treasurer, to attend a general meeting with all parties involved at the conclusion of the work.

MEETING MINUTES

IN ATTENDANCE: Ed Kurtz; Flint Emergency Financial Manager, City of Flint
Dayne Walling; Mayor, City of Flint
Mike Brown, City of Flint
John O'Brien, Genesee County
Howard Croft, City of Flint
Dwayne "Duffy" Johnson, City of Flint
Brent Wright, City of Flint
Awni Qaqish, TYJT
Dave Guastella, TYJT

DATE: November 24, 2012

PURPOSE OF MEETING: Meeting with the City of Flint for the Indefinite-scope, Indefinite-delivery Contract Number 00383, 2012 Professional General Architectural/Engineering Services – City of Flint Water Supply Assessment

PREPARED BY: Dave Guastella

A meeting was held at the City of Flint Municipal Center on November 20, 2012 to discuss the water supply option being presented by the Karegnondi Water Authority (KWA) to the City of Flint. The main items discussed generally followed the attached KWA Discussion/Questions that were provided to City prior to the meeting. A summary of the key points discussed are provided below.

The questions submitted are repeated in the Discussion Items for easy reference. A summary of the action items generated from the meeting follow the Discussion Items.

DISCUSSION ITEMS

1. Question/Discussion Item: Is the maximum day demand of 18 MGD for Flint the maximum day demand (MDD) throughout the 25 year planning period? If not, what is the 25 year projected MDD?

KWA would supply up to 18 MGD. 18 MGD has been assumed as the maximum day demand and 12 MGD is assumed as the average day demand throughout the 25 year planning period.

2. Question/Discussion Item: Copy of the intake contract documents and engineer's estimate.

The intake contract documents are approximately 90% complete and are not available for distribution. However, the updated Appendix 20, dated October 4, 2012 includes the most recent cost estimate of the intake based on the current design in process.

Comments: Meeting minutes were recorded based on the understanding of the author. Please contact the author within three days if you have any different understanding of the meeting. These minutes will be considered approved unless comments are provided within three days.

-
3. Question/Discussion Item: Documentation of the Flint WTP improvements required and cost estimate.

The costs are approximately \$7M as presented in the September 2009 Preliminary Engineering Report. However, this estimate has been updated. Some processes have been eliminated. John O'Brien will provide the updated costs and the description of the planned improvements to the plant.

4. Question/Discussion Item: Confirm Flint's allocated percentage of the KWA capital improvements (30%?).

Yes, the allocation is based on 18 MGD/60 MGD total capacity.

5. Question/Discussion Item: Copy of the proposed KWA operating agreement for Flint.

John O'Brien will provide the operating agreement as well as the Capacity Contract and Articles of Incorporation.

6. Question/Discussion Item: What is the annual operating agreement adjustment projected for the 25 year planning period?

This information is provided in Appendix 14, Table 14.2 of the September 2009 Preliminary Engineering Report. Operating cost based on Table 1. Used 12 MGD as average day demand (ADD). Assumed 5% as the annual increase in operating costs. John O'Brien indicated that these operating costs were based on Genesee County's operating costs. John O'Brien will provide the last 10 years of audited financial statements for the water fund.

To assess operating and maintenance costs for the Flint WTP, Duffy will provide multiple years of financial statements for the water fund. Duffy did not believe they had 10 years, but they will provide what they have.

Regarding operation and maintenance costs, Flint believes that these costs will increase by 2/3 of what they are now.

7. Question/Discussion Item: Need the route of the pipelines and the locations of the facilities proposed. Purpose is to identify constraints that impact costs (i.e., utilities, environmental (e.g. wetlands), easements, etc.).

KWA will not release the route due to concerns regarding speculation of land and easements. John O'Brien did indicate that the Lake Huron pump station would be at Fisher and M-25. The intermediate pump station site is near a location of the Lapeer/Sanilac/St. Clair border; where all three meet.

8. Question/Discussion Item: KWA's initial charge to Flint is based on a 12 MGD average day demand. What is the basis of this number? Are there population projections and water use figures available that were used to determine the Flint demand for the 25 year planning period?

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This was answered in Question No. 1 above.

9. Question/Discussion Item: Is there a transition plan and cost during construction of the KWA system identified?

Flint is looking for an agreement with DWSD for back-up supply from the 72-inch main at the Genesee border.

10. Question/Discussion Item: The October 4, 2012 Preliminary Engineering Report Update states: "no backup power is planned for the pumps" (LHPS) and "No backup power is planned for pumping" (IPS). In case of power loss, how would Flint supply its customers?

Flint indicated that they have adequate storage to supply the system for 6 to 7 days. Flint has 55 MG of storage and Genesee County has 65 MG for 2.5 days.

11. Question/Discussion Item: The latest plan shows only a 5 million gallon ground reservoir is planned for balancing between LHPS and IPS. How is redundancy maintained?

In cases of emergency, Flint indicated that the back-up for the KWA system will be the same as it is now with DWSD; they will use the Flint River as the source water. Flint currently operates their plant four times a year.

When questioned as to whether the WTP will be able to treat both lake water from the KWA system and river water Flint indicated that once the improvements identified in the September 2009 Preliminary Engineering Report are completed they will be able to accomplish both treatment processes. Flint will provide a schematic of the treatment trains at the WTP and a copy of the Flint transmission system.

Genesee County indicated that additional redundancy would also be provided from the new Genesee County WTP.

Regarding hydraulic transients; Genesee County indicated that a model analysis has not been included, but capital costs for mitigating transients have been included.

12. Question/Discussion Item: Related to the construction cost:

- a. Does it include an additional traffic lane since the construction will occupy half the right of way? *Not required, all roads are county roads; however, there are a few State road crossings.*
- b. Does it include costs/fees for permit requirements such as inspection cost by the jurisdictional authorities? As a point of reference, the permit fee costs for the Flint Transmission System came out to be \$5.8 million. *Not required; all of the counties have waived any fees.*
- c. Does the cost of the steel pipe segments include corrosion protection measures such as

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anode stations and related O&M? *Yes; however, the KWA has not settled on using steel pipe. PCCP pipe may be used. Steel shown in estimate because it is highest in cost and therefore the pricing is conservative.*

d. SCADA monitoring stations require power. Is the cost of bring power to the SCADA stations included? Again, as a point of reference for the Flint Transmission System we estimated \$800,000 for power to SCADA and valve operators. *Yes, Genesee County did emphasize that the SCADA system will be simple and straightforward because a lot of controls are not required.*

e. Other items discussed at the meeting included:

- The 2009 plant improvement cost is still good; however, there will be some reduction, such as a sulfuric chloride feed system that was eliminated. Plant capacity now is 36MGD, but will be 18 MGD.
- The KWA Lake Huron Pumping Station (LHPS) is now only high lift pump station.
- Genesee County will provide the distance of the intake pipe from the crib to the LHPS.
- The intake project is almost ready to bid; waiting for the COE permit.
- Genesee County is estimating the construction for the pipe lines and pump stations will begin July 2013.
- The route has been flown for survey.
- Genesee County is estimating construction will be complete and the project will be placed in service by Jan 2016.
- Genesee County to provide a list of assumptions that the \$272 million cost estimate is based on since the route is now known.

13. The Flint River is identified as a backup: At what capacity? MDD or emergency supply?

The Flint River would serve as a back up supply.

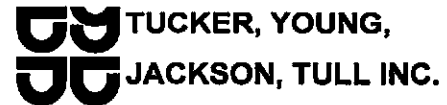
14. Where did the 40 years come from (Flint hostage to Detroit)? DWSD's new contracts are 30 years with openers to revise terms of supply (volume and pressure) after the first two years, then three years, and then in five year increments thereafter.

The 40 years was stated in error. The reference was to DWSD's requirement to sign a 30 year contract.

After 40 years Flint will own 30% of the project and can sell their share of ownership if they want. Conversely, with DWSD, they continue to pay for the capital projects but have no ownership. Flint believes they will know what they will be charged for the next 25 years versus DWSD that can't commit to a fixed escalation.

Action Items for Follow-up		
Items:	Assigned To:	Date to Complete
1. Updated Costs for the Flint WTP Improvements and a description of the improvements.	John O'Brien	11/21/12
2. KWA Operating Agreement, Capacity Contract and Articles of Incorporation.	John O'Brien	11/20/12
3. Provide the last 10 years of audited financial statements for the Genesee water fund.	John O'Brien	11/20/12
4. Provide multiple years of financial statements for the City of Flint water fund.	Duffy Johnson	11/26/12
5. Provide schematic of the Flint WTP and a map of the Flint transmission system.	Brent Wright	11/26/12
6. Provide the length of the intake pipe from the crib to the pump station.	John O'Brien	11/20/12
7. Provide a list of assumptions that the \$272 million cost estimate is based on since the route is now known.	John O'Brien	11/26/12

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**TUCKER, YOUNG,
JACKSON, TULL INC.**
CONSULTING ENGINEERS-PLANNERS
565 E. Larned Suite 300
Detroit, Michigan 48226
(313)863-0612 FAX (313)863-2166

**Indefinite-scope, Indefinite-delivery Contract Number 00383
2012 Professional General Architectural/Engineering Services**

CITY OF FLINT WATER SUPPLY ASSESSMENT

KWA Discussion/Questions for the November 20, 2012 Meeting

1. Is the maximum day demand of 18 MGD for Flint the maximum day demand (MDD) throughout the 25 year planning period? If not, what is the 25 year projected MDD?
2. Copy of the intake contract documents and engineer's estimate.
3. Documentation of the Flint WTP improvements required and cost estimate.
4. Confirm Flint's allocated percentage of the KWA capital improvements (30%?).
5. Copy of the proposed KWA operating agreement for Flint.
6. What is the annual operating agreement adjustment projected for the 25 year planning period?
7. Need the route of the pipelines and the locations of the facilities proposed. Purpose is to identify constraints that impact costs (i.e., utilities, environmental (e.g. wetlands), easements, etc.).
8. KWA's initial charge to Flint is based on a 12 MGD maximum day demand. What is the basis of this number? Are there population projections and water use figures available that were used to determine the Flint demand for the 25 year planning period?
9. Is there a transition plan and cost during construction of the KWA system identified?
10. The October 4, 2012 Preliminary Engineering Report Update states: "no backup power is planned for the pumps" (LHPS) and "No backup power is planned for pumping" (IPS). In case of power loss, how would Flint supply its customers?
11. The latest plan shows only a 5 million gallon ground reservoir is planned for balancing between LHPS and IPS. How is redundancy maintained?
12. Related to the construction cost:
 - a. Does it include an additional traffic lane since the construction will occupy half the right of way?
 - b. Does it include costs/fees for permit requirements such as inspection cost by the jurisdictional authorities? As a point of reference, the permit fee costs for the Flint Transmission System came out to be \$5.8 million.

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-
- c. Does the cost of the steel pipe segments include corrosion protection measures such as anode stations and related O&M?
 - d. SCADA monitoring stations require power. Is the cost of bring power to the SCADA stations included? Again, as a point of reference the for the Flint Transmission System we estimated \$800,000 for power to SCADA and valve operators.
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STATE OF MICHIGAN CONTRACT NO. 271N3200089

CITY OF FLINT WATER SUPPLY ASSESSMENT

State of Michigan, Department of Treasury

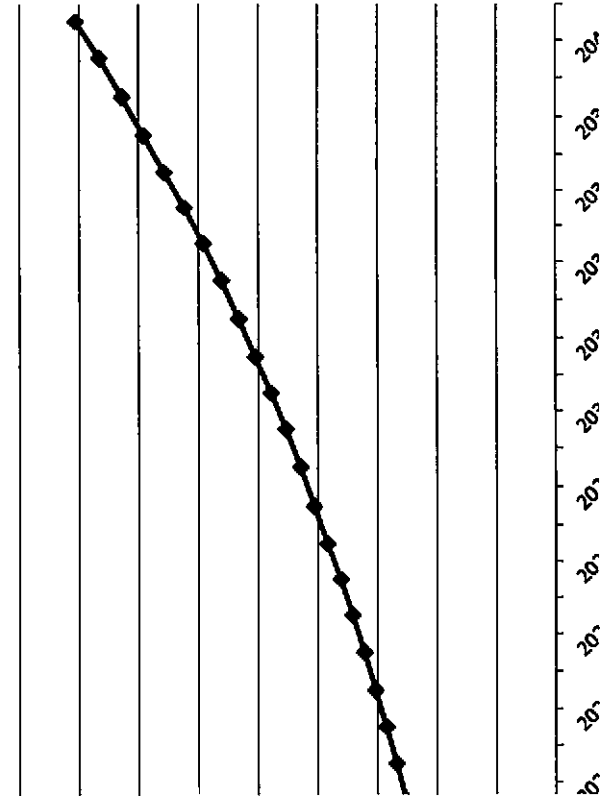
Appendix B: Cost Worksheets

Revenue		Flint WTP		Water		Bond		Interest on	
		O&M		Purchase		Payment		Reserve	
Year									TOTAL
2013		\$ 5,895,097		6,367,005		-		-	\$ 12,262,103
2014		\$ 6,160,966		6,666,255		-		-	\$ 12,827,221
2015		\$ 6,438,826		6,979,569		-		-	\$ 13,418,395
2016		\$ 6,729,217		7,307,608		-		-	\$ 14,036,825
2017		\$ 7,032,705		7,651,066		-		-	\$ 14,683,771
2018		\$ 7,349,880		8,010,666		-		-	\$ 15,360,546
2019		\$ 7,681,359		8,387,167		-		-	\$ 16,068,527
2020		\$ 8,027,789		8,781,364		-		-	\$ 16,809,153
2021		\$ 8,389,842		9,194,088		-		-	\$ 17,583,930
2022		\$ 8,768,224		9,626,210		-		-	\$ 18,394,434
2023		\$ 9,163,671		10,078,642		-		-	\$ 19,242,313
2024		\$ 9,576,952		10,552,338		-		-	\$ 20,129,291
2025		\$ 10,008,873		11,048,298		-		-	\$ 21,057,171
2026		\$ 10,460,273		11,567,568		-		-	\$ 22,027,841
2027		\$ 10,932,031		12,111,244		-		-	\$ 23,043,275
2028		\$ 11,425,066		12,680,473		-		-	\$ 24,105,538
2029		\$ 11,940,336		13,276,455		-		-	\$ 25,216,791
2030		\$ 12,478,845		13,900,448		-		-	\$ 26,379,294
2031		\$ 13,041,641		14,553,769		-		-	\$ 27,595,410
2032		\$ 13,629,819		15,237,796		-		-	\$ 28,867,616
2033		\$ 14,244,524		15,953,973		-		-	\$ 30,198,497
2034		\$ 14,886,952		16,703,810		-		-	\$ 31,590,762
2035		\$ 15,558,354		17,488,889		-		-	\$ 33,047,242
2036		\$ 16,260,035		18,310,866		-		-	\$ 34,570,902
2037		\$ 16,993,363		19,171,477		-		-	\$ 36,164,840
2038		\$ 17,759,764		20,072,537		-		-	\$ 37,832,300
2039		\$ 18,560,729		21,015,946		-		-	\$ 39,576,675
2040		\$ 19,397,818		22,003,695		-		-	\$ 41,401,513
2041		\$ 20,272,660		23,037,869		-		-	\$ 43,310,528
2042		\$ 21,186,956		24,120,649		-		-	\$ 45,307,605

25 Yrs Cumulative	554,681,686
\$	

30 Yrs Cumulative	762,110,308
\$	

Day Customer at Potter & Baxter/Blending with Flint

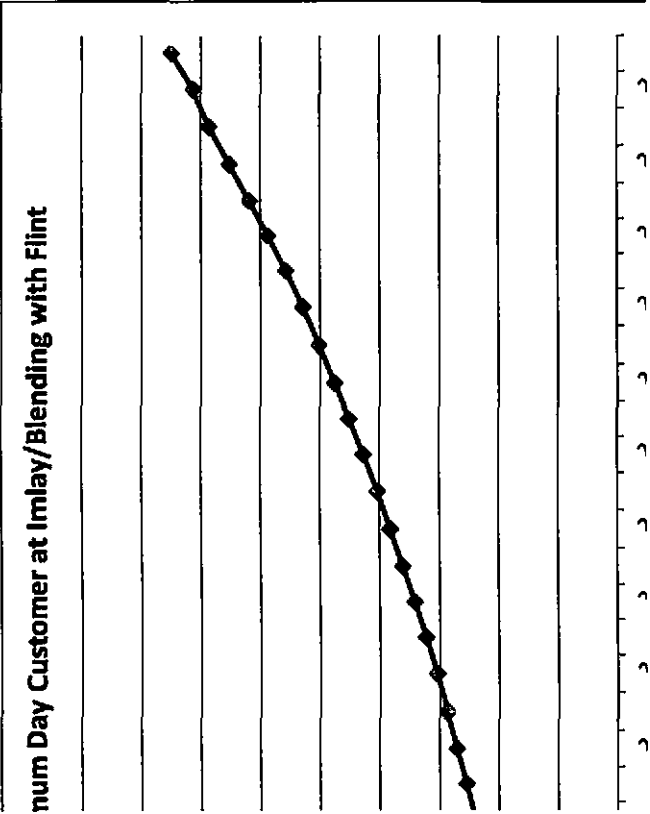


4 MGD	535 MCF/Day	1
8 MGD	1,070 MCF/Day	2
		3
		4
195,187 MCF	195187.1658	5
390,374 MCF	5895097.471	6
		7
		8
30.20 /MCF	\$ 5,895,097 /Yr	9
16.31 /MCF	\$ 6,367,005 /Yr	10
		11
		12
		13
4.51% /Yr		14
4.7% /Yr		15
		16
		17
		18
-	0%	19
-	Reserve Rate: 0.00%	20
-		21
5%		22
25		23
\$0		24
		25

	Year	Flint WTP O&M	Water Purchase	Bond Payment	On Reserve	TOTAL
1	2013	\$ 5,895,097	5,613,583		19,500	\$ 11,489,180
2	2014	\$ 6,160,966	5,877,421		19,500	\$ 12,018,888
3	2015	\$ 6,438,826	6,153,660		19,500	\$ 12,572,986
4	2016	\$ 6,729,217	6,442,882	462,610	19,500	\$ 13,615,209
5	2017	\$ 7,032,705	6,745,698	462,610	19,500	\$ 14,221,512
6	2018	\$ 7,349,880	7,062,745	462,610	19,500	\$ 14,855,735
7	2019	\$ 7,681,359	7,394,694	462,610	19,500	\$ 15,519,164
8	2020	\$ 8,027,789	7,742,245	462,610	19,500	\$ 16,213,144
9	2021	\$ 8,389,842	8,106,131	462,610	19,500	\$ 16,939,082
10	2022	\$ 8,768,224	8,487,119	462,610	19,500	\$ 17,698,452
11	2023	\$ 9,163,671	8,886,013	462,610	19,500	\$ 18,492,794
12	2024	\$ 9,576,952	9,303,656	462,610	19,500	\$ 19,323,718
13	2025	\$ 10,008,873	9,740,928	462,610	19,500	\$ 20,192,910
14	2026	\$ 10,460,273	10,198,751	462,610	19,500	\$ 21,102,134
15	2027	\$ 10,932,031	10,678,093	462,610	19,500	\$ 22,053,234
16	2028	\$ 11,425,066	11,179,963	462,610	19,500	\$ 23,048,139
17	2029	\$ 11,940,336	11,705,421	462,610	19,500	\$ 24,088,867
18	2030	\$ 12,478,845	12,255,576	462,610	19,500	\$ 25,177,531
19	2031	\$ 13,041,641	12,831,588	462,610	19,500	\$ 26,316,339
20	2032	\$ 13,629,819	13,434,673	462,610	19,500	\$ 27,507,602
21	2033	\$ 14,244,524	14,066,102	462,610	19,500	\$ 28,753,736
22	2034	\$ 14,886,952	14,727,209	462,610	19,500	\$ 30,057,271
23	2035	\$ 15,558,354	15,419,388	462,610	19,500	\$ 31,420,852
24	2036	\$ 16,260,035	16,144,099	462,610	19,500	\$ 32,847,245
25	2037	\$ 16,993,363	16,902,872	462,610	19,500	\$ 34,339,345
	2038	\$ 17,759,764	17,697,307	462,610	19,500	\$ 35,900,181
	2039	\$ 18,560,729	18,529,080	462,610	19,500	\$ 37,532,919
	2040	\$ 19,397,818	19,399,947	462,610	19,500	\$ 39,240,875
	2041	\$ 20,272,660	20,311,745	462,610		\$ 40,584,404
	2042	\$ 21,186,956	21,266,397			\$ 42,453,353

25 Yrs Cumulative
\$ 529,865,071

30 Yrs Cumulative
\$ 725,576,803



4 MGD 535 MCF/Day
8 MGD 1,070 MCF/Day

195,187 MCF
390,374 MCF

30.20 /MCF \$ 5,895,097 /Yr
14.38 /MCF \$ 5,613,583 /Yr

4.51% /Yr
4.7% /Yr

1,700,000
195,000 Check: 3.0%
975,000 Check: 5.0% /Yr (Bond Interest on Total)
650,000 Check: 10.0%

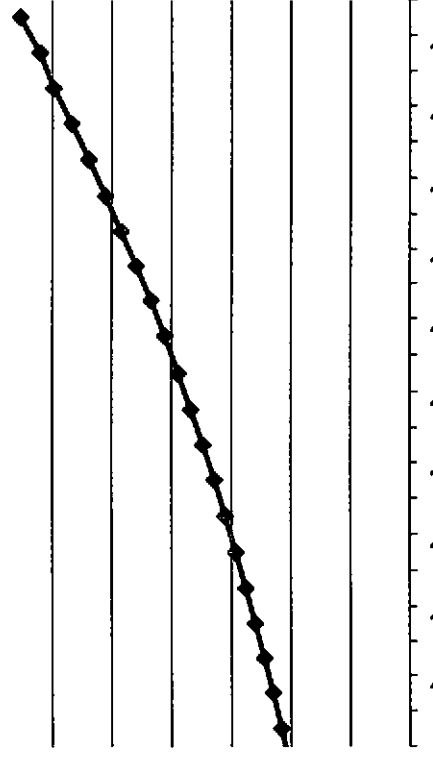
5,520,000
5%
25
\$462,610
3%

	Year	Flint WTP O&M	Water Purchase	Bond Payment	Interest on Reserve	TOTAL
	2013	\$ 5,895,097	4,337,059		19,500	\$ 10,212,656
	2014	\$ 6,160,966	4,540,901		19,500	\$ 10,682,367
	2015	\$ 6,438,826	4,754,323		19,500	\$ 11,173,649
	2016	\$ 6,729,217	4,977,776	462,610	19,500	\$ 12,150,103
	2017	\$ 7,032,705	5,211,732	462,610	19,500	\$ 12,687,546
	2018	\$ 7,349,880	5,456,683	462,610	19,500	\$ 13,249,673
	2019	\$ 7,681,359	5,713,147	462,610	19,500	\$ 13,837,616
	2020	\$ 8,027,789	5,981,665	462,610	19,500	\$ 14,452,564
	2021	\$ 8,389,842	6,262,803	462,610	19,500	\$ 15,095,755
	2022	\$ 8,768,224	6,557,155	462,610	19,500	\$ 15,768,489
	2023	\$ 9,163,671	6,865,341	462,610	19,500	\$ 16,472,122
	2024	\$ 9,576,952	7,188,012	462,610	19,500	\$ 17,208,074
	2025	\$ 10,008,873	7,525,849	462,610	19,500	\$ 17,977,832
	2026	\$ 10,460,273	7,879,564	462,610	19,500	\$ 18,782,947
	2027	\$ 10,932,031	8,249,903	462,610	19,500	\$ 19,625,044
	2028	\$ 11,425,066	8,637,649	462,610	19,500	\$ 20,505,824
	2029	\$ 11,940,336	9,043,618	462,610	19,500	\$ 21,427,064
	2030	\$ 12,478,845	9,468,668	462,610	19,500	\$ 22,390,624
	2031	\$ 13,041,641	9,913,696	462,610	19,500	\$ 23,398,447
	2032	\$ 13,629,819	10,379,639	462,610	19,500	\$ 24,452,569
	2033	\$ 14,244,524	10,867,482	462,610	19,500	\$ 25,555,117
	2034	\$ 14,886,952	11,378,254	462,610	19,500	\$ 26,708,316
	2035	\$ 15,558,354	11,913,032	462,610	19,500	\$ 27,914,496
	2036	\$ 16,260,035	12,472,945	462,610	19,500	\$ 29,176,090
	2037	\$ 16,993,363	13,059,173	462,610	19,500	\$ 30,495,646
	2038	\$ 17,759,764	13,672,954	462,610	19,500	\$ 31,875,828
	2039	\$ 18,560,729	14,315,583	462,610	19,500	\$ 33,319,422
	2040	\$ 19,397,818	14,988,415	462,610	19,500	\$ 34,829,343
	2041	\$ 20,272,660	15,692,871			\$ 35,965,530
	2042	\$ 21,186,956	16,430,436			\$ 37,617,392

25 Yrs Cumulative
\$ 493,063,801

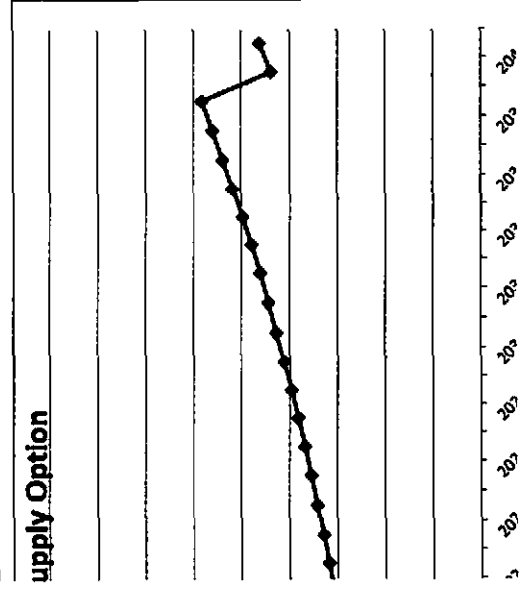
30 Yrs Cumulative
\$ 634,795,488

Day Customer at Imlay/Blending with Flint



\$	25 Yrs Cumulative	553,731,153

\$	30 Yrs Cumulative	707,279,715



					Year	Flint WTP O&M	Water Purchase	Fee & Bond Payment	Flint Revenue Bond Payment	Interest on Reserve	TOTAL
12 MGD	1,604	MCF/Day	1	2013	\$	3,539,214	11,461,700	1,162,800		473,100	\$ 15,689,614
12 MGD	1,604	MCF/Day	2	2014	\$	3,697,788	12,034,785	581,400		473,100	\$ 15,840,873
			3	2015	\$	3,864,558	12,636,524	581,400		473,100	\$ 16,609,382
1 MCF			4	2016	\$	7,913,118	878,969	10,464,666	756,946	473,100	\$ 19,540,500
1 MCF			5	2017	\$	8,270,000	922,812	10,464,666	756,946	473,100	\$ 19,941,325
			6	2018	\$	8,642,977	968,953	10,464,666	756,946	473,100	\$ 20,360,442
			7	2019	\$	9,032,775	1,017,401	10,464,666	756,946	473,100	\$ 20,798,688
1 /MCF	\$ 7,913,118	/Yr	8	2020	\$	9,440,153	1,068,271	10,464,666	756,946	473,100	\$ 21,256,936
0 /MCF	\$ 8,788,659	/Yr	9	2021	\$	9,865,904	1,121,684	10,464,666	756,946	473,100	\$ 21,736,101
			10	2022	\$	10,310,857	1,177,769	10,464,666	756,946	473,100	\$ 22,237,137
			11	2023	\$	10,775,876	1,236,657	10,464,666	756,946	473,100	\$ 22,761,045
			12	2024	\$	11,261,868	1,298,490	10,464,666	756,946	473,100	\$ 23,308,870
			13	2025	\$	11,769,779	1,363,414	10,464,666	756,946	473,100	\$ 23,881,705
			14	2026	\$	12,300,596	1,431,585	10,464,666	756,946	473,100	\$ 24,480,693
% /Yr			15	2027	\$	12,855,352	1,503,164	10,464,666	756,946	473,100	\$ 25,107,029
% /Yr			16	2028	\$	13,435,129	1,578,322	10,464,666	756,946	473,100	\$ 25,761,963
			17	2029	\$	14,041,053	1,657,239	10,464,666	756,946	473,100	\$ 26,446,804
			18	2030	\$	14,674,305	1,740,101	10,464,666	756,946	473,100	\$ 27,162,917
0			19	2031	\$	15,336,116	1,827,106	10,464,666	756,946	473,100	\$ 27,911,733
0 Check:	2.25%		20	2032	\$	16,027,775	1,918,461	10,464,666	756,946	473,100	\$ 28,694,748
0 Check:	5.0%	/Yr (Bond Interest on Total)	21	2033	\$	16,750,627	2,014,384	10,464,666	756,946	473,100	\$ 29,513,523
0 Check:	10.0%		22	2034	\$	17,506,080	2,115,103	10,464,666	756,946	473,100	\$ 30,369,696
0			23	2035	\$	18,295,605	2,220,858	10,464,666	756,946	473,100	\$ 31,264,975
0			24	2036	\$	19,120,737	2,331,901	10,464,666	756,946	473,100	\$ 32,201,150
%			25	2037	\$	19,983,082	2,448,496	10,464,666	756,946	473,100	\$ 33,180,090
%				2038	\$	20,884,319	2,570,921	10,464,666	756,946	473,100	\$ 34,203,752
%				2039	\$	21,826,201	2,699,467	10,464,666	756,946	473,100	\$ 35,274,181
%				2040	\$	22,810,563	2,834,440	10,464,666	756,946	473,100	\$ 36,393,516
%				2041	\$	23,839,320	2,976,162	10,464,666	756,946	473,100	\$ 37,561,482
2				2042	\$	24,914,473	3,124,970				\$ 38,789,443

Supply Option

25 Yrs Cumulative
\$ 606,057,940

30 Yrs Cumulative
\$ 766,784,313





**STATE OF MICHIGAN
Department of Treasury
Purchasing Section**

Statement of Work (SOW) No. 271Q3209
Municipal Water Supply Assessment

Buyer Name: Thomas Falik
Telephone Number: 517-373-3185
E-Mail Address: FalikT@michigan.gov

Estimated Timeline:

Key Milestone:	Date:
Issue Date	11/14/2012
Questions Due	11/16/2012
Bid Due Date	11/21/2012
Anticipated Contract Start Date	11/26/2012

SOW Checklist for Contractor Proposal Contents and Responsiveness

This checklist is provided for your convenience to help remind Contractors of the important requirements of the SOW. The list may not be all inclusive. The Contractor is responsible to read the SOW and submit all the required responses. If Contractors have any questions concerning these requirements please contact the Buyer listed on the front page of this SOW document.

Article 1 and Attachment A:

 X Responses have been provided for all items requested in Article 1, Statement of Work, as requested. Technical Proposal Requirements have been met and responses are included within the format designated by the State in Article 3.

 X Price Proposal, Article 1, Section 1.061, for the proposal has been included in Contractor's proposal, according to the instructions laid out in Article 3 and using the format in Attachment A (if required in 1.061).

Article 3:

 X The complete proposal was submitted to the appropriate location and on time in an electronic format.

 X Responses have been provided for all items requested in Article 3 and includes signature by an individual authorized to legally bind Contractor's company.



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Attachment A, Pricing



Article 1 – Statement of Work (SOW)

Note to Contractors: Proposals must include detailed responses to all tasks as requested in Article 1. Contractors should provide thorough responses to each task, or, when appropriate, state their agreement that the Contractor will provide the requested services. Contractors are encouraged to provide detailed responses in order to allow the State to fully evaluate the Contractor's capabilities.

Throughout this SOW, language referring to Contract or Contractor(s) refers to any Contract awarded from this SOW. This SOW in itself is not to be construed as a Contract.

1.010 Project Identification

1.011 Project Request

This is an SOW for a Municipal Water Supply Assessment on behalf of the Department of Treasury and the City of Flint in Genesee County. This is a formal request to prospective Contractors to solicit bids or price quotations. Contractors must submit written proposals according to the instructions contained within this document, discussing how they will meet the specific requirements.

Any awarded Purchase Order(s) between the State and any awarded Contractor(s) is a separate document, whose terms are limited by the Contract.

1.012 Background

The Treasury Department is charged with monitoring, oversight and provision of assistance to local units of government under various statutes, including but not limited to, the Home Rule City Act (Act 279 of 1909), the Uniform Budgeting and Accounting Act (Act 2 of 1968), and the Glenn Steil State Revenue Sharing Act (Act 140 of 1971). In providing such monitoring and assistance to local units of government, the Treasury Department strives to preserve the capacity of local units to provide those services essential to the public health, safety and welfare of the citizens of this State.

The City of Flint is currently supplied potable water from the Detroit Water and Sewerage Department (DWSD). This supply is provided through a single 72-inch water main that terminates at a master meter. The City of Flint's water treatment plant uses the Flint River as a back-up and redundancy supply source to the DWSD supply, as required by the Michigan Department of Environmental Quality (MDEQ). The City of Flint also provides potable water to Genesee County downstream of the DWSD master meter.

The newly formed Karegnondi Water Authority (KWA) plans to construct a raw water supply system that will feed Flint's water treatment plant with water directly from Lake Huron. The Flint water treatment plant could be upgraded to accommodate and treat this new raw water source. DWSD has also proposed alternatives to the existing agreement with the City of Flint that could also be pursued.

A Contractor is needed to provide services to the Department of Treasury and the City of Flint upon request of the Treasury Department. The Department of Treasury is requesting a Contractor provide an analysis of the water supply options for the City of Flint to assist the Department of Treasury and the City of Flint in determining the best available option.

1.020 Scope of Work and Deliverables

1.021 In Scope



The Contractor must provide Water Supply Assessment as requested by the Department of Treasury. These services will include data collection and review, an engineering evaluation and the generation of recommendations.

Bidder Response:

Agreed; our attached Sample Project Plan describes our approach for these services.

1.022 Work and Deliverable

Contractor must provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

A. Data Collection and Review:

1. Provide all labor, materials and equipment to fully perform the work of data collection and review for an assessment of water supply options for the City of Flint.

Bidder Response:

Our Price Proposal in Attachment A includes all labor, materials and equipment to perform the base work described in our Sample Project Plan.

2. Perform an analysis and comparison of the KWA and DWSD proposals that includes all capital, financing, operational and maintenance costs.

Bidder Response:

Agreed; our attached Sample Project Plan describes our approach for these services.

3. Prepare and submit for Department of Treasury and City of Flint review a preliminary report on the findings by Thursday, December 20, 2012; additionally, a final inspection report of findings and recommendations must be presented no later than January 8, 2013 (also see Section 1.022.E).

Bidder Response:

Agreed; however, meeting these dates are predicated on receiving a notice to proceed (purchase order) the Treasury Department by November 26, 2012 by 5 p.m.

B. Data collection and analysis services must include the following:

1. DWSD's proposed contract with the City of Flint.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.

2. DWSD's proposed water rates with the City of Flint.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.



3. Other relevant DWSD documents or information regarding the provision of municipal water to the City of Flint.

Bidder Response:

Agreed.

4. KWA's proposed contract with the City of Flint.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.

5. Any engineering or environmental reports that evaluate KWA's proposal to provide municipal water to the City of Flint.

Bidder Response:

Agreed.

6. Other relevant KWA documents or information regarding the provision of municipal water to the City of Flint.

Bidder Response:

Agreed.

C. Engineering Evaluation:

1. Evaluation and recommendation of a potential water supply for the City of Flint must be based upon: 1) Cost; 2) System redundancy and reliability; and 3) The capacity for the Flint River to supply all of the City of Flint's water needs.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan.

2. Evaluation and recommendation of a potential water supply for the City of Flint will also be based upon any additional criteria mutually agreed upon by the Department of Treasury, the City of Flint and the Contractor.

Bidder Response:

Agreed.

- D. The Contractor must carry out its operations in strict accordance with local, state, federal regulations.

Bidder Response:

Agreed.

- E. Provide electronic copies (in the most suitable format) of the final inspection report of findings and recommendations to the City of Flint and the Department of Treasury, Office of Fiscal Responsibility by January 8, 2013:



Bidder Response:

Agreed.

1. Describe format of findings and recommendations. Format should also include a description of all work performed.

Bidder Response:

Our attached Sample Project Plan describes our approach for the findings and recommendations. TYJT will draft a report for the Treasurer that identifies the information collected, the analysis process, our findings, and the recommendations made. Our recommendations will be based on the risks to Flint associated with the options identified.

- a) Preliminary inspection report of findings and recommendations must be presented by December 20, 2012.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan and the date is predicated on receiving a notice to proceed from the Treasury Department by November 26, 2012.

- b) Final inspection report of findings and recommendations must be presented no later than January 8, 2013.

Bidder Response:

Agreed; this is included in our attached Sample Project Plan and the date is predicated on receiving a notice to proceed from the Treasury Department by November 26, 2012.

2. Describe electronic formats available.

Bidder Response:

Document formats would include PDF's or in their initial format (Word, Excel, GIS/CAD, etc.).

- F. Submit findings and recommendations to an independent Quality Control and Quality Assurance (QA/QC) review process for validation.

Bidder Response:

This has been deleted per the Treasury's request dated 11/20/12.

1. Provide electronic copies (in the most suitable format) of the independent QA/QC review to the City of Flint and the Department of Treasury, Office of Fiscal Responsibility by January 8, 2013, with the final inspection report.

Bidder Response:

Agreed; however, meeting this date are predicated on receiving a notice to proceed from the Treasury Department by November 26, 2012.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities



1. Contractor must identify staff who will be involved in the project, including the name of each individual, work locations, and detailed descriptions of their roles and responsibilities.

Note: If an overall organization chart has been developed, provide a reference to that chart as well.
Note any part-time personnel.

Bidder Response:

The staff will be comprised of our senior management: Messrs. David Guastella and Awni Qaqish. Also, we will be supported by our part-time staff member, former Finance Director of Redford. Their roles will include meeting with Flint, KWA, and DWSD; estimating capital costs of all options; estimating all operation and maintenance costs of all options, a financial analysis for funding capital; and all other issues related to the costs of service.

2. Specific work schedules for this project are Monday through Friday, 8:00 a.m. to 5:00 p.m. Eastern Time; however, possible night and weekend hours may be required.

Bidder Response:

Agreed.

1.032 State Staff, Roles, and Responsibilities

1. Contract Compliance Inspector (CCI): The State's CCI provides oversight and monitoring of the selected Contractor's adherence to the terms and conditions of this project and the Contract.
2. Project Manager: The State's Project Manager will monitor the project activities.

1.040 Project Plan

1.041 Project Plan Management

1. The Contractor will carry out this project under the direction and control of the CCI or designee.
2. Although there will be continuous liaison with the Contractor team, the CCI or designee will meet quarterly as a minimum, or as requested by the CCI or designee, with the Contractor's Project Manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
3. Contractors must provide a sample project plan with proposal for the deliverables proposed in section 1.022. The plan must include the details noted in section 1.041.4.

Contractor Response:

Agreed; the Sample Project Plan is attached.

4. Within five working days of Contract or purchase order award, the Contractor must submit to the CCI or designee for final approval a detailed project plan. This final project plan must be in agreement with the Contractor's proposal and accepted by the State for Contract, and must include the following:
 - a. The Contractor's project organizational structure.
 - b. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions



due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.

- c. The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each (e.g., estimated levels of effort for each level of personnel for Contractor personnel, including any contractual employees, and State personnel).

1.042 Reports

1. The Contractor must submit written bi-weekly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the CCI; and notification of any significant deviation from previously agreed-upon work plans.

1.050 Acceptance – Deleted – N/A

1.060 Proposal Pricing

1.061 Proposal Pricing

1. For authorized Services and Price List, see Attachment A (Price Proposal). Please complete Attachment A and submit with proposal.
2. Bidders are encouraged to offer quick payment terms (i.e. 0% discount off invoice if paid within _____ days). This information can be noted on the Bidders price proposal (see Attachment A). This may be a factor considered in the award decision.
3. Contractor's out-of-pocket expenses are not separately reimbursable by the State or local unit of government unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for the expense at the State's current travel reimbursement rates. See www.michigan.gov/dtmb for current rates.
4. Invoicing and payment must occur per Article 2 (Compensation) of Indefinite Scope Indefinite Delivery Contract No. 263 (Discretionary Contract Number 00263) and Attachment A.

1.070 Additional Requirements – Deleted – N/A



Article 2, Terms and Conditions

The terms and conditions of Indefinite Scope Indefinite Delivery Contract No. 263 (Discretionary Contract Number 00263) and apply to this SOW and any resulting Contract or purchase order.



Article 3 – Proposal Process

3.010 Introduction

3.011 Pre Bid Meetings – Deleted – N/A

3.012 Communications – Deleted – N/A

3.013 Questions

Questions concerning the SOW are to be submitted, in writing, no later than 3:00 p.m. Eastern Time on November 16, 2012 to:

Thomas Falik
Michigan Department of Treasury
430 West Allegan
Lansing, MI 48922
Email: FalikT@michigan.gov.

All questions must be submitted in writing and sent as an attachment in Microsoft Word or Rich Text Format (RTF). Changes to the SOW and answers to questions will be prepared as an addendum and issued to Contractors. Any issued addendum officially revises and supersedes the original SOW. Any addenda will be issued approximately November 19, 2012.

3.020 Award Process

3.021 Reservations

(a) The State reserves the right to award by item, part or portion of an item, group of items or total proposal, to reject any and all proposals in whole or in part, if, the best interest of the State will be so served.

3.022 Award Decision

Award recommendation will be made to the Administrator of Office of Departmental Services. Pending award recommendation approval, a purchase order will be issued authorizing services to commence.

3.030 Proposal Details

3.031 Complete Proposal

To be considered, each Contractor must submit a COMPLETE proposal in response to this SOW, using the format specified. No other distribution of proposals is to be made by the Contractor. The proposal must state how long it remains valid. This period must be at least 15 days from the due date for responses to this SOW.

3.032 Efficient Proposal

Each proposal should be prepared simply and economically, providing a straightforward, concise description of the Contractor's ability to meet the requirements of the SOW. Emphasis should be on completeness and clarity of content in the format specified.

3.033 Proposal Format



The following information must be included in all proposals. Contractors must respond to all sections of the SOW. Proposals should be formatted to include each of the following sections, which should be clearly identified using the same format as the SOW is written in and with the appropriate headings:

Article 1 – Statement of Work – Contractor must respond to each section. Proposal must include detailed responses to all tasks as requested in Article 1. Contractors must copy these sections, and provide Contractor's response in the area specified for "Contractor Response". This area has been designed to expand as necessary

3.040 Submitting Bids and Proposals

3.041 Proposal Submission

Proposal is due November 21, 2012 at 3:00 p.m. Eastern Time or as soon as possible. Submit an electronic copy of your proposal via e-mail to FalikT@michigan.gov in a Microsoft Office format. If an electronic copy of the proposal is not available, it can be mailed to the following address:

Michigan Department of Treasury
Purchasing Section
Attn: Thomas Falik
430 West Allegan
Lansing, MI 48922.

**SIGNATURE AUTHORITY**

I/We certify that the undersigned is authorized to submit bids/quotations on behalf of Tucker, Young, Jackson, Tull, Inc.(TYJT). The information provided about the attached response, pricing and sample project plan and TYJT's ability to provide the goods and/or services outlined in this SOW document is true and accurate. I/We understand that our product and/or service offerings must be in compliance with all requirements of this SOW document.

Name of Contractor/Supplier

Tucker, Young, Jackson, Tull, Inc.
565 East Larned, Suite 300
Detroit, Michigan 48226

Address of Contractor/Supplier

313-963-0612
313-963-2156 (fax)

Telephone and Fax No. of Contractor/Supplier

gkarmo@tyjt.com

E-mail Address of Contractor/Supplier

George Y. Karmo, BCEE, P.E.

Signature of Contractor/Supplier's Authorized Representative
President

Title of Supplier Representative
11/15/12

Date

Additional Signature
Contractor/Supplier's Authorized Representative

Title of Supplier Representative

Date



Attachment A, Price Proposal

Bidders are encouraged to offer quick payment terms (i.e. __0__% discount off invoice if paid within ____ days). This information can be noted on the price proposal. This may be a factor considered in the award decision.

Provide the price per deliverable for the proposed services in section 1.022.	
Deliverable	Price
A. <u>Municipal Water Supply Assessment</u>	
1. Data Collection and Review	\$ 7,000
2. Engineering Evaluation	\$ 28,800
3. Provide Results of QA/QC Review	\$ 5,000
4. Provide Copies of Findings and Review Findings	\$ 3,000
Grand Total	\$ 43,800
B. <u>Optional Services</u>	
1.	\$
2.	\$
3.	\$
4.	\$
5.	\$



**Indefinite-scope, Indefinite-delivery Contract Number 00383
2012 Professional General Architectural/Engineering Services**

**CITY OF FLINT WATER SUPPLY ASSESSMENT
SAMPLE PROJECT PLAN**

November 2012

1. Scope of Work

Tucker, Young, Jackson, Tull, Inc. (TYJT), at the request of the State Treasurer is providing a proposal to perform an analysis of the water supply options being considered by the City of Flint. The work would be completed as an authorized task under the reference contract, Contract No. 00383. This proposal provides a background of our understanding of the issues, our approach, schedule dates, and the level of effort to perform the task.

2. Background

The City of Flint is presently supplied potable water from the Detroit Water and Sewerage Department (DWSD). This supply is from a single 72-inch water main that terminates at a master meter located at Potter and Baxter. Additionally, downstream of the DWSD master meter, Flint supplies its customer Genesee County. The City of Flint also operates a water treatment plant that uses the Flint River as its source of supply to provide back up and redundancy to the DWSD supply as required by MDEQ

The Karegnondi Water Authority (KWA) is planning on constructing a raw water supply system that could provide Lake Huron water to the Flint's Water Treatment Plant. Flint's existing plant would be upgraded to treat the new raw water source.

The State Treasurer has appointed an emergency financial manager for the City of Flint. As such the Treasurer has requested TYJT to provide an analysis of the water supply options to assist the Treasurer in determining the best course going forward for the City of Flint.

3. Scope of Work

The proposed scope of work summarizes TYJT's approach to perform the analysis. The work includes data collection and review, an engineering evaluation, and recommendations. The recommendations would be provided in a report that would also include a description of all the work performed under this task.

3.1. Data Collection and Review

To perform an analysis of competing proposals it is important to provide a relative or "apples-to-apples" comparison. As example, DWSD's cost of service includes all capital, financing, and operation and maintenance costs to deliver the water to Flint's system. Therefore, it will be necessary for an assessment of KWA's proposal to also include all of these costs in the comparison.

Additionally, DWSD is proposing other alternatives to its existing agreement with Flint that will also need to be evaluated. The options currently proposed include:



- Using DWSD's new model contract that provides reduction in cost for communities with their own storage,
- Moving the location of supply from Potter and Baxter to the Imlay Pumping Station to reduce fees associated with elevation and distance from DWSD's water plants,
- Providing finished (potable) non-pumped water from the Lake Huron Water Treatment Plant, and
- Providing raw (not treated) non-pumped water from the Lake Huron Water Treatment Plant.

This phase of the work would include the collection and review of the following documents:

- The Lake Huron Water Supply Karegnondi Water Authority Preliminary Engineering Report, dated September 2009 and the 2012 update by Rowe Engineering;
- The Analysis of the Flint River as a Permanent Water Supply for the City of Flint Report, dated July 2011;
- Proposed or draft contract agreements that would be used between the KWA and the City of Flint;
- DWSD's contract rates based on the new model contracts;
- Information related to other DWSD proposals for service to Flint; and
- Other letters, minutes, etc. from all parties that provide information that could be used in the evaluation.

All information provided would be evaluated and subsequent meetings would be held with the DWSD, Flint and the KWA to address any data gaps or clarifications that may be required. These meetings would be coordinated with the Treasurer so that its representatives can be present at the meetings. For the purpose of this proposal, TYJT has assumed a total of two meetings for both the DWSD and KWA.

3.2. Engineering Evaluation

The City of Flint Emergency Financial Manager has indicated that he believes the determination of who supplies water to the City's system should mainly be based on the following criteria (in order of importance):

- Cost,
- System redundancy/reliability, and
- The recognized limitation of the Flint River as a source to supplying all of Flint's water needs.

In consultation with the Treasurer, these factors plus additional ones that may be identified in the evaluation process would be used.

An analysis will be performed for the options identified and a comparison will be made based on cost, reliability of supply, and any limitations that may be identified by both suppliers in providing the needed service.



TYJT will draft a report for the Treasurer that identifies the information collected, the analysis process, our findings, and the recommendations made. Our recommendations will be based on the risks to Flint associated with the options identified. TYJT will then incorporate comments from the Treasury's review and submit a final document to the Department of Treasury for their use.

4. Schedule

At the meeting between all interested parties on November 1, 2012, two dates were identified by the Treasurer. The first date identified was December 20, 2012 for the preliminary evaluation to be provided to the State. The second date was January 15, 2013 for the Treasury to make a decision on the City of Flint water supply. TYJT proposes to complete the draft report for submittal on December 20th. This will provide a two week review period by the Treasury. The final report would then be completed and submitted one week prior to the January 15th deadline. TYJT will also be available, if requested by the Treasurer, to attend a general meeting with all parties involved at the conclusion of the work.

Koryzno, Edward (Treasury)

From: John O'Brien <jobrien@gcdcwws.com>
Sent: Thursday, November 29, 2012 11:48 AM
To: David Guastella; ekurtz@cityofflint.com; mbrown@reinvestflint.org; mayor@cityofflint.com; bwright@cityofflint.com
Cc: George Karmo; Awni Qaqish; John Cubba; Fraser, Roger (Treasury); Koryzno, Edward (Treasury)
Subject: RE: City of Flint Water Supply
Attachments: SKMBT_65212112912240.pdf.pdf; 00400 Attach Bid Form.doc.doc

David

Find enclosed our last 10 years of audited operations cost and the bid form for our Lake intake project John O'Brien

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

From: David Guastella [mailto:DGuastel@tyjt.com]
Sent: Wednesday, November 28, 2012 3:58 PM
To: ekurtz@cityofflint.com; John O'Brien; mbrown@reinvestflint.org; mayor@cityofflint.com; bwright@cityofflint.com
Cc: George Karmo; Awni Qaqish; John Cubba; fraserR1@michigan.gov; Edward Koryzno (Treasury)
Subject: Re: City of Flint Water Supply

Ed

Please provide an update to the requested information in the minutes. All of the information was supposed to have been provided by this past Monday.

Additionally, we also need a response to the following:

1. Please identify the type of bonds, KWA is anticipating on using. If they are municipal bonds, whose credit rating will be used for the KWA work?
2. Please provide the most recent credit ratings for the appropriate enterprise fund applicable for the Flint work at the WTP and the KWA transmission system.
3. If the bonds are revenue bonds, please identify the percent reserve assumed and the percent coverage anticipated.
4. In the 09' KWA report 37% was assumed for engineering, contingencies, and bonding. In the 2012 update the percentage dropped to 25% for engineering and contingencies; bonding was not shown as part of the percentage. Does the 25% include bonding issuance costs? What percentage is assumed in either case for the issuance of bonds?
5. Please provide the last three years of water purchased and water billed. This will help us to determine the water loss amount. If the water loss is high, a proactive water audit program could reduce the total volume needed from the KWA. This could reduce the size of the pipeline and pumping needs.

Let me know if you have any questions.

Dave

Sent from my iPhone

On Nov 24, 2012, at 8:07 AM, "David Guastella" <DGuastel@tyjt.com> wrote:

> Gentlemen

>

> Attached are the minutes from our meeting held on November 20, 2012. Please review and let me know if you have any comments or questions. I did not have emails for all who were in attendance, so please forward as necessary.

>

> Thank you,

>

> Dave Guastella

> Tucker, Young, Jackson, Tull

> <Flint Supply Meeting with City of Flint.pdf>

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www.gcdcwws.com

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Genesee County Drain Commissioner **Division of Water and Waste Services**

Statement of Revenue, Expenses, and Changes in Net Assets **(Divisional Detail) - Enterprise Fund**

	Year Ended December 31					
	2011				2010	
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
		District No. 3	District No. 7			
Operating Revenue						
Sewage disposal service	\$ 22,014,199	\$ 3,286,223	\$ 728,424	\$ -	\$ 26,028,846	\$ 26,597,823
Billing services	-	-	-	-	-	162,455
Sewer and pumping station - Operation and maintenance	1,197,219	-	-	-	1,197,219	1,197,151
Inspection fees	5,003	-	-	-	5,003	9,951
Water sales	-	-	-	21,697,903	21,697,903	21,202,820
Water meter sales	-	-	-	64,662	64,662	65,757
Other operating revenue	300,538	77,252	-	497,659	875,449	609,652
Total operating revenue	23,516,959	3,363,475	728,424	22,260,224	49,869,082	49,845,609
Operating Expenses						
Personnel services	8,257,104	1,466,560	235,475	1,977,060	11,936,199	11,020,014
Administration	2,225,905	284,158	94,718	2,131,189	4,735,970	4,514,280
Contractual services	245,498	87,705	15,550	273,867	622,620	983,960
Sludge disposal service	917,399	181,498	-	-	1,098,897	1,031,330
Cost of water	-	-	-	12,947,738	12,947,738	10,835,456
Repairs and maintenance	1,388,331	209,064	146,326	623,712	2,367,433	2,754,390
Utilities	3,072,481	488,743	164,598	563,135	4,288,957	3,328,468
Other supplies and expenses	719,590	99,356	30,958	183,585	1,033,489	1,069,845
Insurance claims and expenses	131,220	23,695	3,153	78,992	237,060	223,608
Depreciation	3,663,996	673,546	22,616	1,782,145	6,142,303	5,879,881
Total operating expenses	20,621,524	3,514,325	713,394	20,561,423	45,410,666	41,641,232
Operating Income	2,895,435	(150,850)	15,030	1,698,801	4,458,416	8,204,377
Nonoperating Revenue (Expenses)						
Interest and investment revenue	240,506	1,128,210	-	21,315	1,390,031	1,493,378
Miscellaneous revenue	246,845	3,087	-	385,757	635,689	670,596
Interest expense	(1,032,263)	(1,359,258)	-	(1,875,505)	(4,267,026)	(4,296,163)
Miscellaneous expense	(135,302)	(1,176)	(20)	(21,617)	(158,115)	(6,456)
Total nonoperating expenses	(680,214)	(229,137)	(20)	(1,490,050)	(2,399,421)	(2,138,645)
Income (Loss) - Before capital contributions and operating transfer	2,215,221	(379,987)	15,010	208,751	2,058,995	6,065,732
Capital Contributions	266,907	1,321	-	-	268,228	29,853,229
Operating Transfer	696,921	(74,880)	(74,880)	(650,912)	(103,751)	(110,100)
Change in Net Assets	3,179,049	(453,546)	(59,870)	(442,161)	2,223,472	35,808,861
Net Assets - Beginning of year	126,687,135	23,347,806	504,897	32,100,151	182,639,989	146,831,128
Net Assets - End of year	\$ 129,866,184	\$ 22,894,260	\$ 445,027	\$ 31,657,990	\$ 184,863,461	\$ 182,639,989

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Assets (Divisional Detail) - Enterprise Fund

	Year Ended December 31					
	2010				2009	
	Interceptor and Treatment Facilities	Sewage Disposal Systems District No. 3	District No. 7	Water Supply Systems	Total	Total
Operating Revenue						
Sewage disposal service	\$ 22,596,773	\$ 3,272,101	\$ 728,949	\$ -	\$ 26,597,823	\$ 26,517,499
Billing services	81,102	30	4,497	76,826	162,455	173,974
Sewer and pumping station - Operation and maintenance	1,197,151	-	-	-	1,197,151	1,191,575
Inspection fees	9,951	-	-	-	9,951	1,400
Water sales	-	-	-	21,202,820	21,202,820	19,809,718
Water meter sales	-	-	-	65,757	65,757	53,352
Other operating revenue	394,055	413	305	214,879	609,652	801,119
Total operating revenue	24,279,032	3,272,544	733,751	21,560,282	49,845,609	48,548,637
Operating Expenses						
Personnel services	6,880,398	1,448,174	251,881	2,439,561	11,020,014	10,575,999
Administration	2,158,878	284,150	87,184	1,984,068	4,514,280	4,469,628
Contractual services	434,336	133,085	21,646	394,893	983,960	1,209,957
Sludge disposal service	842,920	188,010	400	-	1,031,330	1,495,535
Cost of water	-	-	-	10,835,456	10,835,456	10,028,035
Repairs and maintenance	1,970,359	276,759	96,573	410,699	2,754,390	2,783,898
Utilities	2,303,414	416,224	168,620	440,210	3,328,468	3,975,457
Other supplies and expenses	650,606	128,339	35,912	254,988	1,069,845	847,819
Insurance claims and expenses	122,634	26,176	3,297	71,501	223,608	410,692
Depreciation	3,706,869	376,235	14,648	1,782,129	5,879,881	5,414,322
Total operating expenses	19,070,414	3,277,152	680,161	18,613,505	41,641,232	41,211,342
Operating Income (Loss)	5,208,618	(4,608)	53,590	2,946,777	8,204,377	7,337,295
Nonoperating Revenue (Expenses)						
Interest and investment revenue	254,459	1,219,622	(601)	19,898	1,493,378	1,618,402
Miscellaneous revenue	355,290	3,061	-	312,245	670,596	164,951
Interest expense	(1,164,902)	(1,218,718)	-	(1,912,543)	(4,296,163)	(4,519,657)
Miscellaneous expense	(4,149)	(1,247)	(1,060)	-	(6,456)	(56,413)
Total nonoperating (expenses) revenue	(559,302)	2,718	(1,661)	(1,580,400)	(2,138,645)	(2,792,717)
Income (Loss) - Before capital contributions and operating transfer	4,649,316	(1,890)	51,929	1,366,377	6,065,732	4,544,578
Capital Contributions	10,105,392	19,347,837	400,000	-	29,853,229	7,912,927
Operating Transfer	(55,050)	-	-	(55,050)	(110,100)	(463,951)
Change in Net Assets	14,699,658	19,345,947	451,929	1,311,327	35,808,861	11,993,554
Net Assets - Beginning of year	111,987,477	4,001,859	52,968	30,788,824	146,831,128	134,837,574
Net Assets - End of year	<u>\$ 126,687,135</u>	<u>\$ 23,347,806</u>	<u>\$ 504,897</u>	<u>\$ 32,100,151</u>	<u>\$ 182,639,989</u>	<u>\$ 146,831,128</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Assets (Divisional Detail) - Enterprise Fund

	Year Ended December 31					
	2009				2008	
	Interceptor and Treatment Facilities	Sewage Disposal Systems District No. 3	District No. 7	Water Supply Systems	Total	Total
Operating Revenue						
Sewage disposal service	\$ 22,579,898	\$ 3,204,002	\$ 733,599	\$ -	\$ 26,517,499	\$ 22,343,717
Billing services	88,606	3	4,505	80,860	173,974	122,583
Sewer and pumping station - Operation and maintenance	1,191,575	-	-	-	1,191,575	1,062,154
Inspection fees	1,400	-	-	-	1,400	1,200
Water sales	-	-	-	19,809,718	19,809,718	17,377,540
Water meter sales	-	-	-	53,352	53,352	44,508
Other operating revenue	643,039	3,825	-	154,255	801,119	781,983
Total operating revenue	24,504,518	3,207,830	738,104	20,098,185	48,548,637	41,733,685
Operating Expenses						
Personnel services	6,644,377	1,416,041	251,947	2,263,634	10,575,999	13,202,140
Administration	2,136,841	282,510	86,049	1,964,228	4,469,628	-
Contractual services	536,463	73,291	12,725	587,478	1,209,957	1,469,131
Sludge disposal service	1,261,398	234,137	-	-	1,495,535	1,225,297
Cost of water	-	-	-	10,028,035	10,028,035	9,244,126
Repairs and maintenance	1,966,795	230,599	214,704	371,800	2,783,898	3,527,650
Utilities	2,885,842	485,136	168,520	435,959	3,975,457	3,737,769
Other supplies and expenses	598,173	78,655	43,359	127,632	847,819	2,296,277
Insurance claims and expenses	224,294	49,720	5,720	130,958	410,692	403,947
Depreciation	3,564,886	69,198	4,265	1,775,973	5,414,322	4,090,441
Total operating expenses	19,819,069	2,919,287	787,289	17,685,697	41,211,342	39,196,778
Operating Income (Loss)	4,685,449	288,543	(49,185)	2,412,488	7,337,295	2,536,907
Nonoperating Revenue (Expense)						
Interest and investment revenue	290,791	1,303,691	(353)	24,273	1,618,402	2,392,401
Miscellaneous revenue	50,334	4,392	-	110,225	164,951	1,706,147
Loss on sale of capital asset	-	-	-	-	-	(110,233)
Interest expense	(1,266,465)	(1,298,237)	-	(1,954,955)	(4,519,657)	(5,659,457)
Miscellaneous expense	(54,206)	-	-	(2,207)	(56,413)	(271,827)
Total nonoperating (expense) revenue	(979,546)	9,846	(353)	(1,822,664)	(2,792,717)	(1,942,969)
Income (Loss) - Before capital contributions and operating transfer	3,705,903	298,389	(49,538)	589,824	4,544,578	593,938
Capital Contributions	6,509,512	-	-	1,403,415	7,912,927	5,188,831
Operating Transfer	(258,923)	19,472	30,637	(255,137)	(463,951)	(136,372)
Change in Net Assets	9,956,492	317,861	(18,901)	1,738,102	11,993,554	5,646,397
Net Assets - Beginning of year	102,030,985	3,683,996	71,869	29,050,722	134,837,574	129,191,177
Net Assets - End of year	\$ 111,987,477	\$ 4,001,859	\$ 52,968	\$ 30,788,824	\$ 146,831,128	\$ 134,837,574

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Assets (Divisional Detail) - Enterprise Fund

	Year Ended December 31					
	2008				2007	
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
		District No. 3	District No. 7			
Operating Revenue						
Sewage disposal service	\$ 18,129,302	\$ 3,347,676	\$ 866,739	\$ -	\$ 22,343,717	\$ 20,928,508
Billing services	62,081	3	3,620	56,879	122,583	162,808
Sewer and pumping station - Operation and maintenance	1,062,154	-	-	-	1,062,154	1,232,537
Inspection fees	1,200	-	-	-	1,200	2,500
Water sales	-	-	-	17,377,540	17,377,540	16,336,861
Water meter sales	-	-	-	44,508	44,508	88,207
Other operating revenue	467,874	3,218	1,060	309,831	781,983	1,154,483
Total operating revenue	19,722,611	3,350,897	871,419	17,788,758	41,733,685	39,905,904
Operating Expenses						
Personnel services	7,731,397	1,523,424	362,477	3,584,842	13,202,140	12,856,893
Contractual services	661,733	68,636	26,793	711,969	1,469,131	1,783,105
Sludge disposal service	1,084,309	140,988	-	-	1,225,297	1,541,002
Cost of water	-	-	-	9,244,126	9,244,126	10,759,793
Repairs and maintenance	2,098,517	318,569	307,795	802,769	3,527,650	2,700,085
Utilities	2,565,881	611,602	159,890	400,396	3,737,769	3,329,689
Other supplies and expenses	781,017	95,398	33,472	1,386,390	2,296,277	1,076,221
Insurance claims and expenses	275,737	49,506	11,405	67,299	403,947	593,362
Depreciation	3,064,020	42,764	1,766	981,891	4,090,441	3,096,331
Total operating expenses	18,262,611	2,850,887	903,598	17,179,682	39,196,778	37,736,481
Operating Income (Loss)	1,460,000	500,010	(32,179)	609,076	2,536,907	2,169,423
Nonoperating Revenue (Expense)						
Interest and investment revenue	474,489	1,719,099	5,259	193,554	2,392,401	2,274,752
Miscellaneous revenue	869,510	14,633	500	821,504	1,706,147	1,853,250
Loss on sale of capital asset	(110,233)	-	-	-	(110,233)	-
Interest expense	(1,647,102)	(1,664,440)	(5,000)	(2,342,915)	(5,659,457)	(5,316,252)
Miscellaneous expense	(68,733)	-	-	(203,094)	(271,827)	(316,661)
Total nonoperating (expense) revenue	(482,069)	69,292	759	(1,530,951)	(1,942,969)	(1,504,911)
Income (Loss) - Before capital contributions and operating transfer	977,931	569,302	(31,420)	(921,875)	593,938	664,512
Capital Contributions	293,733	3,095,093	-	1,800,005	5,188,831	1,875,976
Operating Transfer	(1,637,475)	3,401,359	(77,840)	(1,822,416)	(136,372)	(70,439)
Change in Net Assets	(365,811)	7,065,754	(109,260)	(944,286)	5,646,397	2,470,049
Net Assets (Deficit) - Beginning of year	102,396,796	(3,381,756)	181,129	29,995,008	129,191,177	126,721,128
Net Assets - End of year	\$ 102,030,985	\$ 3,683,998	\$ 71,869	\$ 29,050,722	\$ 134,837,574	\$ 129,191,177

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Assets (Divisional Detail) - Enterprise Fund

	Year Ended December 31				
	2007				2006
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total
		District No. 3	District No. 7		Total
Operating Revenue					
Sewage disposal service	\$ 16,833,208	\$ 3,351,491	\$ 743,809	\$ -	\$ 20,928,508
Billing services	82,653	2	3,346	76,807	162,808
Sewer and pumping station - Operation and maintenance	1,232,537	-	-	-	1,232,537
Inspection fees	2,500	-	-	-	2,500
Water sales	-	-	-	16,336,861	16,336,861
Water meter sales	-	-	-	88,207	88,207
Other operating revenue	917,200	23,388	186	213,709	1,154,483
Total operating revenue	19,068,098	3,374,881	747,341	16,715,584	39,905,904
Operating Expenses					
Personnel services	8,413,422	1,143,845	379,406	2,920,220	12,856,893
Contractual services	838,881	178,818	17,888	747,518	1,783,105
Sludge disposal service	1,418,322	122,680	-	-	1,541,002
Cost of water	-	-	-	10,759,793	10,759,793
Repairs and maintenance	1,882,238	165,346	105,632	546,869	2,700,085
Utilities	2,317,255	425,025	130,368	457,041	3,329,689
Other supplies and expenses	659,717	80,293	34,368	301,843	1,076,221
Insurance claims and expenses	389,002	59,083	10,281	134,996	593,362
Depreciation	2,860,833	25,792	1,766	207,940	3,096,331
Total operating expenses	18,779,670	2,200,882	679,709	16,076,220	37,736,481
Operating Income (Loss)	288,428	1,173,999	67,632	639,364	2,169,423
Nonoperating Revenue (Expense)					
Interest and investment revenue	418,421	1,604,408	10,223	241,700	2,274,752
Miscellaneous revenue	949,575	-	-	903,675	1,853,250
Interest expense	(1,752,068)	(1,547,558)	(8,300)	(2,008,326)	(5,316,252)
Miscellaneous expense	(152,259)	(93,538)	-	(70,864)	(316,661)
Total nonoperating revenue	(536,331)	(36,688)	1,923	(933,815)	(1,504,911)
Income (Loss) - Before capital contributions	(247,903)	1,137,311	69,555	(294,451)	664,512
Capital Contributions	1,875,976	-	-	-	1,875,976
Operating Transfer	(40,051)	(1,783)	(3,537)	(25,068)	(70,439)
Change in Net Assets	1,588,022	1,135,528	66,018	(319,519)	2,470,049
Net Assets (Deficit) - Beginning of year	100,808,774	(4,517,284)	115,111	30,314,527	126,721,128
Net Assets (Deficit) - End of year	\$ 102,396,796	\$ (3,381,756)	\$ 181,129	\$ 29,995,008	\$ 129,191,177

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) (Divisional Detail) - Enterprise Fund

	Year Ended December 31					
	2006				2005	
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
		District No. 3	District No. 7			
Operating Revenue						
Sewage disposal service	\$ 13,389,967	\$ 2,692,432	\$ 676,177	\$ -	\$ 16,758,576	\$ 16,420,098
Billing services	68,575	1,356	1,917	25,279	97,127	79,592
Sewer and pumping station - Operation and maintenance	630,323	-	-	-	630,323	522,110
Inspection fees	6,550	-	-	-	6,550	17,808
Water sales	461,021	-	-	13,914,280	14,375,301	14,923,675
Water meter sales	-	-	-	115,745	115,745	153,417
Other operating revenue	961,385	22,180	6,095	267,049	1,256,709	973,294
Total operating revenue	15,517,821	2,715,968	684,189	14,322,353	33,240,331	33,089,994
Operating Expenses						
Personnel services	8,639,489	1,221,367	293,877	1,863,129	12,017,862	11,768,203
Contractual services	921,706	307,279	13,036	439,601	1,681,622	1,250,314
Sludge disposal service	935,344	368,342	15,403	-	1,319,089	1,093,821
Cost of water	-	-	-	7,875,096	7,875,096	9,159,871
Repairs and maintenance	2,464,600	187,709	137,987	645,637	3,435,933	2,654,518
Utilities	2,242,377	299,481	93,094	329,826	2,964,778	2,885,422
Other supplies and expenses	1,017,162	128,181	37,841	321,366	1,504,550	2,122,091
Insurance claims and expenses	303,928	46,766	5,797	46,287	402,778	480,410
Depreciation	2,733,867	25,582	1,766	186,319	2,947,534	2,075,382
Total operating expenses	19,258,473	2,584,707	598,801	11,707,261	34,149,242	33,490,032
Operating Income (Loss)	(3,740,652)	131,261	85,388	2,615,092	(908,911)	(400,038)
Nonoperating Revenue (Expense)						
Interest and investment revenue	611,172	1,656,373	11,830	329,556	2,608,931	877,949
Miscellaneous revenue	1,393,025	-	-	1,265,075	2,658,100	5,055,885
Interest expense	(1,411,040)	(1,630,716)	(11,550)	(1,838,345)	(4,891,651)	(2,807,236)
Total nonoperating revenue (expense)	593,157	25,657	280	(243,714)	375,380	3,126,598
Income (Loss) - Before capital contributions and operating transfers	(3,147,495)	156,918	85,668	2,371,378	(533,531)	2,726,560
Capital Contributions	-	-	-	-	-	575,416
Operating Transfer	3,589,988	(3,662,987)	(788)	(100,446)	(174,233)	(215,504)
Change in Net Assets	442,493	(3,506,069)	84,880	2,270,932	(707,764)	3,086,472
Net Assets (Deficit) - Beginning of year	100,366,281	(1,011,215)	30,231	28,043,595	127,428,892	124,342,420
Net Assets (Deficit) - End of year	<u>\$ 100,808,774</u>	<u>\$ (4,517,284)</u>	<u>\$ 115,111</u>	<u>\$ 30,314,527</u>	<u>\$ 126,721,128</u>	<u>\$ 127,428,892</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Assets (Divisional Detail) - Enterprise Fund

	Year Ended December 31					
	2005					2004
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
		District No. 3	District No. 7			
Operating Revenue						
Sewage disposal service	\$ 13,635,931	\$ 2,160,171	\$ 623,996	\$ -	\$ 16,420,098	\$ 15,994,472
Billing services	47,725	680	1,407	29,780	79,592	79,257
Sewer and pumping station - Operation and maintenance	522,110	-	-	-	522,110	599,580
Inspection fees	17,808	-	-	-	17,808	14,920
Water sales	322,915	-	-	14,600,760	14,923,675	13,776,788
Water meter sales	-	-	-	153,417	153,417	145,294
Other operating revenue	498,411	201,050	1,500	272,333	973,294	660,466
Total operating revenue	15,044,900	2,361,901	626,903	15,056,290	33,089,994	31,270,777
Operating Expenses						
Personnel services	8,417,163	1,527,664	243,461	1,579,915	11,768,203	10,624,753
Contractual services	776,027	124,645	24,418	325,224	1,250,314	879,864
Sludge disposal service	827,540	266,281	-	-	1,093,821	976,889
Cost of water	-	-	-	9,159,871	9,159,871	8,272,341
Repairs and maintenance	1,756,278	289,185	114,752	494,303	2,654,518	2,516,839
Utilities	2,142,771	335,542	108,518	298,591	2,885,422	2,616,654
Other supplies and expenses	1,457,000	155,451	31,413	478,227	2,122,091	2,014,149
Insurance claims and expenses	352,870	47,460	10,471	69,609	480,410	767,342
Depreciation	1,910,881	15,212	926	148,363	2,075,382	1,823,126
Total operating expenses	17,640,530	2,761,440	533,959	12,554,103	33,490,032	30,491,957
Operating Income (Loss)	(2,595,630)	(399,539)	92,944	2,502,187	(400,038)	778,820
Nonoperating Revenue (Expense)						
Interest and investment revenue	261,267	24,133	118	592,431	877,949	599,110
Miscellaneous revenue	2,746,068	-	-	2,309,817	5,055,885	3,829,353
Interest expense	(889,390)	-	-	(1,917,846)	(2,807,236)	(2,225,577)
Total nonoperating revenue	2,117,945	24,133	118	984,402	3,126,598	2,202,886
Income (Loss) - Before capital contributions	(477,685)	(375,406)	93,062	3,486,589	2,726,560	2,981,706
Capital Contributions	1,264,804	(689,388)	-	-	575,416	499,734
Operating Transfer	(111,810)	(3,255)	(1,706)	(98,733)	(215,504)	(277,836)
Change in Net Assets	675,309	(1,068,049)	91,356	3,387,856	3,086,472	3,203,604
Net Assets (Deficit) - Beginning of year	99,690,972	56,834	(61,125)	24,655,739	124,342,420	121,138,816
Net Assets (Deficit) - End of year	\$ 100,366,281	\$ (1,011,215)	\$ 30,231	\$ 28,043,595	\$ 127,428,892	\$ 124,342,420

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Assets (Divisional Detail) - Enterprise Fund

	Year Ended December 31					
	2004				2003	
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
		District No. 3	District No. 7			
Operating Revenue						
Sewage disposal service	\$ 13,206,695	\$ 2,172,921	\$ 614,856	\$ -	\$ 15,994,472	\$ 15,800,023
Billing services	47,407	1,278	1,372	29,200	79,257	79,792
Sewer and pumping station - Operation and maintenance	599,580	-	-	-	599,580	575,691
Inspection fees	14,920	-	-	-	14,920	18,047
Water sales	-	-	-	13,776,788	13,776,788	12,223,273
Water meter sales	-	-	-	145,294	145,294	115,150
Other operating revenue	478,640	1,084	400	180,342	660,466	688,631
Total operating revenue	14,347,242	2,175,283	616,628	14,131,624	31,270,777	29,500,607
Operating Expenses						
Personnel services	6,864,984	1,727,020	279,089	1,753,660	10,624,753	9,420,703
Contractual services	484,885	79,057	16,379	299,543	879,864	939,436
Sludge disposal service	851,537	125,352	-	-	976,889	953,984
Cost of water	-	-	-	8,272,341	8,272,341	8,338,065
Repairs and maintenance	1,533,724	231,543	229,059	522,513	2,516,839	1,968,650
Utilities	2,171,173	307,419	98,230	39,832	2,616,654	2,490,473
Other supplies and expense	1,254,541	190,192	44,793	524,623	2,014,149	1,819,689
Insurance claims and expenses	445,933	66,076	47,101	208,232	767,342	472,112
Depreciation	1,690,593	2,296	-	130,237	1,823,126	1,540,181
Total operating expenses	15,297,370	2,728,955	714,651	11,750,981	30,491,957	27,943,293
Operating Income (Loss)	(950,128)	(553,672)	(98,023)	2,380,643	778,820	1,557,314
Nonoperating Revenue (Expense)						
Interest and investment revenue	315,328	974	291	282,517	599,110	591,229
Miscellaneous revenue	1,937,031	-	-	1,892,322	3,829,353	3,977,442
Interest expense	(973,077)	-	-	(1,252,500)	(2,225,577)	(904,035)
Total nonoperating revenue	1,279,282	974	291	922,339	2,202,886	3,664,636
Income (Loss) - Before capital contributions	329,154	(552,698)	(97,732)	3,302,982	2,981,706	5,221,950
Capital Contributions	499,734	-	-	-	499,734	-
Operating Transfer	(157,647)	(8,326)	(1,510)	(110,353)	(277,836)	-
Change in Net Assets	671,241	(561,024)	(99,242)	3,192,629	3,203,604	5,221,950
Net Assets - Beginning of year	99,019,731	617,858	38,117	21,463,110	121,138,816	115,916,866
Net Assets (Deficit) - End of year	\$ 99,690,972	\$ 56,834	\$ (61,125)	\$ 24,655,739	\$ 124,342,420	\$ 121,138,816

Genesee County Drain Commissioner **Division of Water and Waste Services**

Statement of Revenue, Expenses, and Changes in Net Assets **(Divisional Detail) - Enterprise Fund**

	Year Ended December 31					
	2003				2002	
	Interceptor and Treatment Facilities	Sewage Disposal Systems District No. 3	District No. 7	Water Supply Systems	Total	Total
Operating Revenue						
Sewage disposal service	\$ 13,021,390	\$ 2,184,143	\$ 594,490	\$ -	\$ 15,800,023	\$ 15,397,896
Billing services	48,135	1,613	1,336	28,708	79,792	77,989
Sewer and pumping station - Operation and maintenance	575,691	-	-	-	575,691	567,215
Inspection fees	18,047	-	-	-	18,047	20,167
Water sales	100,000	-	-	12,123,273	12,223,273	11,205,098
Water meter sales	-	-	-	115,150	115,150	133,233
Other operating revenue	539,421	2,262	1,625	145,323	688,631	735,317
Total operating revenue	14,302,684	2,188,018	597,451	12,412,454	29,500,607	28,136,915
Operating Expenses						
Personnel services	5,986,137	1,527,940	289,766	1,616,840	9,420,703	8,304,517
Contractual services	644,395	43,125	18,538	233,378	939,436	749,429
Sludge disposal service	749,081	204,903	-	-	953,984	1,165,595
Cost of water	-	-	-	8,338,065	8,338,065	5,991,493
Repairs and maintenance	1,177,718	273,168	153,987	363,777	1,968,650	2,997,357
Utilities	1,792,502	323,707	99,239	275,025	2,490,473	2,549,546
Other supplies and expense	1,017,559	198,672	48,471	554,987	1,819,689	1,890,042
Insurance claims and expenses	291,583	37,874	17,774	124,881	472,112	407,412
Depreciation	1,433,345	693	-	106,143	1,540,181	1,415,570
Total operating expenses	13,092,340	2,610,082	627,775	11,613,096	27,943,293	25,470,961
Operating Income (Loss)	1,210,344	(422,064)	(30,324)	799,358	1,557,314	2,665,954
Nonoperating Revenue (Expense)						
Interest and investment revenue	439,164	7,728	507	143,830	591,229	671,762
Miscellaneous revenue	2,253,742	-	-	1,723,700	3,977,442	3,960,719
Interest expense	(796,609)	-	-	(107,426)	(904,035)	(538,916)
Total nonoperating revenue	1,896,297	7,728	507	1,760,104	3,664,636	4,093,565
Income (Loss) - Before special item	3,106,641	(414,336)	(29,817)	2,559,462	5,221,950	6,759,519
Special Item - Charge for water used in prior years	-	-	-	-	-	(1,534,938)
Change in Net Assets	3,106,641	(414,336)	(29,817)	2,559,462	5,221,950	5,224,581
Net Assets - Beginning of year	95,913,090	1,032,194	67,934	18,903,648	115,916,866	110,692,285
Net Assets - End of year	\$99,019,731	\$ 617,858	\$ 38,117	\$21,463,110	\$ 121,138,816	\$ 115,916,866

**LAKE HURON WATER SUPPLY INITIATIVE
CONTRACT S-4000
WATER INTAKE SUPPLY**

BID FORM

GENESEE COUNTY DRAIN COMMISSIONER'S OFFICE
DIVISION OF WATER AND WASTE SERVICES
G-4610 BEECHER ROAD
FLINT, MICHIGAN 48532-2617

DATE: _____, 20____

This Bid is submitted by _____,
("Bidder") to Genesee County, County Agency, the Genesee County Drain Commissioner's Office
– Division of Water and Waste Services pursuant to Public Act 342 of the Michigan Public Acts of
1939, as amended ("GCDC-WWS").

The Bidder proposes and agrees to enter into an Agreement (including executing the
Contract Documents) with GCDC-WWS in the form included in the Bidding Documents, to
perform and furnish all Work as specified or indicated in the Contract Documents for the Bid price
and within the times indicated in this Bid and in accordance with the other terms and conditions in
the Contract Documents.

Bidder accepts all of the terms and conditions of the Invitation to Bid and Instructions to
Bidders including, but not limited to, those dealing with the disposition of Bid security. This Bid
shall remain subject to acceptance for ninety (90) days after the day of the Bid opening or for such
longer period of time that Bidder may agree to in writing. Bidder shall sign and deliver the required
number of counterparts of the Agreement with the bonds and other documents required by the
Bidding Documents within twenty (20) days after the issuance date of the Notice of Award.

In submitting this Bid, Bidder represents and warrants to GCDC-WWS, as more fully set
forth in the Agreement and Contract Documents, that:

1. Bidder has examined and carefully studied the Bidding Documents, the other
related data identified in the Bidding Documents and the following Addenda, and
receipt of all such documents is hereby acknowledged by Bidder.

Addendum No.	Addendum Date
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. Bidder has visited the Site and become familiar with and is satisfied as to the
general, local and Site conditions that may affect cost, progress, performance and
furnishing of the Work.

3. Bidder is familiar with and is satisfied as to all federal, state and local Laws and Regulations that may affect cost, progress and performance of the Work.
4. Bidder has carefully studied all: (A) reports of explorations and tests of subsurface conditions at or contiguous to the Site and all drawings of physical conditions in or relating to existing surface or subsurface structures at or contiguous to the Site (except Underground Facilities) which have been identified in the Supplementary Conditions as provided in Paragraph 4.02 of the General Conditions; and (B) reports and drawings of a Hazardous Environmental Conditions, if any, which have been identified in the Supplementary Conditions as provided in Paragraph 4.06 of the General Conditions.
5. Bidder has obtained and carefully studied all such additional or supplementary examinations, investigations, explorations, tests, studies and data concerning conditions (surface, subsurface and Underground Facilities) at or contiguous to the Site which may affect cost, progress or performance of the Work or which relate to any aspect of the means, methods, techniques, sequences and procedures of construction to be employed by Bidder, including applying the specific means, methods, techniques, sequences and procedures of construction expressly required by the Agreement and Contract Documents to be employed by Bidder and the safety precautions and programs incident thereto.
6. Bidder does not consider that any further examinations, investigations, explorations, tests, studies or data are necessary for the determination of this Bid for performance of the Work at the price(s), within the times and in accordance with other terms and conditions in the Agreement and Contract Documents.
7. Bidder is aware of the general nature of work to be performed by GCDC-WWS and others at the Site that relates to Work for which this Bid is submitted as indicated in the Agreement and Contract Documents.
8. Bidder has correlated the information known to Bidder, information and observations obtained from visits to the Site, reports and drawings identified in the Contract Documents and all additional examinations, investigations, explorations, tests, studies and data with the Contract Documents.
9. Bidder has given GCDC-WWS and Engineer written notice of all conflicts, errors, ambiguities or discrepancies that Bidder has discovered in the Agreement and Contract Documents, and the written resolution thereof by GCDC-WWS is acceptable to Bidder. Bidder acknowledges by submitting a Bid that if a conflict, error, ambiguity or discrepancy exists in the Bidding Documents, such conflict, error, ambiguity or discrepancy between the higher and lower price will be resolved in favor of the higher price.
10. The Agreement and Contract Documents are generally sufficient to indicate and convey understanding of all terms and conditions for performing and furnishing the Work for which the Bid is submitted.
11. Bidder further affirms this Bid is genuine and not made in the interest of or on behalf of any undisclosed individual or entity and is not submitted in conformity

with any agreement or rules of any group, association, organization, person or entity. Bidder has not directly or indirectly induced or solicited any other Bidder to submit a false or sham Bid. Bidder has not solicited or induced any individual or entity to refrain from bidding. Bidder has not sought by collusion to obtain for itself any advantage over any other Bidder or over GCDC-WWS.

1.01 Base Bid

Bidder shall complete the Work in accordance with the Contract Documents for the following price(s):

BASE BID (Bidders must provide prices for each item)

Item #	Item of Work	Qty	Unit	Unit Price	Subtotal
1	Mobilization	1	LS	\$ _____	\$ _____
2	Clearing	1	LS	\$ _____	\$ _____
3	Site Grading	1	LS	\$ _____	\$ _____
4	Owner's and Engineer's Project Office	1	LS	\$ _____	\$ _____
5	Access Gate	1	EA	\$ _____	\$ _____
6	Aggregate (Access Road & Parking Area Construction)	1650	TON	\$ _____	\$ _____
7	Aggregate (Access Road & Parking Area Maintenance)	300	TON	\$ _____	\$ _____
8	18" Culvert	138	LF	\$ _____	\$ _____
9	18" Culvert End Section & Rip Rap	4	EA	\$ _____	\$ _____
10	Electrical Service	1	LS	\$ _____	\$ _____
11	8" DI Water Main	150	LF	\$ _____	\$ _____
12	Hydrant Assembly	1	EA	\$ _____	\$ _____
13	Junction Chamber	1	LS	\$ _____	\$ _____
14	4" X 8" Dual Containment HDPE Pipe, HDD	3200	LF	\$ _____	\$ _____
15	4" X 8" Dual Dual Containment Pipe, Open Cut Marine	7600	LF	\$ _____	\$ _____
16	60" PCCP Intake Pipe, Open Cut Marine	350	LF	\$ _____	\$ _____
17	78" RCP Intake Pipe, Sta. 8+50 to 19+50, Tunneling	1100	LF	\$ _____	\$ _____
18	78" Intake Pipe, Sta. 19+50 to 22+50, RCP Tunneled or PCCP Open Cut Marine (Contractor's Choice)	1600	LF	\$ _____	\$ _____
19	Boulder Removal	80	HR	\$ _____	\$ _____
20	78" PCCP Intake Pipe, Sta. 22+50 to POE, Open Cut Marine	4975	LF	\$ _____	\$ _____
21	Intake Pipe Access Manhole	4	EA	\$ _____	\$ _____

Item #	Item of Work	Qty	Unit	Unit Price	Subtotal
22	Intake Crib	2	EA	\$ _____	\$ _____
23	78" X 78" Stop Log Chamber	1	EA	\$ _____	\$ _____
24	78" X 60" Stop Log Chamber	1	EA	\$ _____	\$ _____
25	Stop Log Bulkhead	1	EA	\$ _____	\$ _____
26	Chemical Pipe Vault	1	EA	\$ _____	\$ _____
27	Soil Erosion and Sedimentation Control	1	LS	\$ _____	\$ _____
28	Restoration	1	LS	\$ _____	\$ _____
29	Post Construction Intake Video Inspection	1	LS	\$ _____	\$ _____

Total (written in figures): \$ _____

Total (written in words): _____

1.02 Major Suppliers

The Bidder has based the base bid on materials and products supplied by the following suppliers. Bidders must list the supplier of the following major materials or products:

78" Gate Supplier: _____

RCP Supplier: _____

PCCP Supplier: _____

Timber Supplier: _____

1.03 Alternative Bid Items

Bidders may provide bids for one or more alternatives listed below. Bidders are not required to provide bids for any of the alternatives. Where bids for alternatives are provided the information describing alternative materials, suppliers, and designs shall be provided.

The Bidder expressly agrees to the following provisions:

- A. The base bid stated hereinbefore includes the furnishing and installation of materials listed on the base bid;
- B. GCDC-WWS may select alternative materials as listed in the following tabulation, that the undersigned agrees to furnish and install such materials as selected and at the contract price equal to the base bid, adjusted by the difference between the sum of the installed prices for the items selected by GCDC-WWS as stated in the following tabulation;
- C. The installed price stated in the following tabulation on all alternatives includes the preparation and submission to the Engineer by the Bidder of detailed Drawings showing all modifications, if any, of the Drawings necessary to accommodate the alternatives;
- D. The installed cost stated in the following tabulation of alternatives includes a complete installation, including the furnishing and installation of any changes or modifications to the details presented in the drawings to accommodate the alternative material; and

E. All items offered in the following tabulation, if any, fully comply with the Specifications.

Item

No. Alternative(s) offered by Bidder

- 13A Junction Chamber – Alternative design provided by contractor
Brief description of alternative design and construction method:

Lump Sum Price: \$ _____

- 16A 60" Intake Pipe, Open Cut Marine
Alternative Pipe Material Proposed: _____
Pipe Supplier: _____
Unit Price: \$ _____ per LF

- 17A 78" Intake Pipe, STA 8+50 to 19+50, Tunneling
Alternative Pipe Material Proposed: _____
Pipe Supplier: _____
Unit Price: \$ _____ per LF

- 18A 78" Intake Pipe, STA 19+50 to 22+50, Tunneling or Open Cut Marine (Contractor's Choice)

Pipe Material Proposed for tunneling installation

Pipe Supplier for tunneled pipe

Pipe Material Proposed for open cut marine installation

Pipe Supplier for marine pipe

Unit price for alternative proposed by bidder: \$ _____ Per LF

- 20A 78" Intake Pipe, STA 22+50 to POE, Open Cut Marine
Alternative Pipe Material Proposed: _____
Pipe Supplier: _____
Unit Price: \$ _____ per LF

The Bidder understands and agrees that the Owner may consider the Alternative Bid Items in determining the lowest responsive bidder. The decision to consider the Alternative Bid Items is the Owner's sole decision. Alternative Bid Items will be considered only when there is potential for the alternative to provide the Owner with greater or equal value than established by the Base Bid. The Owner will consider the likely impact of the time and Owner's additional costs for review of an alternative when determining whether to consider an alternative.

Bidders proposing on Alternatives are responsible to submit design details and sufficient supporting documentation to demonstrate that the proposed alternative is sound and provides the owner with equal or greater value than the "base bid items". Alternatives must meet the requirements of the plans and specifications. The documentation is not required at the time bids are submitted, but may be requested by the Owner following the bid opening if the Owner decides to consider a particular alternative. If requested, design details and supporting documentation shall be provided to the Owner within ten calendar days. Bidders shall identify the impacts of the proposed alternative(s) to any other portions of the project, including changes in schedule or cost.

The decision whether or not to accept an alternative following the owner's review and evaluation will be the sole decision of the owner. The best value to the owner and that the alternative provides an equal or better standard than established by the base bid item.

- 1.04** Award of the contract will be to lowest responsive, responsible bidder based on the Base Bid, any alternatives reviewed and acceptable to the Owner, and bid that is considered to be in the best interest of GCDC-WWS.
- 2.01** **BID CONDITIONS.** Bidder has carefully checked the Bid against the Agreement and Contract Documents before preparing the Bid and accepts the items listed in the Bid as substantially correct, both as to classification and amount and as correctly listing the complete Work to be done in accordance with the Agreement and Contract Documents.
- 3.02** Bidder agrees that the Work shall be Substantially Completed and finally completed and ready for final payment on or before the dates or within the number of days indicated in Section 4.02 of the Agreement.
- 3.03** Bidder agrees to the provisions of the Agreement as to liquidated damages (as set forth in Section 4.03 of the Agreement) in the event of failure to complete the Work within the times specified in Section 4.02 of the Agreement.
- 4.01** The following documents are attached to and made a part or condition of this Bid:
- A.** Legal status of Bidder shall be included (Attachment A). If Bidder is an entity, the authorization of appropriate officers, managers, members or partners as the case may be, authorizing the person signing the Bid to obligate the entity for a contract shall be submitted;
 - B.** Non-collusion Affidavit of prime Bidder (Attachment B);
 - C.** A tabulation of Subcontractors, Suppliers and other individuals and entities required to be identified in this Bid (Attachment C);
 - D.** Required Bidder's Qualification Statement with supporting data (Attachment D; 48 hours after request to do so);
 - E.** Bidder Certification (Attachment E);
 - F.** Required Bid security in the form of a certified check or cashier's check or Bid bond (Attachment F);
 - G.** Certification of Debarment (Attachment G);
 - H.** Safety Questionnaire (Attachment H; 48 hours after request to do so);
 - J.** Bidder shall acknowledge receipt of any Addenda by noting the Addenda on the first page of the Bid and by return of the signed affidavit enclosed with each Addenda;

- K** The name of Bidder and its official or registered address, telephone number, fax number and e-mail address shall be set forth on the last sheet of the Bid; and
- L.** All items in the Bid shall be completed as noted in writing.
- 5.01** The capitalized words used in this Bid, shall have the meaning indicated in the General Conditions and the Supplementary Conditions.
- 6.01** Communications concerning this Bid shall be addressed to the following person or such other person as who may subsequently be identified by GCDC-WWS:

NAME	Matthew T. Raysin, P.E.
PHONE	(810) 732-7870
ADDRESS	Genesee County Drain Commissioner's Office Division of Water & Waste Services G-4610 Beecher Road Flint, Michigan 48532
FAX	(810) 732-9773

Submitted on _____, 20____

Michigan Contractor License No. _____

If Bidder is:

Individual/Sole Proprietorship

Name (typed or printed): _____

By: _____
(Individual's signature)

Doing business as (d/b/a): _____

Business Address: _____

Telephone No.: _____ FAX No.: _____

E-Mail Address: _____

Partnership

Partnership Name: _____

By: _____

(Signature of partner – attach evidence of authority to sign)

Name (typed or printed): _____

Business Address: _____

Telephone No.: _____ FAX No.: _____

E-Mail Address: _____

Corporation

Corporation Name: _____

State of Incorporation: _____

By: _____

(Signature of officer – attach evidence of authority to sign)

Name (typed or printed): _____

Title: _____

Business Address: _____

Telephone No.: _____ FAX No.: _____

E-Mail Address: _____

A Limited Liability Company

Limited Liability Company Name: _____

State of Formation: _____

By: _____

(Signature of manager or member – attach evidence of authority to sign)

Name (typed or printed): _____

Title: _____

Business Address: _____

Telephone No.: _____ FAX No.: _____

E-Mail Address: _____

**~~Indefinite-scope, Indefinite-delivery~~ Contract Number 00383
2012 Professional General Architectural/Engineering Services**

CITY OF FLINT WATER SUPPLY ASSESSMENT

November 2012

1. Scope of Work

Tucker, Young, Jackson, Tull, Inc. (TYJT), at the request of the State Treasurer is providing a proposal to perform an analysis of the water supply options being considered by the City of Flint. The work would be completed as an authorized task under the reference contract, Contract No. 00383. This proposal provides a background of our understanding of the issues, our approach, schedule dates, and the level of effort to perform the task.

2. Background

The City of Flint is presently supplied potable water from the Detroit Water and Sewerage Department (DWSD). This supply is from a single 72-inch water main that terminates at a master meter located at Potter and Baxter. Additionally, downstream of the DWSD master meter, Flint supplies its customer Genesee County. The City of Flint also operates a water treatment plant that uses the Flint River as its source of supply to provide back up and redundancy to the DWSD supply as required by MDEQ.

The Karegnondi Water Authority (KWA) is planning on constructing a raw water supply system that could provide Lake Huron water to the Flint's Water Treatment Plant. Flint's existing plant would be upgraded to treat the new raw water source.

The State Treasurer has appointed an emergency financial manager for the City of Flint. As such the Treasurer has requested TYJT to provide an analysis of the water supply options to assist the Treasurer in determining the best course going forward for the City of Flint.

3. Scope of Work

The proposed scope of work summarizes TYJT's approach to perform the analysis. The work includes data collection and review, an engineering evaluation, and recommendations. The recommendations would be provided in a report that would also include a description of all the work performed under this task.

3.1. Data Collection and Review

To perform an analysis of competing proposals it is important to provide a relative or "apples-to-apples" comparison. As example, DWSD's cost of service includes all capital, financing, and operation and maintenance costs to deliver the water to Flint's system. Therefore, it will be necessary for an assessment of KWA's proposal to also include all of these costs in the comparison.

Additionally, DWSD is proposing other alternatives to its existing agreement with Flint that will also need to be evaluated. The options currently proposed include:

- Using DWSD's new model contract that provides reduction in cost for communities with their own storage,
- Moving the location of supply from Potter and Baxter to the Imlay Pumping Station to reduce fees associated with elevation and distance from DWSD's water plants,
- Providing finished (potable) non-pumped water from the Lake Huron Water Treatment Plant, and
- Providing raw (not treated) non-pumped water from the Lake Huron Water Treatment Plant.

This phase of the work would include the collection and review of the following documents:

- The Lake Huron Water Supply Karegnondi Water Authority Preliminary Engineering Report, dated September 2009 and the 2012 update by Rowe Engineering;
- The Analysis of the Flint River as a Permanent Water Supply for the City of Flint Report, dated July 2011;
- Proposed or draft contract agreements that would be used between the KWA and the City of Flint;
- DWSD's contract rates based on the new model contracts;
- Information related to other DWSD proposals for service to Flint; and
- Other letters, minutes, etc. from all parties that provide information that could be used in the evaluation.

All information provided would be evaluated and subsequent meetings would be held with the DWSD, Flint and the KWA to address any data gaps or clarifications that may be required. These meetings would be coordinated with the Treasurer so that its representatives can be present at the meetings. For the purpose of this proposal, TYJT has assumed a total of two meetings for both the DWSD and KWA.

3.2. Engineering Evaluation

The City of Flint Emergency Financial Manager has indicated that he believes the determination of who supplies water to the City's system should mainly be based on the following criteria (in order of importance):

- Cost,
- System redundancy/reliability, and
- The recognized limitation of the Flint River as a source to supplying all of Flint's water needs.

In consultation with the Treasurer, these factors plus additional ones that may be identified in the evaluation process would be used.

An analysis will be performed for the options identified and a comparison will be made based on cost, reliability of supply, and any limitations that may identified by both suppliers in providing the needed service.

TYJT will draft a report for the Treasurer that identifies the information collected, the analysis process, our findings, and the recommendations made. Our recommendations will be based on the risks to Flint associated with the options identified. TYJT will then incorporate comments from the Treasury's review and submit a final document to the Department of Treasury for their use.

Furthermore, as is done as a standard of practice at TYJT for quality control and quality assurance (QA/QC), an independent review will be completed by staff or outside consultants not directly involved in the project. These reviewers will have noted experience in the field necessary to complete the QA/QC reviews. Two reviews are envisioned; one to review the evaluation process and the other to review the findings and recommendations.

4. Schedule

At the meeting between all interested parties on November 1, 2012, two dates were identified by the Treasurer. The first date identified was December 20, 2012 for the preliminary evaluation to be provided to the State. The second date was January 15, 2013 for the Treasury to make a decision on the City of Flint water supply. TYJT proposes to complete the draft report for submittal on December 20th. This will provide a two week review period by the Treasury. The final report would then be completed and submitted one week prior to the January 15th deadline. TYJT will also be available, if requested by the Treasurer, to attend a general meeting with all parties involved at the conclusion of the work.

5. Level of Effort and Cost

TYJT estimates the level of effort to be \$39,500. The work would be billed on a time and material basis using the rates in the reference contract, Contract No. 00383.

Koryzno, Edward (Treasury)

From: David Guastella <DGuastel@tyjt.com>
Sent: Tuesday, December 04, 2012 1:08 PM
To: Koryzno, Edward (Treasury)
Subject: FW: water questions
Attachments: Flint Informational Request.docx

Ed

Attached is the list summarizing where we are at regarding collection of the information. The email below is in response to what Ed Kurtz provided this morning.

Thanks,
Dave

From: David Guastella
Sent: Tuesday, December 04, 2012 11:00 AM
To: 'Ed Kurtz'
Cc: jwells@gcdcwws.com; mbrown@reinvestflint.org; fraserR1@michigan.gov; Koryzno, Edward (Treasury) (KoryznoE@michigan.gov); George Karmo; Awni Qaqish
Subject: RE: water questions

Good morning Ed,

We will review the links you provided for Action Item No. 8; however, we still do not have information from the other items. Below is a description of the outstanding items. I have also attached the action item list once again for your use.

Please respond as soon as possible as this is delaying our ability to complete our evaluation.

Thank you,

Dave

Action Item No. 1: Below is the email from Brent. We have requested a breakdown of the cost estimate and what the improvements are for; this information was not received.

Also, John O'Brien indicated that the cost has changed (reference Discussion Item No. 3 of our minutes on 11/21/12). Mr. O'Brien was to provide the updated costs and a description of the planned improvements to the plant.

The proposed back up to the KWA line is for the Flint WTP to change over from treating lake water to treating river water. A treatment train schematic would show how this is to be done and what treatment processes are required for each. Our concern is how easily this can be done and if there would be any potential water quality issues with mixing the two sources.

Action Item No. 2: I checked with Awni Qaqish and he did not receive the operating agreement from John O'Brien on November 20th. Please forward as soon as possible.

Action Item No. 7: Please let us know when we can anticipate getting this information from Genesee County.

Action Items No. 9 through 12: Please let us know when we can anticipate getting this information from you.

From: Ed Kurtz [<mailto:ekurtz@cityofflint.com>]
Sent: Tuesday, December 04, 2012 8:16 AM
To: David Guastella
Cc: jwells@gcdcwws.com
Subject: water questions

Attached is the response to your last set of questions. With the exception of question 7 which will be provided by the Genesee County Drain Commission, I believe we have answered all your questions. If you need more information please contact me. Ed

**Indefinite-scope, Indefinite-delivery Contract Number 00383
2012 Professional General Architectural/Engineering Services**

CITY OF FLINT WATER SUPPLY ASSESSMENT

Action Items for Follow-up			
Items:	Assigned To:	Date to Complete	Status as of 11/29/12
Requests Made at 11/20/12 Meeting			
1. Updated Costs for the Flint WTP Improvements and a description of the improvements.	John O'Brien	11/21/12	<i>Not Received</i>
2. KWA Operating Agreement, Capacity Contract and Articles of Incorporation.	John O'Brien	11/20/12	<i>Not Received</i>
3. Provide the last 10 years of audited financial statements for the Genesee water fund.	John O'Brien	11/20/12	Received 11/29/12
4. Provide multiple years of financial statements for the City of Flint water fund.	Duffy Johnson	11/26/12	Received 11/26/12
5. Provide schematic of the Flint WTP and a map of the Flint transmission system.	Brent Wright	11/26/12	Received 11/21/12
6. Provide the length of the intake pipe from the crib to the pump station.	John O'Brien	11/20/12	Received 11/29/12
7. Provide a list of assumptions that the \$272 million cost estimate is based on since the route is now known.	John O'Brien	11/26/12	<i>Not Received</i>
Email request to D. Johnson 11/26/12			
8. Copy of the labor agreements for the Flint WTP	Duffy Johnson		<i>Not Received</i>
Email to E. Kurtz 11/28/12			
9. Please identify the type of bonds, KWA is anticipating on using. If they are municipal bonds, whose credit rating will be used for the KWA work?	Ed Kurtz		<i>Not Received</i>
10. Please provide the most recent credit ratings for the appropriate enterprise fund applicable for the Flint work at the WTP and the KWA transmission system.	Ed Kurtz		<i>Not Received</i>
11. If the bonds are revenue bonds, please identify the percent reserve assumed and the percent coverage anticipated.	Ed Kurtz		<i>Not Received</i>
12. In the 09' KWA report 37% was assumed for engineering, contingencies, and bonding. In the 2012 update the percentage dropped to 25% for engineering and contingencies; bonding was not shown as part of the percentage. Does the 25% include bonding issuance costs? What percentage is assumed in either case for the issuance of bonds?	Ed Kurtz		<i>Not Received</i>

13. Please provide the last three years of water purchased and water billed. This will help us to determine the water loss amount. If the water loss is high, a proactive water audit program could reduce the total volume needed from the KWA. This could reduce the size of the pipeline and pumping needs.	Ed Kurtz		<i>Not Received</i>

Summary of FY 2013-14 DWSD Cost Allocations to Flint Under Various Scenarios
Flint Only

	Revenue Requirement	Rates and Charges		
		Fixed	Commodity	Avg Unit Cost
1 Status Quo (Flint Portion)	12,574,900	379,304	13.01	20.39
2 Suggested Cct (Flint Portion)	11,281,100	351,661	12.06	19.27
3 Change	(1,293,800)	(27,643)	(0.95)	(1.12)
4 % Change	-10.3%	-7.3%	-7.3%	-5.5%
5 Max Day Only	9,904,300	294,542	10.87	16.91
6 Change	(1,376,800)	(57,119)	(1.19)	(2.36)
7 % Change	-13.9%	-19.4%	-10.9%	-14.0%
8 Add CTA Line to BP	10,093,100	310,271	10.87	17.23
9 Change	188,800	15,729	0.00	0.32
10 % Change	1.9%	5.1%	0.0%	1.9%
11 CTA to BP / Flint only to FWTP	12,446,300	506,371	10.87	21.25
12 Change	2,353,200	196,100	0.00	4.02
13 % Change	18.9%	38.7%	0.0%	18.9%
14 Add CTA Line to FWTP	10,191,200	318,450	10.87	17.40
15 Change	(2,255,100)	(187,921)	0.00	(3.85)
16 % Change	-22.1%	-59.0%	0.0%	-22.1%
17 CTA to FWTP / Buy existing 72	10,009,600	303,315	10.87	17.08
18 Change	(181,600)	(15,135)	0.00	(0.32)
19 % Change	-1.8%	-5.0%	0.0%	-1.9%
20 Cumulative Change	(2,565,300)	(75,989)	(2.14)	(3.31)
21 Cumulative % Change	-20.4%	-20.0%	-16.4%	-16.2%

	Assumptions				
	Avg Day	Max Day	Peak Hour	DWSD Investment	
				CTA	Flint Only
	<i>mgd</i>	<i>mgd</i>	<i>mgd</i>	\$	\$
1 Status Quo	24.6	45.6	47.7	0	0
2 Suggested Contract	23.4	40.6	42.4	0	0
3 Max Day Only	12.0	18.0	18.0	0	0
4 Add CTA Line to BP	12.0	18.0	18.0	62,290,800	0
5 CTA to BP / Flint only to FWTP	12.0	18.0	18.0	62,290,800	32,391,300
6 Add CTA Line to FWTP	12.0	18.0	18.0	94,682,100	0
7 CTA to FWTP / Buy existing 72	12.0	18.0	18.0	94,682,100	(2,500,000)

TFG

Flint ADD: 0.00 MGD - MCF/Day
WSD ADD: 12 MGD 1,604 MCF/Day

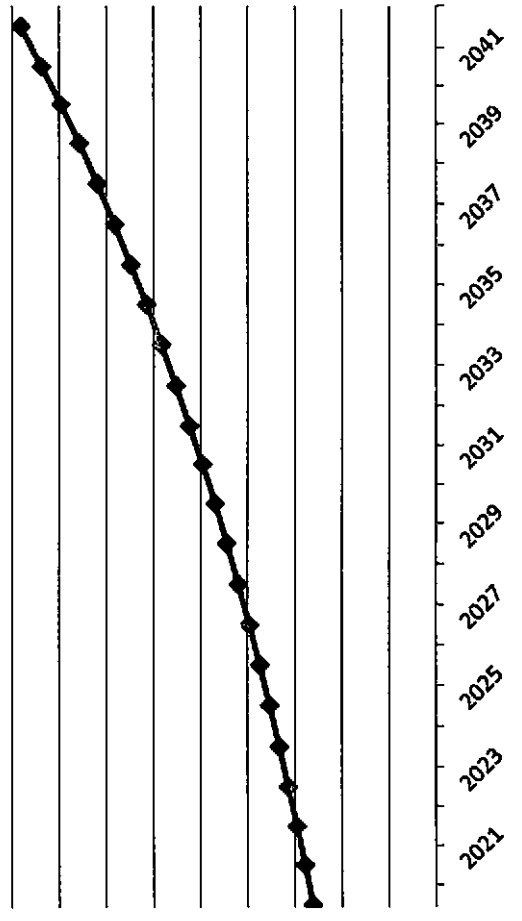
Flint: - MCF
DWSD: 585,561 MCF

JTP O&M: - /MCF \$ - /Yr
DWSD: \$ 17.08 /MCF \$ 10,001,390 /Yr

Flint: 4.51% /Yr
DWSD: 4.7% /Yr

Amount: \$ -
Reserve: \$ - 0% Reserve Rate: 0.00%
s Reserve: \$ -
Bond Rate: 5%
r of Years: 25
nual Cost: \$0

Maximum Day Customer Twinning Option DWSD Owns Both Lines



2013	\$	-	10,001,390	-	\$ 10,001,390
2014	\$	-	10,471,456	-	\$ 10,471,456
2015	\$	-	10,963,614	-	\$ 10,963,614
2016	\$	-	11,478,904	-	\$ 11,478,904
2017	\$	-	12,018,412	-	\$ 12,018,412
2018	\$	-	12,583,278	-	\$ 12,583,278
2019	\$	-	13,174,692	-	\$ 13,174,692
2020	\$	-	13,793,902	-	\$ 13,793,902
2021	\$	-	14,442,216	-	\$ 14,442,216
2022	\$	-	15,121,000	-	\$ 15,121,000
2023	\$	-	15,831,687	-	\$ 15,831,687
2024	\$	-	16,575,776	-	\$ 16,575,776
2025	\$	-	17,354,838	-	\$ 17,354,838
2026	\$	-	18,170,515	-	\$ 18,170,515
2027	\$	-	19,024,529	-	\$ 19,024,529
2028	\$	-	19,918,682	-	\$ 19,918,682
2029	\$	-	20,854,860	-	\$ 20,854,860
2030	\$	-	21,835,039	-	\$ 21,835,039
2031	\$	-	22,861,286	-	\$ 22,861,286
2032	\$	-	23,935,766	-	\$ 23,935,766
2033	\$	-	25,060,747	-	\$ 25,060,747
2034	\$	-	26,238,602	-	\$ 26,238,602
2035	\$	-	27,471,816	-	\$ 27,471,816
2036	\$	-	28,762,992	-	\$ 28,762,992
2037	\$	-	30,114,852	-	\$ 30,114,852
2038	\$	-	31,530,250	-	\$ 31,530,250
2039	\$	-	33,012,172	-	\$ 33,012,172
2040	\$	-	34,563,744	-	\$ 34,563,744
2041	\$	-	36,188,240	-	\$ 36,188,240
2042	\$	-	37,889,088	-	\$ 37,889,088

25 Yrs Cumulative
\$ 458,060,853

30 Yrs Cumulative
\$ 631,244,349

Flint ADD: 0.00 MGD - MCF/Day
 DWSD ADD: 12 MGD 1,604 MCF/Day

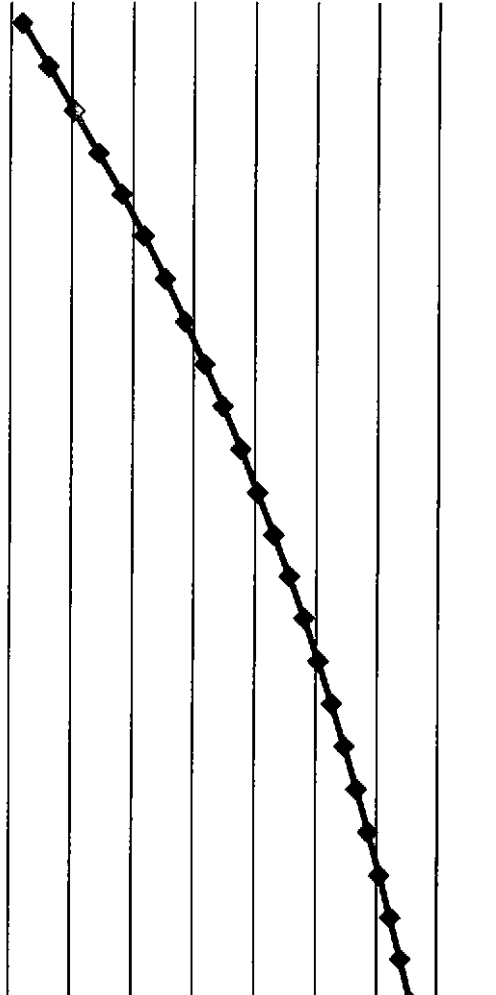
Flint: - MCF
 DWSD: 585,561 MCF

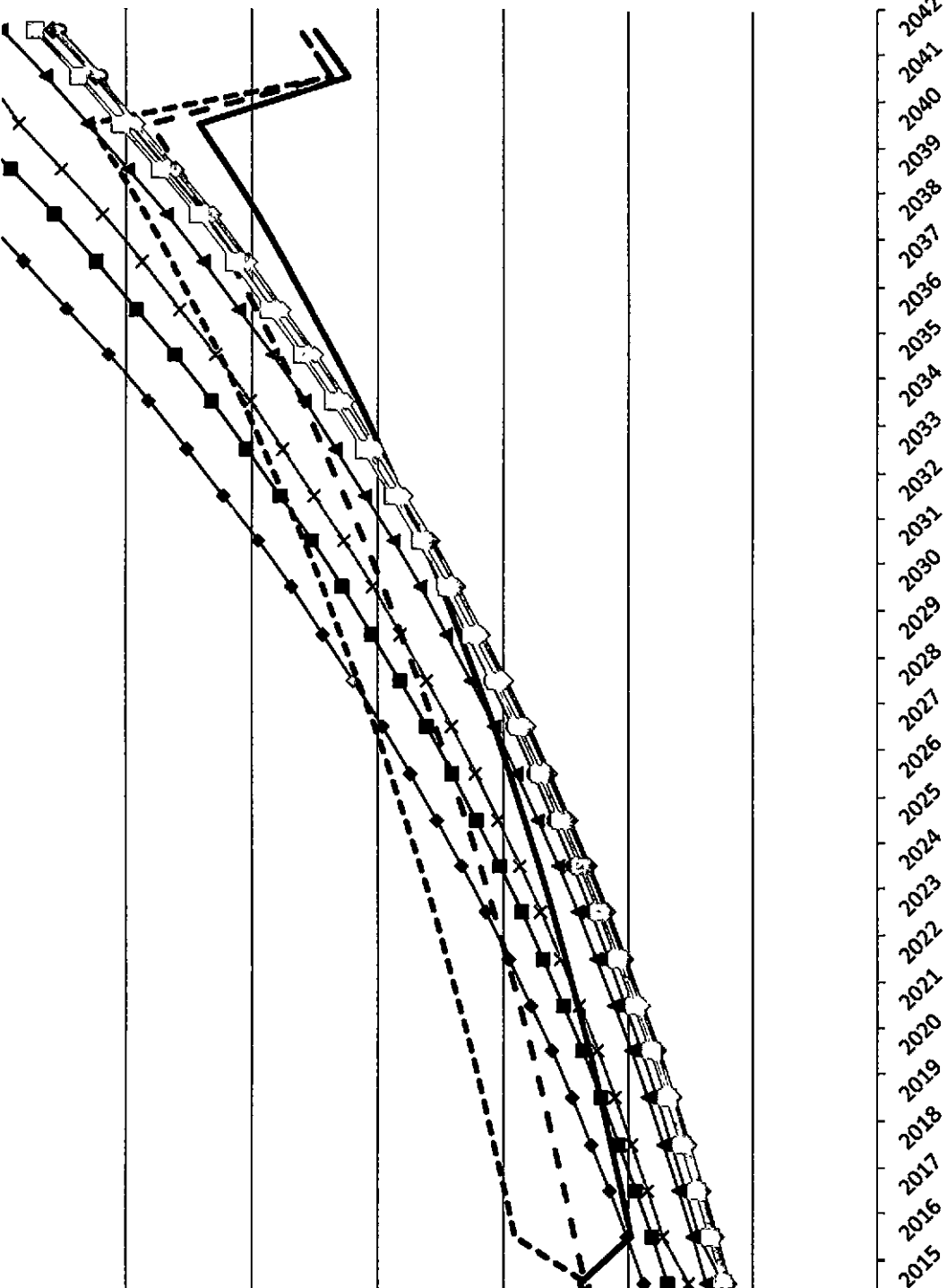
plv
 t WTP O&M: - /MCF \$ - /Yr
 DWSD: \$ 17.40 /MCF \$ 10,188,770 /Yr

Rate
 Flint: 4.51% /Yr
 DWSD: 4.7% /Yr

ire
 Amount: \$ -
 Reserve: \$ - 0% Reserve Rate: 0.00%
 Plus Reserve: \$ -
 e Bond Rate: 5%
 ber of Years: 25
 Annual Cost: \$0

imum Day Customer Twinning Option DWSD Owns New Line





Option
Flint WTP Only
DWSD 8 MGD Max Day at Imlay
KWA 10/31/12 Update
DWSD 8 MGD Max Day at P&B
KWA-1
DWSD 12 MGD Max Day at Imlay
DWSD 12 MGD Max Day at P&B
KWA -2
DWSD 18 MGD Max Day at P&B
DWSD 18 MGD Max Twin Own Both
DWSD 18 MGD Max Own New Line





STATE OF MICHIGAN CONTRACT NO. 271N3200089

CITY OF FLINT WATER SUPPLY ASSESSMENT

At the request of the Treasurer, Tucker, Young, Jackson, Tull, Inc. (TYJT) makes the following recommendation to the Department of Treasury concerning Flint's water supply alternatives. Based on the financial analysis performed of the various options presented by DWSD to continue treated water service to Flint compared to Flint being supplied by the new KWA untreated water system, TYJT believes that several of the options presented by DWSD are lower in cost currently and over the long run than the one offered by KWA. TYJT also believes that DWSD's most recent offer (subsequent to the submittal of our report) to build a smaller parallel water main from Imlay to Flint, funded by the entire DWSD base of customers, is the best solution offering the least cost alternative and the required redundancy by MDEQ.

Furthermore, since a majority of the KWA system has not been designed and none of the system has been constructed, there is an additional risk that the cost of the KWA system may actually be higher than estimated due to potential construction delays and unforeseen conditions. This risk to Flint could be substantial since the city is responsible for 30 percent of the KWA design and construction costs while still having to purchase water from DWSD during the construction period.

Finally, there are other issues that were identified in our report that may result in risks to Flint if it were to join KWA that should be considered by the Treasury in determining how Flint's potable water should be supplied. These issues are related to redundancy and reliability, other items affecting cost, and Flint's desire to control its own destiny related to its water supply. These are described further below.

- DWSD's supply to Flint is via a 72-inch water main from Imlay City. This main also supplies Imlay City, Mayfield and the Greater Lapeer County Utilities Authority (GLCUA). The volume of water contained within the 72-inch main is approximately 30 million gallons. If Genesee and Flint move to KWA then the three remaining communities' consumption would most likely not be large enough to maintain fresh water in DWSD's pipeline (due to loss of chlorine residual). DWSD may consider shutting down the 72-inch line completely due to the water quality concerns, which would then create an additional burden for Imlay, Mayfield and GLCUA to finance treated water supplies.
- The KWA supply option is counter to the Treasury's Competitive Grant Assistance Program (Formerly EVIP Grant). This program has been put in place to allow for communities to consolidate their services and save money. Two existing customers of DWSD (Flint and Genesee County) along with the potential of others customers (GLCUA, Mayfield, Imlay City) separating from another water system is in contradiction to the program.
- There is a concern over the ability of smaller systems (KWA) over larger systems (DWSD) to pay for future unfunded mandates and regulations. Obviously, identifying regulation requirements over 30 years is hard to determine. However, it is widely accepted that a large system has greater ability to respond to unfunded mandates because the cost can be distributed over a large customer base.
- Although Flint will be responsible for 30 percent of the construction cost, they will only have a minority vote on the KWA board. Furthermore, there are other communities (Lapeer County, the City of Lapeer, and Sanilac County) that sit on the board and vote. However, they are not purchasing water nor contributing to the construction costs. Their position on the KWA Board will not provide them an ability to "control their own destiny," as they have stated to the Treasury.

Project Costs - TYJT Slides 26 through 30

	KWA	TYJT
Intake and Crib		
Construction	\$22,076,850	\$22,076,850
ELAC	\$5,519,213	\$5,519,213
Property	\$2,300,000	\$2,300,000
Pumping Stations		
Construction	\$24,618,080	\$54,573,314
Land		\$75,000
ELAC	\$6,154,520	\$16,394,494
Transmission Mains		
Construction	\$166,202,316	\$167,419,530
ELAC	\$41,550,579	\$50,225,859
Easements		\$1,166,170
Engineering		
Design Engineering		\$16,939,581
Construction Management		\$14,434,609
Administration		\$349,440
Legal / Easements / Contracts		\$831,000
Power	\$4,000,000	\$4,000,000
Redundant Power		\$1,273,200
Total Construction	\$212,897,246	\$244,069,694
Total ELAC	\$53,224,312	\$104,694,196
Total Land / Property / Easements	\$2,300,000	\$3,541,170
Total Power	\$4,000,000	\$4,000,000
Total Redundant Power	\$0	\$1,273,200
Total	\$272,421,558	\$357,578,260
ELAC as % of Construction	25.0%	42.9%

UPDATE TO TREASURY REGARDING THE CITY OF FLINT EVALUATION OF WATER SERVICE DELIVERY

1. It is the goal of the City of Flint to assure the delivery of water to its residents and businesses at the lowest cost possible over the long term. City officials have expended considerable amounts of time over the past many months evaluating three primary options: water service delivery by KWA, continued water service delivery by DWSD, and sole reliance on the Flint River. At this time we continue to consider the KWA and DWSD options, but do not believe that sole reliance on the Flint River would be in the best interests of the City.
2. We have previously provided Treasury with an analysis of the KWA and DWSDS options. At this time, depending on the final outcome of negotiations regarding future costs, either option could be the best for the City.
3. Treasury engaged the services of Tucker, Young Jackson, Tull, Inc. (TYJT) of Detroit to review the assumptions underlying the KWA option. Their assessment was recently presented to City officials and raised several questions as to the credibility of the KWA option. City officials shared the TYJT assessment with Rowe Engineering and the Genesee County Water and Waste Services and requested their response to the TYJT analysis.
4. Rowe Engineering met with City Officials to review their response to the TYJT assessment and provided the attached report. In our judgment, Rowe adequately addressed the significant concerns raised by TYJT, including those related to pump station costs, land acquisition costs, legal, engineering and contingency estimates, and bonding costs. Consequently, it is our belief that the KWA proposal as outlined in October, 2012, is credible, and should continue to be used in evaluating the City's options.
5. Further, our review of the proposal from DWSD (December 21, 2012) raises questions which must be addressed. For example, the DWSD proposal indicates that the cost reductions would be phased in over five years. Further, no actual projected dollar amounts for the first year or subsequent years were included in the proposal. The City has asked DWSD, based on a projected water usage, to supply the City with projected dollar and unit costs over the next five years. The Detroit proposal also does not address projected future rate increases. (See attached Proposal and Rate information)
6. Based on the Proposal from Detroit along with projected rates for FY13 provided November 9, 2012 by DWSD, The City has developed a cost analysis of the following options:
 - a. Detroit Proposal 1 with a 6.8% annual rate of increase
 - b. Detroit Proposal 1 with a 4.4% annual rate of increase
 - c. KWA based on the Rowe study

It is important to note that a review of the City's records reflects a 10.5% average increase over the past 10 years. For the entire history of our contract with DWSD the average annual increase has been 6.7%. Note that the TYJT's analysis was based on the 2004 through 2014 years which showed a -7.4% rate increase in the first year (2004), while ignoring the 2003 year which showed a 38.1% rate

increase. The time period of 2002 through 2012 was used to calculate Genesee County' rate. (See attached Rate Analysis)

The City's projections for the above referenced options over the 30 year life is as follows: (See attached Cost Analysis)

- a. Detroit Proposal 1 with a 6.8% annual rate of increase—\$890,513,917
 - b. Detroit Proposal 1 with a 4.4% annual rate of increase—\$705,602,181
 - c. KWA based on the Rowe study—\$649,241,254 - P 1
7. One of the options provided by TYJT on page 9 of their slides projects a rate of \$11.11/MCF. If DWSD can provide that rate along with a guarantee of future rates not to exceed their projection of 4.4% over the life of the contract, the City would sign a contract with Detroit. It is the City's belief that the WSW would also sign a contract.
 8. If the City of Flint signs a contract with Detroit the following provisions should also be agreed upon:
 - a. The City would have a seat on the Technical Advisory Board
 - b. The City would have a seat on the DWSD board
 - c. That the City could opt out if the conditions as Proposed by DWSD are not agreed to
 9. All things being equal the City believes the following are also important:
 - a. The availability of raw water to the City and County for economic development in heavy/light industry, food processing and agriculture
 - b. The possibility of creating a Mid-Michigan Regional Water/Sewer Authority
 10. For the sake of regional integrity, it would also be a step backwards for the City of Flint and Genesee County to be on different water supply systems. It is in the City's best interest to be able to pursue shared services with nearby municipalities and counties
 11. The City would also reiterate the critical nature of long term costs. The City is not well served with decisions that work for the short term but not the long.

David Guastella

From: Bart Foster <bfoster@fostergroupllc.com>
Sent: Tuesday, December 11, 2012 9:27 AM
To: David Guastella
Cc: Raphael Chiolla; Sue McCormick; Darryl Latimer; George Karmo; Awni Qaqish; CUBBAJOHN@GMAIL.COM
Subject: Re: Indefinite-scope, Indefinite-delivery Contract Number 00383: City of Flint Water Supply Assessment
Attachments: TYJT Response Exhibit.pdf

Dave - please see attachment, which summarizes the information you are seeking. You should be aware of several items:

- The allocated costs of service and rates computed in the attachment follow an "all else being equal" application of the current (FY 2012-13) DWSD unit costs. This is consistent with the figures we've been discussing with Flint representatives in one on one meetings. Whenever these service requirements actually get applied in a proposed rate, the lower SYSTEM units associated with lower FLINT units (blending, max day, Genesee, etc.) will raise the unit costs for ALL customers, creating a moderate impact for ALL customers. We've acknowledged this to Flint representatives in our discussions. Frankly, with all of the other moving parts (associated with other customer contract renegotiations, changing revenue requirements from the new organization structure, etc.) - we are of the opinion that this approach is the most appropriate option.
- As such, in our discussions with Flint we've taken care to identify these figures as hypothetical results indicative of rate calculations, as opposed to firm offers.
- Scenarios 3 and 4 (average day service only) have not been part of our discussions with Flint to date.
- As Sue mentioned, our most recent discussions with Flint have introduced a potential rate "credit" for them providing their own redundancy and/or for DWSD reserving wheeling rights in the event that Flint elects to move their delivery point to Imlay. These elements are not part of the existing DWSD rate structure and are less easily quantified.
- We've not included any "rate" impact of the sale of the 72-inch main to Flint, nor have we been definitive with how that would work in our discussions with Flint. We contemplate that the transaction could be negotiated in a manner that takes the items mentioned in the prior bullet into consideration. We are scheduled to have further conversations with Flint on these concepts tomorrow.

I trust that this information is responsive to your requests. Let me know if you have any questions.

--

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Thank you.

From: Raphael Chirolla <chirolla@dwsd.org>
Date: Tuesday, December 11, 2012 9:42 AM
To: Bart Foster <bfoster@fostergroupllc.com>
Subject: Fwd: Indefinite-scope, Indefinite-delivery Contract Number 00383: City of Flint Water Supply Assessment

From: "David Guastella" <DGuastel@tyjt.com>
To: "Raphael Chirolla" <chirolla@dwsd.org>
Cc: latimer@dwsd.org, mccormick@dwsd.org, "George Karmo" <GKarmo@tyjt.com>, "Awni Qaqish" <aaqagish@tyjt.com>, "John Cubba" <CUBBAJOHN@GMAIL.COM>
Sent: Tuesday, December 11, 2012 9:03:46 AM
Subject: RE: Indefinite-scope, Indefinite-delivery Contract Number 00383: City of Flint Water Supply Assessment

Raphael

Per our conversation please run the following two scenarios for supplying only Flint from Potter/Baxter and from Imlay. The first assumes that DWSD will provide 2/3 rds of the average and maximum day demands, while the second option assumes that the Flint WTP will supply anything above the average day demand requirements.

1. Annual Volume: 390,374 MCF (8 MGD Average Day Demand)
Maximum Day: 12 MGD
Peak Hour: 12 MGD
2. Annual Volume: 390,374 MCF (8 MGD Average Day Demand)
Maximum Day: 8 MGD
Peak Hour: 8 MGD

Let me know if you have any questions.

Dave

From: Raphael Chirolla [<mailto:chirolla@dwsd.org>]
Sent: Tuesday, December 11, 2012 8:45 AM
To: David Guastella
Cc: latimer@dwsd.org; mccormick@dwsd.org; George Karmo; Awni Qaqish; John Cubba
Subject: Re: Indefinite-scope, Indefinite-delivery Contract Number 00383: City of Flint Water Supply Assessment

Shown below are the fiscal year volumes requested in 4 (1 through 3 will follow):

Water Volume 10 Year History		
WATER_DISTRICT	YEAR	SumOfVOLUME
Flint	2003	1636751

Water Volume 10 Year History		
WATER_DISTRICT	YEAR	SumOfVOLUME
Flint	2004	1522280.1
Flint	2005	1524720.5
Flint	2006	1494296.6
Flint	2007	1449577.6
Flint	2008	1437360.6
Flint	2009	1369646.1
Flint	2010	1194396.1
Flint	2011	1310873
Flint	2012	1192686.8

SOCWA added Bloomfield Hills to their service area in 2010 and Bloomfield Township in 2012.

Water Volume 10 Year History		
WATER_DISTRICT	YEAR	SumOfVOLUME
Southeastern Oakland County Water Authority	2003	1482551.5
Southeastern Oakland County Water Authority	2004	1334995.7
Southeastern Oakland County Water Authority	2005	1333539.4
Southeastern Oakland County Water Authority	2006	1297214.8
Southeastern Oakland County Water Authority	2007	1275240.7
Southeastern Oakland County Water Authority	2008	1245255.5
Southeastern Oakland County Water Authority	2009	1133789.8
Southeastern Oakland County Water Authority	2010	1148863.2
Southeastern Oakland County Water Authority	2011	1177239.1
Southeastern Oakland County Water Authority	2012	1496550.2

Water Volume 10 Year History		
WATER_DISTRICT	YEAR	SumOfVOLUME
Ypsilanti Communities Utilities Authority	2003	713830.4
Ypsilanti Communities Utilities Authority	2004	668886.6
Ypsilanti Communities Utilities Authority	2005	685447.3
Ypsilanti Communities Utilities Authority	2006	659786.7
Ypsilanti Communities Utilities Authority	2007	637748.2
Ypsilanti Communities Utilities Authority	2008	628582.6
Ypsilanti Communities Utilities Authority	2009	593256.6
Ypsilanti Communities Utilities Authority	2010	547256.9
Ypsilanti Communities Utilities Authority	2011	514036.1
Ypsilanti Communities Utilities Authority	2012	530966

From: "David Guastella" <DGuastel@tyjt.com>

To: "Raphael Chirolla" <chirolla@dwsd.org>

Cc: latimer@dwsd.org, mccormick@dwsd.org, "George Karmo" <GKarmo@tyjt.com>, "Awni Qaqish" <aqaqish@tyjt.com>, "John Cubba" <CUBBAJOHN@GMAIL.COM>

Sent: Thursday, December 6, 2012 2:48:21 PM

Subject: Indefinite-scope, Indefinite-delivery Contract Number 00383: City of Flint Water Supply Assessment

Raphael

Thanks for meeting with us regarding the Flint supply project we are working on for the Treasury. I have a few additional requests to help us evaluate Flint being supplied by DWSD or KWA. Please provide the following:

1. A FY 2012-13 Proposed Rate Calculation summary sheet for DWSD supplying 8 MGD using the new contract assuming that Flint would be a Maximum Day Customer of 8 MGD from their current master meter at Potter/Baxter.
2. A FY 2012-13 Proposed Rate Calculation summary sheet for DWSD supplying 8 MGD using the new contract assuming that Flint would be a Maximum Day Customer of 8 MGD from Imlay Station.
3. A FY 2012-13 Proposed Rate Calculation summary sheet for DWSD supplying 8 MGD using the new contract assuming that Flint would be a Maximum Day Customer of 8 MGD from Imlay Station with the purchase of the 72-inch main worked into the water rate (assume \$4.7M for the purchase).
4. The annual water sold to YUCA, SOCWA, and Flint for the past 10 years. This information is being used to validate KWA's proposed O&M escalation. We believe that YUCA and SOCWA would be similar enough to get a unitized cost for operations and maintenance. Flint is needed in case we are unable to get the GCDC water purchase from Flint.

Please feel free to contact me any time if you have questions. We are finishing up our cost comparison next week, so the sooner we can get this information would be much appreciated.

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**Summary of DWSD Cost Allocations to Flint Under Various Scenarios
Identified by TYJT**

	<u>Revenue Requirement</u> \$	<u>Rates and Charges</u>		
		<u>Fixed</u> \$/mo	<u>Commodity</u> \$/Mcf	<u>Avg Unit Cost</u> \$/Mcf
1 Flint MD Baxter Potter Blend	6,361,000	183,637	10.66	16.31
2 Flint MD Imlay Blend	5,610,100	172,081	9.09	14.38
3 Flint AD Baxter Potter Blend	4,945,800	132,649	8.60	12.68
4 Flint AD Imlay Blend	4,331,600	123,714	7.30	11.11

	<u>Assumptions</u>					
	<u>Avg Day</u> <i>mgd</i>	<u>Max Day</u> <i>mgd</i>	<u>Peak Hour</u> <i>mgd</i>	<u>Distance</u> <i>miles</i>	<u>Elevation</u> <i>feet</i>	<u>Sales</u> <i>mgd</i>
1 Flint MD Baxter Potter Blend	8.0	12.0	12.0	52.0	866	8.0
2 Flint MD Imlay Blend	8.0	12.0	12.0	45.2	804	8.0
3 Flint AD Baxter Potter Blend	8.0	8.0	8.0	52.0	866	8.0
4 Flint AD Imlay Blend	8.0	8.0	8.0	45.2	804	8.0

TFG

Koryzno, Edward (Treasury)

From: Koryzno, Edward (Treasury)
Sent: Wednesday, December 12, 2012 9:32 AM
To: Fraser, Roger (Treasury)
Subject: TJY&T Presentation of KWA Analysis

TJY&T will present their preliminary findings, per the RFP, on 12/21/12. Eric is working on a "guest list and location for the meeting. I suggested the Treasurer's Board room and I am proposing the following list for your consideration:

Andy
Roger
Brom
Ed
Eric
Ed Kurtz
Jerry Ambrose
Mike Brown

Have I missed anyone?

When I spoke to Ed Kurtz yesterday he asked to receive a copy of the findings before the meeting.



Edward B. Koryzno, Jr. | Administrator - Office of Fiscal Responsibility
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Thank you

Koryzno, Edward (Treasury)

From: Koryzno, Edward (Treasury)
Sent: Wednesday, December 12, 2012 11:27 AM
To: Fraser, Roger (Treasury)
Subject: FW: Flint Water Assessment Conference Call Report

Below are preliminary findings from TYJ&T.



Edward B. Koryzno, Jr. | Administrator - Office of Fiscal Responsibility
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Thank you

From: Cline, Richard (Treasury)
Sent: Wednesday, December 12, 2012 9:49 AM
To: Koryzno, Edward (Treasury); Byrne, Randall (TREASURY)
Subject: Flint Water Assessment Conference Call Report

Ed/Randy,

I just completed a phone conference with Dave Guastella regarding the status of the Flint Water Assessment. Here is a brief summary.

- TYJT is analyzing cost and inflation factors for the **DWSD** and **KWA** options.
- **DWSD** has an option of using their Model Contract option, which would lower Flint's rates.
- **DWSD** also has the Blended Water option. This could also lower Flint's rates, but would require the City to make some investment upgrades in their Water Plant.
- Another option would be to move the water supply point further east to the Imlay City area. This would lower rates but **DWSD** would also be interested in selling the 72" water main to Flint.
- TYJT is evaluating the cost model created by **KWA**, but there are some unknowns that make precise projections difficult.
- TYJT believes that **KWA** needs to increase the percentage of their Engineering Contingency to account for some of these unknowns.
- A Bonding Reserve of around 10% is apparently lacking.
- There appears to be insufficient capitalization of the principal and interest over the first 3-years of construction.

- **TYJT** is also evaluating projected Operation & Maintenance costs and projected escalation costs for each proposal.
- **TYJT** is also evaluating projected O&M costs for the Flint Water Plant as it would go into full-time operation.

These are preliminary findings and are still be evaluated. We will also be organizing the December 21st preliminary report presentation over the next week.

If you have any questions on this, please let me know.

Eric Cline | Unit Operations Specialist - Office of Fiscal Responsibility
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Review of TYJT December 21, 2012 Presentation
City of Flint Water Supply Assessment
Prepared by Rowe Professional Services Company

DWSD Supply (Slides 7 through 9)

1. The 8 mgd maximum day supply by DWSD options can result in periods during the summer when most of the water to meet demands will be supplied by the City from the river. To aid in maintaining a consistent water quality, softening of the water from the river should be provided with this option, greatly increasing the City's costs.
2. Upgrades to Flint's WTP and dams will be needed for options requiring blending, since the WTP will be required to provide continuous, reliable service and compliance with recent surface water treatment regulations.
3. The rates for the options analyzed are shown on Slide 9 as "TYJT Estimates". Options and rates shown are different than presented by DWSD previously.

	DWSD 11/29/2012	TYJT Estimates
18 mgd Maximum Day - P&B	\$16.24	\$16.37
12 mgd Maximum Day - P&B	\$16.30	\$16.31
8 mgd Maximum Day -P&B		\$12.68
12 mgd Maximum Day - Imlay	\$14.38	\$14.38
8 mgd Maximum Day - Imlay		\$11.11

4. Since the rates used in the analyses are shown as estimates, are they actual offers or just presented as "what if" scenarios?
5. We assume that the Imlay options are based on transfer of the 72" main through Lapeer County to Flint. The analyses show a capital cost of \$4.7 million; we assume that this is the proposed purchase / lease cost to Flint. This should be clarified along with pertinent details.
6. If the transmission main is transferred to Flint, what are Flint's responsibilities regarding service to the Lapeer County customers? If they remain DWSD customers, then Flint should receive some revenue for the use the main. It does not appear this is included in the TYJT analyses.
7. If the transmission main is transferred to Flint, we assume that the city will be responsible for the maintenance of the 50 year old main. The TYJT analysis did not include this.
8. Do the rates shown include the credit for "reliability" which had been discussed with DWSD?
9. If the point of commerce is changed from Baxter and Potter to Imlay, a new meter pit will be required. The cost of this does not appear to be included in the TYJT cost analyses.

Flint River Supply (Slide 10)

1. If any of the “blending” options are chosen, it will be necessary to upgrade the Flint WTP and dams to provide reliable, continuous service and compliance with recent surface water treatment regulations.

Data Collected (Slide 14)

1. The slide notes that Flint blending is based on DWSD supplying 2/3 and Flint supplying 1/3 of 12 MGD ADD. For the maximum day demand (18 mgd), if DWSD supplies a maximum of 8 mgd, Flint will supply 10 mgd or 56% of the total. However, such a large portion will make it more difficult to blend and achieve consistent water quality. Flint will need to soften water for these options.

Benchmarking Comparisons (Slide 16)

1. The slide subtitles are “KWA O&M Inflation Factor” and “DWSD and Flint Rate Inflation Factor”. It seems appropriate to benchmark O&M costs for the KWA, because future costs of service will be dependent on how operating costs are impacted by inflation. For Flint, it does not seem appropriate that “rate inflation” from other utilities be used to determine the impact of inflation on future cost of service. Rates are impacted by inflation, but also by other factors such as debt and customer base. O&M expenses and rates are different and care should be exercised not to mix the two during analyses. The TYJT analyses apply an inflation factor (based on rates from other utilities) to the Flint WTP operating expenses, which does not seem to be consistent.
2. The KWA will supply raw water; SOCWA and YUCA both supply finished water. Regulations impact the O&M for finished water suppliers but should not impact the KWA O&M. The use of data from SOCWA and YUCA does not seem like a comparable comparison with the KWA. Finished water suppliers will have increased costs due to regulatory compliance, which really are not due to “inflation” of the costs of wages, power, chemicals, etc.’
3. DWSD has a history of rates to Flint and other suburban wholesale customers. Rates tend to be quite specific to each utility, based on much more than just the costs of operating and maintenance. It appears that DWSD historical rates have not been considered in projecting future DWSD rate increases.

Capital Financing (Slide 17)

1. KWA bonds are planned to be general obligation bonds, backed by member counties.

O&M Inflation Factor (Slide 20)

1. SOCWA and YUCA are finished water suppliers; ever-changing regulatory requirements will impact their operating costs more than a raw water supplier, such as KWA.
2. KWA will be a supplier of raw water. O&M costs should primarily be limited to power and labor, with a little chemical use for zebra mussel control. KWA will not provide treatment of the water.

3. The KWA study assumed power, labor, and chemical costs increase at an annual average of 3%. TYJT indicated this is too low and suggested 5%.
4. Following are examples of historical inflation, which support the 3% as a reasonable assumption for O&M expenses (not rates)
 - a. Labor- GCDRC-WWS labor costs have increased at an annual average rate of 2.5% since 2003
 - b. Electricity Rates in Michigan (per U.S. Energy Information Administration) have increased an average of 3.2% since 1999.
 - c. The U.S. Bureau of Labor Statistics indicates that the inflation rate over the last 30 years has been an average of 2.8%.

Finished Water Rate Inflation (Slide 21)

1. TYJT bases their assumptions for rate inflation on a survey of rates from three other water suppliers, but ignored the actual rate history of DWSD. TYJT assumed DWSD rate increases of 4.4% annually (if water is purchased from P&B) and 2.9% annually (if water is purchased from Imlay). Based on the actual charges by DWSD to Flint, DWSD historical rates are as follows:
 - a. 10 year increase in DWSD rates to Flint:: 10.5% annually
 - b. Average annual increase through 45 year history: 6.7%
2. Note that for the KWA analyses, an inflation factor has just been applied to power, labor, and chemicals. Although higher prices for labor, power, and chemicals impacts utility rates; rates are impacted by many other factors, many of which are not related to inflation. Rate inflation will likely be different than O&M inflation. Other factors impacting rates:
 - a. Debt – the amount of debt varies widely between utilities
 - b. Number of customers / quantity of water sold – there are many fixed expenses with a utility, that if are distributed amongst more users/more gallons sold will result in lower rates. Conversely, if there are fewer users or less water sold, the rates are higher. Assumptions regarding future water consumption will have a great impact on “rate inflation”.
3. Unlike KWA and Flint operating expenses which will increase over time based on inflation, the cost of continued DWSD service should be based on the inflation of DWSD rates, to include the increasing cost of other DWSD expenses such as debt and the impact of reduced customers / demands in addition to increasing O&M expenses.
4. Even though there could be a one-time reduction in DWSD rates through adopting the model contract, limiting peak demands, and or changing the point of commerce; it doesn't seem reasonable to assume that subsequent annual increases will only average 4.4% through the 30 year period of analysis. This is significantly less than historical performance (yet TYJT suggests that inflation for KWA O&M expenses will increase at almost double the rate of historical indicators).

Capital Financing with Revenue Bonds (Slide 24)

1. Note that the KWA bonds will be general obligation bonds backed by the member counties.
2. The 2009 KWA Study assumed 6%, 25 year financing. The interest rate for planning was reduced in the 2012 Study update to 5%, which is still higher than if bonds were sold today.
3. Financial consultants determined the charges for purchasing capacity in the KWA supply based on the estimated project cost plus appropriate financing costs. Based on 60 units of capacity, \$538,764,000 will be generated for repayment of debt and project costs using the capacity charges in the KWA capacity agreement.

25 years * 60 units * \$355,300 / unit =	\$532,950,000
3 years * 60 units * \$32,300 / unit =	\$ 5,814,000
	\$538,764,000
4. For a KWA project cost of \$272,421,558, total P&I is \$483 million. The difference of \$55,500,000 is available for financing expenses (capitalized interest, bond issuance costs, etc.) and additional contingencies.
5. Bond holder reserve is not a requirement for general obligation bonds.
6. TYJT assumed that 3% interest would be earned on the bond holder reserve during the 25 year bond period. Current interest rates are less than 1% and it seems inappropriate to assume such a high rate will be earned on retained funds.
7. Bondholder reserve, if provided, should be applied against the last couple of P&I payments. The TYJT did not apply it. This will reduce their project costs.

KWA Construction (Slides 26 through 29)

TYJT has indicated that the KWA construction cost estimate is too low. The primary differences in cost estimates for the project appear to be the following components:

1. Pump Stations (Slide 27) – The TYJT estimate for the pump stations is more than double that used by the KWA (\$54,573,314 vs. \$24,618,080). KWA estimates were based on actual construction costs from recent projects completed by Genesee County within the last eight years.
 - a. 32mgd water pump station including two-10 MG ground storage tanks - \$13.4 million
 - b. 80 mgd wastewater pump station, 50 feet deep wetwell – \$8.3 million
 - c. 30 mgd wastewater pump station, 50 feet deep wetwell – \$9.4 million

The KWA budgeted amount seems reasonable for two pumping stations as currently planned and to be constructed in rural areas (not southeast Michigan).

2. Redundant Power – There is no need for redundant power; other provisions will provide reliability of supply.
3. Land – Preliminary engineering has continued so earlier budgets established for planning for land acquisition can be greatly reduced. Options have been obtained on all properties which must be

purchased, so purchase prices are known. It will be necessary to obtain easements for only two miles of pipeline construction. All land costs are now estimated at \$1.25 million.

4. Engineering, Legal, Administration & Contingencies

- a. The October 2012 KWA estimate provided an allowance of 25% of construction cost to cover engineering, legal, administration, and contingencies (ELAC). This was reduced from the 38% allowance used in the 2009 Study because ongoing planning and design have firmed up many of the details of the project, including:
 - i. The intake design has been completed and all regulatory permits obtained.
 - ii. The transmission main route has been determined. Meetings with road agencies have firmed up the requirements for construction and restoration within rights-of-way. Environmental review and permitting are in process.

- b. TYJT costs for Intake Crib, Pump Stations, and Transmission Mains (Slide 30) include a 30% allowance for ELAC. These allowances (from Slides 26 through 28) total \$72,139,566. In addition, Slide 30 provides the following additional ELAC costs in the project total:

Design Engineering / Pump Stations	\$16,939,581
Construction Management	\$14,434,410
Administration	\$ 349,440
Legal	\$ 831,000
Total	\$32,554,431

- c. Combining this with the \$72,139,566 totals \$104,693,997 or 43% of the estimated construction cost. We believe that such a high allowance for ELAC is not appropriate for a project of this magnitude where preliminary engineering and some design have already been completed.

Cost Comparison (Slide 30)

1. The TYJT pump station price is too high based on costs of similar projects; costs used by KWA are based on costs of recent local projects. The KWA estimate is believed to be sufficient for the proposed pumping stations.
2. Redundant power is not required; this does not need to be included in the TYJT estimate.
3. Land for LHPS – actual price is \$360,000
4. Design Engineering / PS and Transmission – KWA included engineering in the 25% ELAC allowance included in the \$207,752,895 estimated cost of transmission mains; TYJT included engineering in their 30% ELAC allowance included in the \$218,811,559 estimated cost. By adding \$16,939,581 for design engineering, \$14,434,609 for construction administration, \$349,440 for administration, and \$831,000; it seems that ELAC is being “double-counted”. The TYJT 43% allowance for ELAC seems unwarranted for a project with a great deal of preliminary and design engineering completed. The 25% KWA allowance is believed to be sufficient.
5. Easements and land (other than LHPS) should total \$1,140,000, based on current options and specific needs for easements.

Other Considerations – Redundancy / Reliability (Slide 33)

1. Unfunded Mandates/ Future Regulations
 - a. The proposed KWA supply will deliver raw water; it is not anticipated to be affected by future changes to regulations. Regulations will impact the City of Flint with respect to treatment and/or distribution of finished water. The City will be subject to these requirements with any of the DWSD blending options, just as they will be responsible for them if supplied by KWA. Some compliance costs may actually be less with the higher quality Lake Huron water rather than Flint River water as the source.
2. State Goals
 - a. The TYJT presentation indicates that creation of a new raw water supply is contrary to the governor's goals as suggested. However, the development of a new raw water supply provides new opportunities. Communities in Sanilac, St. Clair, and Lapeer counties will have the option to join a regional water supply and replace their small local supplies where limited supplies and high concentrations of arsenic have been a concern. The new water supply also provides great economic development opportunities. The raw water supplied by KWA will make a new commodity, raw water, available to the region. A large, low-cost supply of raw water can be a valuable resource for industries and agribusinesses. The development of a new water supply will also create construction jobs through the short term period of building the new water supply and subsequently over a longer period as new businesses and industries are developed in the area.
 - b. The City of Flint and area communities will benefit as permanent jobs are created for operating and maintaining the local treatment facilities.
3. Redundancy
 - a. We agree that the KWA and DWSD options are similar with respect to redundancy. Both provide the primary water supply; customers are responsible for their backup supply.

Other Considerations – Cost Slide 34

1. TYJT indicates that the DWSD 8 mgd supply option is the least cost alternative.
 - a. The TYJT analysis does not include the cost of needed upgrades to the City's WTP or increased operating costs in their analysis. During summer months, water from the river will need to be softened before blending. More than half of the water supplied will be provided from the river. When the cost of upgrades to the WTP and the increased operating costs (for softening) are added to the TYJT analysis, the KWA option is less than the DWSD 8 mgd option.
2. For any of the DWSD "blending" options, upgrades will need to be made at the WTP to provide for continuous, reliable operation and compliance with new surface water treatment rules. Increased capital and operating costs for treating water from the river should be added to the TYJT costs for comparison with the other options.
3. Water from the river will require greater effort to treat than water from Lake Huron (more chemicals, power, and residuals). The TYJT analysis shows about the same O&M costs for the Flint WTP, regardless of water source. It seems that the WTP O&M costs for the KWA options should be reduced to reflect the savings from treating Lake Huron water.

4. The TYJT presentation noted that the KWA analysis did not include allowances for mechanical and process improvements within the planning period. The KWA will supply raw water. The facilities consist of pipe, pumps, and a tank. There are no treatment facilities which would be susceptible to future regulatory changes. The only improvements that seem likely would be the need to provide additional capacity. Capacity expansion is planned to be financed through capacity charges to new users.
5. The provision for redundant connections between the City's water system and the GCDC system was included in the most recent water supply agreement between the two, in 2011. Although not a KWA cost, the cost of the redundant connections should be considered with all options.
6. The \$2.3 million budgeted for land by KWA was intended to cover all land requirements. Since the October update, options have been obtained on all land to be purchased and the locations of easements needed has been finalized. Total land costs are now estimated to be about \$1.5 million.
7. The 2004 study included a 47% allowance for engineering, legal, administration, and contingencies (ELAC). The 2009 study reduced the allowance for ELAC to 37% because many of the details since the 2004 conceptual study had been better defined. For the October 2012 update, the allowance for ELAC was reduced to 25% because continued planning and preliminary engineering further addressed details from the earlier concepts.
 - a. The detailed design (plans and specifications) and permitting have been completed.
 - b. The transmission main route has been finalized. Meetings with road agencies have established requirements for construction and restoration within road rights-of-way. Environmental permitting is in process. The primary remaining unknown is pipe sizing, which is largely dependent on Flint's participation.

It is our experience that the 25% ELAC allowance is appropriate for a project of this magnitude at this stage in the planning / design stage. The 43% ELAC allowance recommended by TYJT is excessive for a project in the design phase.

8. Flint's WTP as a backup to the KWA will be less difficult to provide for than the current arrangement as a backup to DWSD. We believe there is potential for challenges with chemistry and treatment for the proposed DWSD blending options, too.
9. It doesn't seem that oversizing the KWA capacity is a good solution for the city's water loss problems, if that is what is being suggested.
10. Yes, it would be nice if the KWA system could be constructed to firmly determine its cost and time to complete before making a decision about water supply alternatives. However, a decision is needed regarding Flint's participation so that the sizing and design can be completed, before it can be built.

Lamphier, Wendy (Treasury)

From: Sue McCormick <mccormick@dwsd.org>
Sent: Friday, December 21, 2012 12:07 PM
To: Ed Kurtz; Michael Brown
Cc: dillona; DGuastel@tyjt.com
Subject: DWSD Proposals for Water Service to Flint
Attachments: City_of_Flint_Water_Service_Proposalcover letter.pdf; Flint Proposals12.20.2012.docx

Follow Up Flag: Follow up
Flag Status: Flagged

Gentlemen,

Please find attached DWSD's proposals for Water Service to Flint. Two proposals are offered based on the needs and interests of the City of Flint. Hard copies are in the mail.
There remain some unknowns on the timing of various factors affecting the relationship between Flint and Genessee so while the rate proposals are firm, the illustrations remain subject to negotiations.

We are pleased to advance either proposal through further negotiation to a contract.

Happy Holidays!

Best regards,

Sue

Sue F. McCormick, Director
Detroit Water and Sewerage Department
735 Randolph, Room 506
Detroit, Michigan 48226
Office (313)224-4701
Fax (313)224-6067
McCormic@dwsd.org

December 21, 2012

Mr. Ed Kurtz, Emergency Financial Manager
City of Flint
1101 S. Saginaw Street
Flint, Michigan 48502

Dear Mr. Kurtz:

RE: Water Service Proposals to the City of Flint

Thank you for the conversations over the most recent months that have allowed the Detroit Water and Sewerage Department (DWSD) to understand and appreciate the needs and concerns of the City of Flint as you approach your decision regarding the future water supply for the City. I am pleased to offer two (2) alternative proposals for continued service with DWSD.

I hope that our conversations have demonstrated that DWSD is an organization that has been undergoing substantial change since the new Board of Commissioners was seated in April of 2011, and new authority granted them since. We continue to evolve on the path of operational and financial independence, and that movement has positioned us to be more responsive to our customers and demonstrate our ability to be more effective and efficient.

While we acknowledge and appreciate the past, we are positive that our present and future are, and will be decidedly different, and that our customers and customer communities alike have begun to appreciate that over the past year.

Please review the proposals attached. We remain prepared to evolve the proposals based on the City of Flint's specific requirements, and take the City of Flint's requirements to a final contract on an expedited timeline.

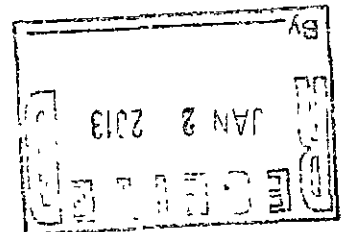
Best regards,



Sue F. McCormick
Director

SFM

Cc : State of Michigan, Department of Treasury
Michael Brown, City of Flint
Tucker Young Jackson & Tull
Bart Foster, The Foster Group



DWSD Water Service to Flint 12/20/2012 Proposal

General Concept: Flint would enter a 30-year contract with service commitments and usage definitions negotiated in the same manner as employed to result in new contracts for other customers. The parties recognize that the contractual service definitions for Flint are “in flux” and that the contract implementation plan and reopener schedule may require a slightly different approach than followed for most negotiations given the potential changes in demand, usage and point of service and associated timing of each.

Standard Approach: Flint will establish service conditions for full contract implementation:

- As a max day customer @ 12 mgd average day and 18 mgd max day
- With delivery of service (“point of commerce”) at the existing location at Baxter and Potter roads at the Genesee County line.

DWSD will establish the rate structure for Flint using the existing water rate methodology applied to these service conditions.

Special Considerations:

- Flint will contract initially as a supplier to Genesee County. The initial demands and usage values are subject to negotiation and have not yet been determined. The assumptions in the proposal reflect DWSD assumed adjustments and that the service to Genesee County will end early in the contract period, necessitating a rather volatile projection of demands and reopener opportunities. Though this is assumed for the purpose of illustrating rate change impacts, DWSD does not require that Flint discontinue service to Genesee County.
- Flint may exercise an option to moving the service delivery point from the existing location at Baxter and Potter roads to Imlay City. The new “point of commerce” would have beneficial impacts to Flint’s water rate under the existing water rate methodology, by lowering the allocated delivery costs to Flint. In order to move the point of commerce to Imlay, Flint must assume responsibility for the DWSD 72-inch line between Imlay Station and the current delivery point at Baxter/Potter. The proposal reflects a capital lease approach during the term of the agreement.
 - DWSD would reserve the right to serve existing DWSD customers on the 72-inch line. A wheeling charge, payable to Flint, would take into consideration the portion of the line reserved to provide service to existing DWSD customers, the line capacity reserved and the contractual obligations for maintenance and replacement of the line. DWSD would commit to providing emergency response at DWSD’s cost on that portion of the line serving other DWSD customers. Though the wheeling charge is negotiable, the provisions to consider in calculating that charge have been agreed upon and the value of that in the proposal is based on those provisions.
- Flint is making investments in its own system to allow it to meet a portion of its demands from its own water plant. This “blending” approach will reduce the contractual demands and service conditions. Contractually the blending must occur prior to the distribution system so as to provide a water of a singular quality under the control and responsibility of Flint.

DWSD Water Service to Flint
12/20/2012 Proposal

- Flint, through the use of its treatment plant and other assets, will provide for any required supply or transmission redundancy and will relieve DWSD of further redundancy considerations including studies and evaluations, design and construction of new facilities to provide redundancy to Flint. Proper maintenance, rehabilitation and replacement of DWSD assets as necessary to assure reliable service to the point of connection continue to be a DWSD responsibility.
- The proposal to Flint includes rate recognition of the avoided cost to the DWSD system based on Flint's allocated share of a hypothetical DWSD investment designed to result in redundant service to Flint. In the figures presented in the proposal, this credit reflects a reduction to Flint of approximately 5 percent.

Implementation Challenges:

- Flint's decision regarding its long-term water supplier is likely to occur on or about January 15, 2013. Recognizing the new service arrangement in the FY 2013-14 rates would be challenging with DWSD standard protocol with customer communities requiring formal contract approval by January 18 to achieve this. A "waiver" of this protocol may need to be considered by the DWSD BOWC to provide first year benefits beginning July 1, 2013.

The attached exhibits illustrate potential implementation scenarios under the circumstances outlined below. The figures are consistent with those that have been shared previously. All figures are in FY 2013 unit costs and dollars and do not reflect changes in DWSD revenue requirements, nor in changes in System cost allocations associated with the changing Flint service characteristics, nor with changes in other customer use.

Based on our conversations, two proposals are offered, separated by the "point of commerce" designation discussed above.

Proposal 1 – Continued Service at Baxter/Potter

- **FY 2014** – First year of new contract with Flint. Rate savings are similar to those experienced by other customers in their first year under the model contract.
- **FY 2015** – Rate structure modified to reflect "redundancy" credit.
- **FY 2016** – No Change.
- **FY 2017** – Service no longer provided to Genesee County. Flint demands reflect ability to achieve status as "max day" customer.
- **FY 2018** – Flint completes investment necessary to begin "blending" arrangement.

DWSD Water Service to Flint
12/20/2012 Proposal

Proposal 2 – Switch Point of Commerce to Imlay City Station

- **FY 2014** – First year of new contract with Flint. Rate savings are similar to those experienced by other customers in their first year under the model contract.
- **FY 2015** – Rate structure modified to reflect “redundancy” credit.
- **FY 2016** – Transaction to transfer 72-inch line is completed, and Flint rate structure is changed to reflect new point of commerce at Imlay City. Estimated rate structure assumes that the wheeling arrangement will offset approximately 25% of the lease/purchase price of the line.
- **FY 2017** – Service no longer provided to Genesee County. Flint demands reflect ability to achieve status as “max day” customer.
- **FY 2018** – Flint completes investment necessary to begin “blending” arrangement.

The schedule is for illustrative purposes only. Other schedules and events are possible. This schedule was selected to illustrate the relative impact of each of the various changes.

Summary of DWSD Cost Allocations to Flint Under Various Scenarios (a)
Flint Only

	Revenue Requirement	Rates and Charges		
		Fixed	Commodity	Avg Unit Cost
1 Status Quo	11,534,200	363,315	12.46	20.03
2 Model Contract	9,851,800	277,932	11.13	16.83
3 Change	(1,682,400)	(85,383)	(1.33)	(3.21)
4 % Change	-14.6%	-23.5%	-10.7%	-16.0%
5 Max Day Only	9,510,700	272,923	10.65	16.24
6 Change	(341,100)	(5,009)	(0.48)	(0.58)
7 % Change	-3.6%	-1.8%	-4.5%	-3.6%
8 Allow Blending	6,360,300	183,637	10.65	16.30
9 Change	(3,150,400)	(89,286)	0.00	0.05
10 % Change	-49.5%	-48.6%	0.0%	0.3%
11 Imlay City Connection	5,612,800	172,091	9.09	14.38
12 Change	(747,500)	(11,556)	(1.56)	(1.92)
13 % Change	-13.3%	-6.7%	-17.2%	-13.3%
14 Special Non-Redundancy Rate? (b)	5,204,800	138,081	9.09	13.34
15 Change	(408,000)	(34,000)	0.00	(1.05)
16 % Change	-7.8%	-24.6%	0.0%	-7.8%
17 Cumulative Change	(6,329,400)	(225,234)	(3.37)	(6.70)
18 Cumulative % Change	-54.9%	-62.0%	-27.0%	-33.4%

	Assumptions					
	Avg Day mgd	Max Day mgd	Peak Hour mgd	Distance miles	Elevation feet	Sales mgd
1 Status Quo	12.0	21.8	22.8	52.0	866	12.0
2 Model Contract	12.0	18.0	19.0	52.0	866	12.0
3 Max Day Only	12.0	18.0	18.0	52.0	866	12.0
4 Allow Blending	8.0	12.0	12.0	52.0	866	8.0
5 Imlay City Connection	8.0	12.0	12.0	45.2	804	8.0
6 Special Non-Redundancy Rate? (b)	8.0	12.0	12.0	45.2	804	8.0

(a) Figures in this exhibit are based on application of FY 2012-13 Unit Costs from the existing DWSD Water Rates

(b) Hypothetical - the current DWSD Water Rate Methodology does not provide for such a rate. These figures reflect preliminary analyses that must be vetted prior to becoming a firm commitment.

COMPARISON	KWA FLINT 6.8%	DETROIT PROPOSAL NO. 1 6.8%	NET
FY13	\$ 15,422,538.00	\$ 14,187,238.00	\$ (1,235,300.00)
FY14	\$ 15,761,739.00	\$ 13,383,537.00	\$ (2,378,202.00)
FY15	\$ 16,742,490.00	\$ 13,680,245.00	\$ (3,062,245.00)
FY16	\$ 14,888,139.00	\$ 14,556,434.00	\$ (331,705.00)
FY17	\$ 15,274,249.00	\$ 14,999,430.00	\$ (274,819.00)
FY18	\$ 15,679,665.00	\$ 14,779,480.00	\$ (900,185.00)
FY19	\$ 16,105,351.00	\$ 15,668,304.00	\$ (437,047.00)
FY20	\$ 16,552,322.00	\$ 16,611,757.00	\$ 59,435.00
FY21	\$ 17,021,641.00	\$ 17,613,267.00	\$ 591,626.00
FY22	\$ 17,514,426.00	\$ 18,676,475.00	\$ 1,162,049.00
FY23	\$ 18,031,851.00	\$ 19,805,257.00	\$ 1,773,406.00
FY24	\$ 18,575,147.00	\$ 21,003,734.00	\$ 2,428,587.00
FY25	\$ 19,145,607.00	\$ 22,276,294.00	\$ 3,130,687.00
FY26	\$ 19,744,591.00	\$ 23,627,603.00	\$ 3,883,012.00
FY27	\$ 20,373,524.00	\$ 25,062,628.00	\$ 4,689,104.00
FY28	\$ 21,033,903.00	\$ 26,568,651.00	\$ 5,534,748.00
FY29	\$ 21,727,301.00	\$ 28,205,296.00	\$ 6,477,995.00
FY30	\$ 22,455,370.00	\$ 29,924,546.00	\$ 7,469,176.00
FY31	\$ 23,219,841.00	\$ 31,750,771.00	\$ 8,530,930.00
FY32	\$ 24,022,537.00	\$ 33,690,746.00	\$ 9,668,209.00
FY33	\$ 24,865,367.00	\$ 35,751,686.00	\$ 10,886,319.00
FY34	\$ 25,750,338.00	\$ 37,941,268.00	\$ 12,190,930.00
FY35	\$ 26,679,558.00	\$ 40,267,665.00	\$ 13,588,107.00
FY36	\$ 27,655,239.00	\$ 42,739,577.00	\$ 15,084,338.00
FY37	\$ 28,679,705.00	\$ 45,366,263.00	\$ 16,686,558.00
FY38	\$ 29,755,393.00	\$ 48,157,585.00	\$ 18,402,192.00
FY39	\$ 30,884,865.00	\$ 51,124,037.00	\$ 20,239,172.00
FY40	\$ 32,070,812.00	\$ 54,276,795.00	\$ 22,205,983.00
FY41	\$ 26,150,120.00	\$ 57,627,757.00	\$ 31,477,637.00
FY42	\$ 27,457,625.00	\$ 61,189,591.00	\$ 33,731,966.00
TOTAL	\$ 649,241,254.00	\$ 890,513,917.00	\$ 241,272,663.00

DWSD WATER COSTS 6.8% ANNUAL INCREASE

FY13 NO CHANGE

FY14 MODEL CONTRACT REDUCED COST BY 15%

FY15 RATE REDUCED BY 5% FOR REDUNDANCY

FY16 NO CHANGE

FY17 RATE REDUCED TO REFLECT MAX DAY

FY18 BLENDING IMPLEMENTED

FY19 THEREAFTER NO CHANGE

DETROIT PROPOSAL	NET
NO. 1 4.4%	
\$ 14,187,238.00	\$ (1,235,300.00)
\$ 13,147,094.00	\$ (2,614,645.00)
\$ 13,205,845.00	\$ (3,536,645.00)
\$ 13,804,932.00	\$ (1,083,207.00)
\$ 14,064,374.00	\$ (1,209,875.00)
\$ 13,941,277.00	\$ (1,738,388.00)
\$ 14,593,420.00	\$ (1,511,931.00)
\$ 15,276,194.00	\$ (1,276,128.00)
\$ 15,991,044.00	\$ (1,030,597.00)
\$ 16,739,481.00	\$ (774,945.00)
\$ 17,523,091.00	\$ (508,760.00)
\$ 18,343,534.00	\$ (231,613.00)
\$ 19,202,547.00	\$ 56,940.00
\$ 20,101,952.00	\$ 357,361.00
\$ 21,043,656.00	\$ 670,132.00
\$ 22,029,655.00	\$ 995,752.00
\$ 23,062,042.00	\$ 1,334,741.00
\$ 24,143,009.00	\$ 1,687,639.00
\$ 25,274,849.00	\$ 2,055,008.00
\$ 26,459,968.00	\$ 2,437,431.00
\$ 27,700,884.00	\$ 2,835,517.00
\$ 29,000,234.00	\$ 3,249,896.00
\$ 30,360,781.00	\$ 3,681,223.00
\$ 31,785,418.00	\$ 4,130,179.00
\$ 33,277,178.00	\$ 4,597,473.00
\$ 34,839,235.00	\$ 5,083,842.00
\$ 36,474,916.00	\$ 5,590,051.00
\$ 38,187,705.00	\$ 6,116,893.00
\$ 39,981,251.00	\$ 13,831,131.00
\$ 41,859,377.00	\$ 14,401,752.00
-----	-----
\$ 705,602,181.00	\$ 56,360,927.00

COMPARISON MODEL	KWA FLINT 6.8%	DETROIT PROPOSAL NO. 1 6.8%	NET
FY13	\$ 13,740,138.00	\$ 14,187,238.00	\$ 447,100.00
FY14	\$ 13,728,944.00	\$ 13,383,537.00	\$ (345,407.00)
FY15	\$ 14,324,137.00	\$ 13,680,245.00	\$ (643,892.00)
FY16	\$ 14,888,139.00	\$ 14,556,434.00	\$ (331,705.00)
FY17	\$ 15,274,249.00	\$ 14,999,430.00	\$ (274,819.00)
FY18	\$ 15,679,665.00	\$ 14,779,480.00	\$ (900,185.00)
FY19	\$ 16,105,351.00	\$ 15,668,304.00	\$ (437,047.00)
FY20	\$ 16,552,322.00	\$ 16,611,757.00	\$ 59,435.00
FY21	\$ 17,021,641.00	\$ 17,613,267.00	\$ 591,626.00
FY22	\$ 17,514,426.00	\$ 18,676,475.00	\$ 1,162,049.00
FY23	\$ 18,031,851.00	\$ 19,805,257.00	\$ 1,773,406.00
FY24	\$ 18,575,147.00	\$ 21,003,734.00	\$ 2,428,587.00
FY25	\$ 19,145,607.00	\$ 22,276,294.00	\$ 3,130,687.00
FY26	\$ 19,744,591.00	\$ 23,627,603.00	\$ 3,883,012.00
FY27	\$ 20,373,524.00	\$ 25,062,628.00	\$ 4,689,104.00
FY28	\$ 21,033,903.00	\$ 26,568,651.00	\$ 5,534,748.00
FY29	\$ 21,727,301.00	\$ 28,205,296.00	\$ 6,477,995.00
FY30	\$ 22,455,370.00	\$ 29,924,546.00	\$ 7,469,176.00
FY31	\$ 23,219,841.00	\$ 31,750,771.00	\$ 8,530,930.00
FY32	\$ 24,022,537.00	\$ 33,690,746.00	\$ 9,668,209.00
FY33	\$ 24,865,367.00	\$ 35,751,686.00	\$ 10,886,319.00
FY34	\$ 25,750,338.00	\$ 37,941,268.00	\$ 12,190,930.00
FY35	\$ 26,679,558.00	\$ 40,267,665.00	\$ 13,588,107.00
FY36	\$ 27,655,239.00	\$ 42,739,577.00	\$ 15,084,338.00
FY37	\$ 28,679,705.00	\$ 45,366,263.00	\$ 16,686,558.00
FY38	\$ 29,755,393.00	\$ 48,157,585.00	\$ 18,402,192.00
FY39	\$ 30,884,865.00	\$ 51,124,037.00	\$ 20,239,172.00
FY40	\$ 32,070,812.00	\$ 54,276,795.00	\$ 22,205,983.00
FY41	\$ 26,150,120.00	\$ 57,627,757.00	\$ 31,477,637.00
FY42	\$ 27,457,625.00	\$ 61,189,591.00	\$ 33,731,966.00
TOTAL	\$ 643,107,706.00	\$ 890,513,917.00	\$ 247,406,211.00

DWSD WATER COSTS 6.8% ANNUAL INCREASE
 FY13 NO CHANGE
 FY14 MODEL CONTRACT REDUCED COST BY 15%
 FY15 RATE REDUCED BY 5% FOR REDUNDANCY
 FY16 NO CHANGE
 FY17 RATE REDUCED TO REFLECT MAX DAY
 FY18 BLENDING IMPLEMENTED
 FY19 THEREAFTER NO CHANGE

DETROIT PROPOSAL NET

NO. 1 4.4%

\$	14,187,238.00	\$	447,100.00
\$	13,147,094.00	\$	(581,850.00)
\$	13,205,845.00	\$	(1,118,292.00)
\$	13,804,932.00	\$	(1,083,207.00)
\$	14,064,374.00	\$	(1,209,875.00)
\$	13,941,277.00	\$	(1,738,388.00)
\$	14,593,420.00	\$	(1,511,931.00)
\$	15,276,194.00	\$	(1,276,128.00)
\$	15,991,044.00	\$	(1,030,597.00)
\$	16,739,481.00	\$	(774,945.00)
\$	17,523,091.00	\$	(508,760.00)
\$	18,343,534.00	\$	(231,613.00)
\$	19,202,547.00	\$	56,940.00
\$	20,101,952.00	\$	357,361.00
\$	21,043,656.00	\$	670,132.00
\$	22,029,655.00	\$	995,752.00
\$	23,062,042.00	\$	1,334,741.00
\$	24,143,009.00	\$	1,687,639.00
\$	25,274,849.00	\$	2,055,008.00
\$	26,459,968.00	\$	2,437,431.00
\$	27,700,884.00	\$	2,835,517.00
\$	29,000,234.00	\$	3,249,896.00
\$	30,360,781.00	\$	3,681,223.00
\$	31,785,418.00	\$	4,130,179.00
\$	33,277,178.00	\$	4,597,473.00
\$	34,839,235.00	\$	5,083,842.00
\$	36,474,916.00	\$	5,590,051.00
\$	38,187,705.00	\$	6,116,893.00
\$	39,981,251.00	\$	13,831,131.00
\$	41,859,377.00	\$	14,401,752.00

\$	705,602,181.00	\$	62,494,475.00

DWSD PROPOSAL 1	WTP OPERATING FLINT	DWSD COSTS	TOTAL
FY13	\$ 2,725,538.00	\$ 11,461,700.00	\$ 14,187,238.00
FY14 +6.8%	\$ 2,861,814.90	\$ 10,521,722.40	\$ 13,383,537.30
FY15	\$ 3,004,905.65	\$ 10,675,339.55	\$ 13,680,245.19
FY16	\$ 3,155,150.93	\$ 11,401,262.64	\$ 14,556,413.56
FY17	\$ 3,312,908.47	\$ 11,686,522.23	\$ 14,999,430.70
FY18	\$ 6,454,516.00	\$ 8,324,964.23	\$ 14,779,480.23
FY19	\$ 6,777,241.80	\$ 8,891,061.80	\$ 15,668,303.60
FY20	\$ 7,116,103.89	\$ 9,495,654.00	\$ 16,611,757.89
FY21	\$ 7,471,909.08	\$ 10,141,358.47	\$ 17,613,267.55
FY22	\$ 7,845,504.54	\$ 10,830,970.85	\$ 18,676,475.38
FY23	\$ 8,237,779.77	\$ 11,567,476.86	\$ 19,805,256.63
FY24	\$ 8,649,668.75	\$ 12,354,065.29	\$ 21,003,734.04
FY25	\$ 9,082,152.19	\$ 13,194,141.73	\$ 22,276,293.92
FY26	\$ 9,536,259.80	\$ 14,091,343.37	\$ 23,627,603.17
FY27	\$ 10,013,072.79	\$ 15,049,554.72	\$ 25,062,627.51
FY28	\$ 10,513,726.43	\$ 16,072,924.44	\$ 26,586,650.87
FY29	\$ 11,039,412.75	\$ 17,165,883.30	\$ 28,205,296.05
FY30	\$ 11,591,383.39	\$ 18,333,163.36	\$ 29,924,546.75
FY31	\$ 12,170,952.56	\$ 19,579,818.47	\$ 31,750,771.03
FY32	\$ 12,779,500.19	\$ 20,911,246.13	\$ 33,690,746.31
FY33	\$ 13,418,475.20	\$ 22,333,210.86	\$ 35,751,686.06
FY34	\$ 14,089,398.96	\$ 23,851,869.20	\$ 37,941,268.16
FY35	\$ 14,793,868.90	\$ 25,473,796.31	\$ 40,267,665.21
FY36	\$ 15,533,562.35	\$ 27,206,014.46	\$ 42,739,576.81
FY37	\$ 16,310,240.47	\$ 29,056,023.44	\$ 45,366,263.91
FY38	\$ 17,125,752.49	\$ 31,031,833.03	\$ 48,157,585.52
FY39	\$ 17,982,040.12	\$ 33,141,997.68	\$ 51,124,037.79
FY40	\$ 18,881,142.12	\$ 35,395,653.52	\$ 54,276,795.64
FY41	\$ 19,825,199.23	\$ 37,802,557.96	\$ 57,627,757.19
FY42	\$ 20,816,459.19	\$ 40,373,131.90	\$ 61,189,591.09
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TOTAL	\$ 323,115,640.90	\$ 567,416,262.17	\$ 890,531,903.07

DWSD WATER COSTS 6.8% ANNUAL INCREASE

FY13 NO CHANGE

FY14 MODEL CONTRACT REDUCED COST BY 15%

FY15 RATE REDUCED BY 5% FOR REDUNDANCY

FY16 NO CHANGE

FY17 RATE REDUCED TO REFLECT MAX DAY

FY18 BLENDING IMPLEMENTED

FY19 THEREAFTER NO CHANGE

DWSD PROPOSAL 1	WTP OPERATING FLINT	DWSD COSTS	TOTAL
FY13	\$ 2,725,538.00	\$ 11,461,700.00	\$ 14,187,238.00
FY14 +4.4%	\$ 2,861,814.90	\$ 10,285,279.20	\$ 13,147,094.10
FY15	\$ 3,004,905.65	\$ 10,200,939.91	\$ 13,205,845.56
FY16	\$ 3,155,150.93	\$ 10,649,781.27	\$ 13,804,932.19
FY17	\$ 3,312,908.47	\$ 10,751,465.38	\$ 14,064,373.85
FY18	\$ 6,454,516.00	\$ 7,486,761.41	\$ 13,941,277.41
FY19	\$ 6,777,241.80	\$ 7,816,178.92	\$ 14,593,420.72
FY20	\$ 7,116,103.89	\$ 8,160,090.79	\$ 15,276,194.68
FY21	\$ 7,471,909.08	\$ 8,519,134.78	\$ 15,991,043.87
FY22	\$ 7,845,504.54	\$ 8,893,976.71	\$ 16,739,481.25
FY23	\$ 8,237,779.77	\$ 9,285,311.69	\$ 17,523,091.45
FY24	\$ 8,649,668.75	\$ 9,693,865.40	\$ 18,343,534.16
FY25	\$ 9,082,152.19	\$ 10,120,395.48	\$ 19,202,547.67
FY26	\$ 9,536,259.80	\$ 10,565,692.88	\$ 20,101,952.68
FY27	\$ 10,013,072.79	\$ 11,030,583.37	\$ 21,043,656.16
FY28	\$ 10,513,726.43	\$ 11,515,929.04	\$ 22,029,655.47
FY29	\$ 11,039,412.75	\$ 12,022,629.91	\$ 23,062,042.67
FY30	\$ 11,591,383.39	\$ 12,551,625.63	\$ 24,143,009.02
FY31	\$ 12,170,952.56	\$ 13,103,897.16	\$ 25,274,849.72
FY32	\$ 12,779,500.19	\$ 13,680,468.63	\$ 26,459,968.82
FY33	\$ 13,418,475.20	\$ 14,282,409.25	\$ 27,700,884.45
FY34	\$ 14,089,398.96	\$ 14,910,835.26	\$ 29,000,234.22
FY35	\$ 14,793,868.90	\$ 15,566,912.01	\$ 30,360,780.92
FY36	\$ 15,533,562.35	\$ 16,251,856.14	\$ 31,785,418.49
FY37	\$ 16,310,240.47	\$ 16,966,937.81	\$ 33,277,178.28
FY38	\$ 17,125,752.49	\$ 17,713,483.07	\$ 34,839,235.56
FY39	\$ 17,982,040.12	\$ 18,492,876.33	\$ 36,474,916.44
FY40	\$ 18,881,142.12	\$ 19,306,562.89	\$ 38,187,705.01
FY41	\$ 19,825,199.23	\$ 20,156,051.65	\$ 39,981,250.88
FY42	\$ 20,816,459.19	\$ 21,042,917.93	\$ 41,859,377.11
TOTAL	\$ 323,115,640.90	\$ 382,486,549.90	\$ 705,602,190.80

DWSD WATER COSTS 4,4% ANNUAL INCREASE
 FY13 NO CHANGE
 FY14 MODEL CONTRACT REDUCED COST BY 15%
 FY15 RATE REDUCED BY 5% FOR REDUNDANCY
 FY16 NO CHANGE
 FY17 RATE REDUCED TO REFLECT MAX DAY
 FY18 BLENDING IMPLEMENTED
 FY19 THEREAFTER NO CHANGE

Representative Genesee County Water and Wastewater Projects

Project	Description	All Engineering Fees	Engineer's Estimate	Bid Price	Final Construction Cost	Engineering & Contingency %
Fox Pump Station	30 mgd wastewater pump station & forcemain	\$1,829,259 15.2%		\$12,394,273	\$12,074,223	
NEES Project	60" Relief Sewer - Included tunneled sections		\$54,707,212	\$55,985,672	\$69,999,429 28.0%	
North Water Loop	23 miles 36" and 48" transmission main, pump station, & 20 MG Reservoir	\$4,102,610 15.9%	\$29,200,000	\$23,570,110	\$25,798,529 -11.6%	2.4%
Henderson Road PS	32 MGD Water Pump Station & Two-10 MG Tanks		\$12,046,368	\$12,846,077	\$13,517,582 12.2%	
Pump Station #1	80 MGD Wastewater pump station	\$1,735,063 20.9%	\$10,269,000	\$8,225,400	\$8,292,277 -19.2%	-2.4%

Notes:

Engineering Fees Include all planning, soils investigation, design, construction inspection & testing, and construction management costs
 Engineering Fees % is based on final construction cost
 Engineering and Contingency % is based on engineering fees + amount final construction cost exceeds estimate
 Final Construction Cost % is based on difference between final construction cost and engineer's estimate
 NEES Project Contractor went out of business during project - Increasing cost to finish project
 Projects constructed within last ten years

Summary of DWSD Cost Allocations to Flint Under Various Scenarios
Potential Implementation Plan for New Contract - PRELIMINARY
PROPOSAL 1 - Continued Service @ Baxter/Potter

	<u>Current</u> <u>Status</u> <i>FY 2013</i>	<u>New</u> <u>Contract</u> <i>FY 2014</i>	<u>Year 2</u> <i>FY 2015</i> <i>Redundancy</i>	<u>Year 3</u> <i>FY 2016</i> <i>No Change</i>	<u>Year 4</u> <i>FY 2017</i> <i>Flint Max Day</i> <i>Gen Co Walks</i>	<u>Full Cct</u> <u>Implemented</u> <i>FY 2018</i> <i>Flint Blends</i>
Customer Usage						
1 Average Day - mgd	26.1	23.3	23.3	23.3	12.0	8.0
2 Flint	13.4	12.0	12.0	12.0	12.0	8.0
3 Genesee County	12.7	11.3	11.3	11.3	0.0	0.0
4 Max Day - mgd	47.7	40.6	40.6	40.6	18.0	12.0
5 Flint	21.8	18.0	12.0	12.0	18.0	12.0
6 Genesee County	25.9	22.6	28.6	28.6	0.0	0.0
7 Peak Hour - mgd	49.8	42.4	42.4	42.4	18.0	12.0
8 Flint	22.8	18.0	18.0	18.0	18.0	12.0
9 Genesee County	27.0	24.4	24.4	24.4	0.0	0.0
10 Point of Commerce	Baxter/Potter	Baxter/Potter	Baxter/Potter	Baxter/Potter	Baxter/Potter	Baxter/Potter
Rate Considerations						
11 Redundancy Credit	No	No	Yes	Yes	Yes	Yes
12 Line Purchase	No	No	No	No	No	No
13 Wheeling Agreement	No	No	No	No	No	No
Rates / Charges / Revenue						
14 Fixed Monthly Charge - \$/mo	707,000	606,566	582,966	582,966	249,323	160,037
15 Commodity Charge - \$/Mcf	12.46	12.09	12.09	12.09	10.64	10.66
16 Average Unit Cost - \$/Mcf	19.12	18.48	18.24	18.24	15.75	15.59
17 Annual Billed Rev - \$millions	24.37	21.05	20.77	20.77	9.23	6.08
18 Flint	12.53	10.82	10.67	10.67	9.23	6.08
19 Genesee County	11.84	10.23	10.09	10.09	0.00	0.00
20 Relative Chg from SQ - \$mill		(3.32)	(3.60)	(3.60)	(15.14)	(18.29)
21 Flint		(1.71)	(1.85)	(1.85)	(3.30)	(6.45)
22 Genesee County		(1.61)	(1.75)	(1.75)	(11.84)	(11.84)
23 Relative Chg from SQ - %		-13.6%	-14.8%	-14.8%	-62.1%	-75.1%
24 Flint		-13.6%	-14.8%	-14.8%	-26.3%	-51.5%
25 Genesee County		-13.6%	-14.8%	-14.8%	-100.0%	-100.0%

$$19.12 + 1.068 + .85 = 17.35$$

Koryzno, Edward (Treasury)

From: Koryzno, Edward (Treasury)
Sent: Thursday, December 27, 2012 9:20 AM
To: Dempkowski, Angela (Treasury)
Subject: Re: TYJ & T KWA Report

Thanks!

Sent from my iPhone

On Dec 27, 2012, at 9:18 AM, "Dempkowski, Angela (Treasury)" <DempkowskiA@michigan.gov> wrote:

> ekurtz@cityofflint.com - Ed: this is Ed Kurtz correct email address. Please make a note of it.

>

> Angela Dempkowski

> Senior Executive Management Assistant

> Michigan Department of Treasury

> dempkowskia@michigan.gov

> (517) 373-4415

>

>

> -----Original Message-----

> From: Ed Kurtz [mailto:Ed.Kurtz@baker.edu]

> Sent: Monday, December 17, 2012 11:18 AM

> To: Dempkowski, Angela (Treasury)

> Subject: Re: TYJ & T KWA Report

>

> Angela, we can attend the meeting. I did leave you a voice mial this

> morning, indicating I would like to talk to Roger about the purpose

> of the meeting and who I should invite to attend from our end. In the

> future, can you send emails to my Flint account at

> ekurtz@cityofflint.com. Thanks, Ed Edward J. Kurtz,Chair Baker

> College System

> 1050 W. Bristol Rd.

> Flint, MI 48507

> 810-766-4224

>

>

> ----- Original message -----

>> Date: Wed, 12 Dec 2012 13:22:28 -0500

>> From: "Dempkowski, Angela (Treasury)"

>> <DempkowskiA@michigan.gov>

>> Subject: TYJ & T KWA Report

>> To: "ed.kurtz@baker.edu" <ed.kurtz@baker.edu>

>>

>> Mr. Kurtz: The meeting to discuss the above subject with the

>> Michigan Department of Treasury is scheduled for Friday, December

>> 21, 2012 at 11 am at the Richard H. Austin Building, 430 W. Allegan,

>> Lansing. The meeting will be held in the Treasury Board Room.

>> Please check in at the security desk upon your arrival. Also,
>> please pass along this information to Jerry Ambrose and Mike Brown.
>> Please confirm. Thank you.

>>

>>

>>

>> Angela Dempkowski | Senior
>> Executive Management
>> Assistant/Treasury

>>

>> State of Michigan | 430
>> W. Allegan Street, 1st

>> cid:image001.gif@01CC89B6.2075B560 Floor | Lansing, MI 48922

>>

>> (517) 373-4415 | (517)
>> 373-0633 (fax)

>>

>> dempkowskia@michigan.gov

>>

>>

>>

>>

>>

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>>

>>

>>

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>> reply e-mail, and delete/destroy all copies of the
>> original message and attachments.

>> Thank you.

>>

>>

Koryzno, Edward (Treasury)

From: Cline, Richard (Treasury)
Sent: Thursday, December 27, 2012 2:59 PM
To: Koryzno, Edward (Treasury)
Subject: RE: Follow-up to Flint Water Assessment Meeting

Done!

From: Koryzno, Edward (Treasury)
Sent: Thursday, December 27, 2012 2:58 PM
To: Cline, Richard (Treasury)
Subject: RE: Follow-up to Flint Water Assessment Meeting

Yes.

From: Cline, Richard (Treasury)
Sent: Thursday, December 27, 2012 2:56 PM
To: Koryzno, Edward (Treasury)
Subject: RE: Follow-up to Flint Water Assessment Meeting

I don't think it was intended to include them. My understanding was it was to be between Flint and Treasury to discuss and evaluate the options. I thought Flint was going to get answers from the County on specific questions and this was, partially, to follow-up on those answers.

I could prep them and we could conference call them in if necessary.

Would you like me to proceed without them?

From: Koryzno, Edward (Treasury)
Sent: Thursday, December 27, 2012 2:46 PM
To: Cline, Richard (Treasury)
Subject: RE: Follow-up to Flint Water Assessment Meeting

I don't recall if there was an expectation to invite TYJ&T to the next meeting. Do you remember?

From: Cline, Richard (Treasury)
Sent: Thursday, December 27, 2012 2:43 PM
To: Koryzno, Edward (Treasury)
Subject: RE: Follow-up to Flint Water Assessment Meeting

Yes. I will work with Angela to set-up the meeting.

Here is my list to invite. Anyone else we need to include?

Attendees:
Andy Dillon
Roger Fraser
Ed Koryzno
Brom Stibitz

Randall Byrne
Eric Cline
Ed Kurtz, City of Flint
Jerry Ambrose, City of Flint
Mike Brown, City of Flint

From: Koryzno, Edward (Treasury)
Sent: Friday, December 21, 2012 5:11 PM
To: Cline, Richard (Treasury)
Subject: FW: Follow-up to Flint Water Assessment Meeting

Is this sufficient direction for you to proceed?



Edward B. Koryzno, Jr. | Administrator - Office of Fiscal Responsibility
State of Michigan | 430 W. Allegan Street, 1st Floor | Lansing, MI 48922
(517) 373-4415 | (517) 373-0633 (fax)
KoryznoE@michigan.gov



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Thank you

From: Fraser, Roger (Treasury)
Sent: Friday, December 21, 2012 4:53 PM
To: Koryzno, Edward (Treasury)
Cc: Cline, Richard (Treasury)
Subject: RE: Follow-up to Flint Water Assessment Meeting

Andy needs to be in the meeting. I anticipate a few more questions from him. Your office can make the arrangements. Unless Andy wants one, or if there is something from KWA that we can't figure out, then simply submitting the final report should be enough.

From: Koryzno, Edward (Treasury)
Sent: Friday, December 21, 2012 4:42 PM
To: Fraser, Roger (Treasury)
Cc: Cline, Richard (Treasury)
Subject: FW: Follow-up to Flint Water Assessment Meeting

Looking for your direction on the two items below from Eric.



Edward B. Koryzno, Jr. | Administrator - Office of Fiscal Responsibility
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Thank you

From: Cline, Richard (Treasury)
Sent: Friday, December 21, 2012 3:19 PM
To: Koryzno, Edward (Treasury)
Cc: Byrne, Randall (TREASURY)
Subject: FW: Follow-up to Flint Water Assessment Meeting

Ed,

Regarding today's meeting on the Flint project:

- I think we finally agreed on a January 10 meeting with the group from Flint. Who do you want to organize this?
- The final report from TYJT is due January 15. Are we going to want a final presentation from them or do we just accept the report?

Eric Cline | Unit Operations Specialist - Office of Fiscal Responsibility
State of Michigan | Michigan Department of Treasury
430 W. Allegan Street, 3rd Floor | Lansing, MI 48922
(517) 335-2078 | cliner1@michigan.gov

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

From: David Guastella [<mailto:DGuastel@tyjt.com>]
Sent: Wednesday, December 05, 2012 12:11 PM
To: Koryzno, Edward (Treasury); Cline, Richard (Treasury)
Subject: RE: R. Eric Cline

Eric

I will be copying you on the email communications as needed now that I know you're the PM. Please let me know if you would like to meet so that I can fill you in on the status of things.

Regarding, information from Flint, it has been challenging to get all the information we have requested. I don't yet know the impact on the schedule, but I will keep you updated.

Please email or call me (313-402-0354) if you have any questions.

Dave

From: Koryzno, Edward (Treasury) [KoryznoE@michigan.gov]
Sent: Tuesday, December 04, 2012 1:16 PM
To: David Guastella
Subject: FW: R. Eric Cline

Dave

Below is Eric's contact information:

Ph: 517-373-2078

Cliner1@michigan.gov<mailto:Cliner1@michigan.gov>

[cid:image001.jpg@01CDD221.A329ED00]

Edward B. Koryzno, Jr. | Administrator - Office of Fiscal Responsibility State of Michigan | 430 W. Allegan Street, 1st Floor | Lansing, MI 48922
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Thank you

Koryzno, Edward (Treasury)

From: Cline, Richard (Treasury)
Sent: Thursday, December 27, 2012 4:35 PM
To: Koryzno, Edward (Treasury); Byrne, Randall (TREASURY)
Subject: FW: Flint Supply Assessment 12-21-12
Attachments: 12-21-12 Flint Water Supply Assessment.pdf; Flint Supply Cost Comparison 12-21-12.xlsx

Importance: High

Received from TYJT.

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

From: David Guastella [mailto:DGuastel@tyjt.com]
Sent: Saturday, December 22, 2012 9:21 AM
To: gambrose@cityofflint.com
Cc: Fraser, Roger (Treasury); Cline, Richard (Treasury); ekurtz@cityofflint.com; George Karmo; Awni Qaqish
Subject: Flint Supply Assessment 12-21-12

Jerry

Per our discussion yesterday, please find attached our presentation information.

Dave

STATE OF MICHIGAN

Department of Treasury

Indefinite-scope, Indefinite-
delivery Contract No. 00383

City of Flint Water Supply Assessment

PRELIMINARY FINDINGS

Tucker, Young, Jackson, Tull, Inc.

December 21, 2012

BB

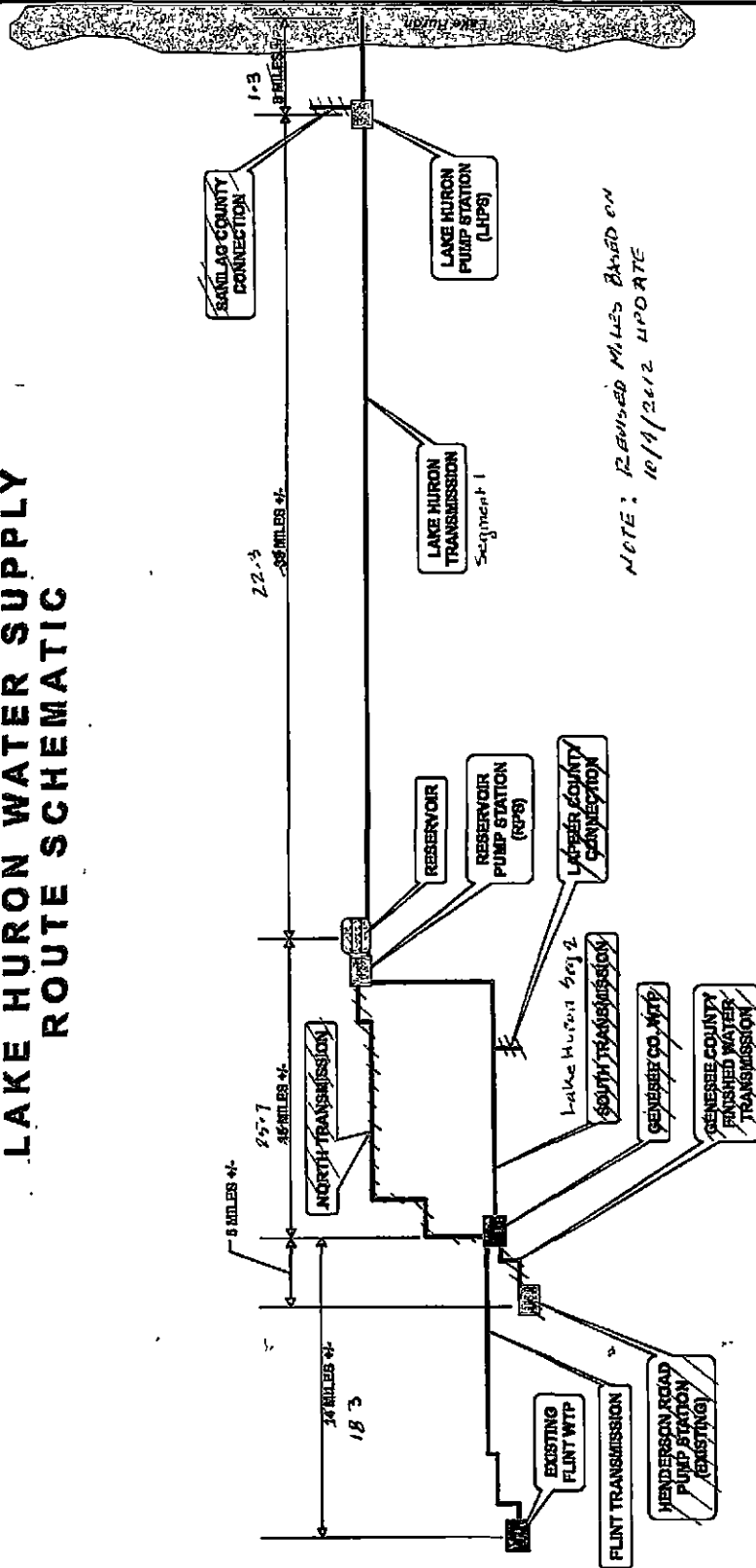
Presentation Outline

- ▣ Flint Water Supply Options
- ▣ Data Collection
- ▣ Basis of Analysis
- ▣ Operation & Maintenance
- ▣ Financial Evaluation
- ▣ Other Considerations

Flint Water Supply Options

KWA Supply

KAREGNONDI WATER AUTHORITY LAKE HURON WATER SUPPLY ROUTE SCHEMATIC



NOTE: REVISED MILES BASED ON 10/19/2012 UPDATE



NOT TO SCALE

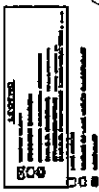
WADETRIM
635 South Saginaw Street
Suite 201
Flint, Michigan 48902
800.641.1306
www.wadetrtrim.com

KWA Supply

■ 60 MGD Raw Water Transmission System

■ Flint WTP Treatment Capacity:

- 18 MGD Maximum Day
- 12 MGD Average Day

[illegible]

6

DWSD Supply

- Multiple Supply Options Offered
- Supply for current Master Meter at Potter and Baxter
 - 18 MGD Maximum Day Customer
 - 12 MGD Maximum Day Customer/ Flint WTP
Capacity: 6 MGD Maximum Day, 4 MGD Average Day (Blending)
 - 8 MGD Maximum Day Customer/ Flint WTP
Capacity: 10 MGD Maximum Day, 4 MGD Average Day (Blending)

DWSD Supply

- Supply from Master Meter at Imlay Station
 - 12 MGD Maximum Day Customer/ Flint WTP
Capacity: 6 MGD Maximum Day, 4 MGD Average Day
(Blending)
 - 8 MGD Maximum Day Customer/ Flint WTP
Capacity: 10 MGD Maximum Day, 4 MGD Average
Day (Blending)

DWSD Supply Options

2013 - Model Contract

Description	Average Day Demand	TY11 Estimate
18 MGD Maximum Day Customer - P&B	12 MGD	\$16.37/MCF
12 MGD Maximum Day Customer - P&B	8 MGD	\$16.31/MCF
8 MGD Maximum Day Customer - P&B	8 MGD	\$12.68/MCF
12 MGD Maximum Day Customer - Imlay	12 MGD	\$14.38/MCF
8 MGD Maximum Day Customer - Imlay	12 MGD	\$11.11/MCF

Flint River Supply

- Flint Upgrades Existing WTP
- Supply from Flint River
- Infrastructure Improvements Required for the Dams and WTP

Data Collection

Data Collected



Meetings

- DWSD November 19, 2012
- Flint/KWA November 20, 2012
- Minutes/ information requests provided

Data Collected

■ KWA/Flint

- Lake Huron Water Supply Karegnondi Water Authority (KWA) 9/09
- Analysis of the Flint River as a Permanent Water Supply for the City of Flint 7/11
- Cost Comparison, KWA vs. DWSD Letter to Mr. Kurtz, 10/31/12
- Lake Huron Supply KWA, Appendix 20 Update 10/4/12
- KWA Articles of Incorporation
- KWA Bylaws
- KWA Raw Water Supply Contract
- Flint WTP Statement of Revenues and Expenditures 09' - 12'
- GCDC Division of Water and Waste Services Financial Statements 03' - 11'
- Assorted emails with further clarification of questions and documentation

Data Collected



- ▣ Historical Rates and Charges to Flint 04' – 13'
- ▣ Historical Rates and Charges to Flint with Hypothetical Model Contract 10' – 13'
- ▣ 2013 Rates and Charges for the following options:
 - ▣ 18 MGD Maximum Day Customer at Potter & Baxter
 - ▣ 12 MGD Maximum Day Customer at Potter & Baxter (Flint Blending*)
 - ▣ 8 MGD Maximum Day Customer at Potter & Baxter (Flint Blending*)
 - ▣ 12 MGD Maximum Day Customer at Imlay (Flint Blending*)
 - ▣ 8 MGD Maximum Day Customer at Imlay (Flint Blending*)

*Flint Blending based on DWSD supplying 2/3 and Flint 1/3 of 12 MGD ADD

- ▣ Assorted emails with further clarification of questions and documentation

Basis of Analysis

12/22/2012

Benchmarking Comparisons

- KWA O&M Inflation Factor
 - Southeastern Oakland County Water Authority (SOCWA)
 - Ypsilanti Community Utility Authority (YUCA)
- DWSD and Flint WTP Rate Inflation Factor
 - Lansing
 - Grand Rapids
 - Saginaw

Capital Financing

■ Revenue Bonds

- Checked Rating Agencies
- Identification of Bondholder Requirements

Cost of Construction

- KWA October 2012 Preliminary Engineering Report
- Construction Contractors
- Comparison of KWA Estimate with Other Projects
 - Pumping Stations
 - Transmission Mains
 - Engineering Fee

Operations & Maintenance

Analysis Process - O&M Inflation

KWA

- ▣ KWA Evaluation: 5% Annually
- ▣ GCDC: 10.5%
- ▣ SOCWA: -- %
- ▣ YUCA: 0.73%
- ▣ Annual Inflation Factor Used for KWA: 5%

Analysis Process – Finished Water Rate Inflation DWSD

- ▣ DWSD – From Potter / Baxter: 4.4%
 - From Imlay (hypothetical): 2.9%
- ▣ Lansing: 4.63% 2005-2012
- ▣ Grand Rapids: 1.57% 2004-2011
- ▣ Saginaw: 6.96% 2004-2011
- ▣ Annual Rate Inflation Factor Used for DWSD at Potter / Baxter or Imlay: 4.4%

Analysis Process - O&M Inflation

Flint WTP

- ▣ Analyzed Major O&M Costs
 - Labor
 - Power
 - Chemicals
 - Residuals
- ▣ Evaluated Power, Chemicals, Residuals, Others
 - Actual Flint WTP O&M
 - Flint River Report 7/11
 - KWA Report 2/09
- ▣ Labor Increased by 67% per Flint WTP
- ▣ Annual Inflation Rate Used: 4.51%

Financial Evaluation

Capital Financing with Revenue Bonds

- ▣ 25 year term with level debt service
- ▣ 5% Interest Rate
- ▣ 3 Years Capitalized Interest
- ▣ 10% Reserve for Bondholders
- ▣ 3% Interest on Reserve
- ▣ S&P Rating A Without Insurance
- ▣ Bond Issuance Costs
 - KWA 2.25% of Principal Borrowed
 - Flint 3.0% of Principal Borrowed

KWA Construction

▣ Project Elements

- ▣ Intake & Crib
- ▣ Two Pumping Stations
- ▣ Transmission system
 - ▣ 48 Miles of 60-inch
 - ▣ 18.3 Miles of 36-inch

KWA Construction

- ▣ Intake and Crib
 - ▣ October 2012 KWA Estimate: \$22,076,850
 - ▣ Engr./ Legal/ Admin/ Contingency @ 25%:
\$5,519,213 (Design 90% complete)
 - ▣ Property: \$2,300,000
 - ▣ Total Cost: \$29,896,063

KWA Construction

Pumping Stations

Description	KWA Estimate	TYIT Estimate
Pumping Stations	\$ 24,618,080	\$ 54,573,314
Land for IPS & Reservoirs	--	75,000
Subtotal	\$ 24,618,080	\$ 54,648,314
Engineering, Legal, Admin. & Contingency	25% 6,154,520	30% 16,394,494
Pumping Stations Subtotal	\$ 30,772,600	\$ 71,046,808

KWA Construction

Transmission Mains

Description	KWA Estimate	TYJL Estimate
Transmission Mains	\$ 166,202,316	\$ 167,419,530
Engineering Legal, Admin & Contingency for construction	25% 41,550,579	30% 50,225,859
Subtotal	\$ 207,752,895	\$ 217,645,389
Easements		1,166,170
Transmission Subtotal	\$ 207,752,895	\$ 218,811,559

KWA Construction

Engineering

Description	KWA Estimate	TYJT Estimate
Design Engineering/PS and Transmission		\$ 16,939,581
Construction Management @5% of Project Cost Estimate of \$217,645,389		14,434,609
Administration		349,440
Legal/Easement/Contract Documents		831,000
Engineering Subtotal		\$ 32,554,63

KWA Construction

Cost Comparison

Description	KWA Estimate	TYT Estimate
Intake/Crib	\$ 27,596,063	\$ 27,596,063
Pump Stations	\$ 30,772,600	\$ 71,042,808
Transmission Mains	\$ 207,752,895	\$ 217,645,389
Power	\$ 4,000,000	\$ 4,000,000
Redundant Power for PS		\$ 1,273,200
Land for LHPS	\$ 2,300,000	\$ 2,300,000
Design Engineering/PS and Transmission		\$ 16,939,581
Construction Management		\$ 14,434,410
Administration		\$ 349,440
Legal/Easement/Contract Documents		\$ 831,000
Easements		\$ 1,166,170
Total	\$ 272,421,558	\$ 357,578,060
Flint Share @30%	\$81,726,467	\$107,273,418

Findings

Other Considerations

Other Considerations - Redundancy/Reliability

- ▣ Unfunded mandates/future regulations are more difficult to fund for smaller systems
- ▣ Separating the water systems appears to run counter to the Treasury's efforts of consolidating services (EVIP)
- ▣ The KWA and DWSD option offer nearly the same redundancy

Other Considerations - Cost

- ▣ Over the 25-year Planning Period:
 - ▣ DWSD 8 MGD supply option is less cost than the KWA supply per their analysis
 - ▣ Four DWSD options are less cost per TYIT's evaluation of the KWA cost analysis (8 MGD & 12 MGD Customer from Imlay and P&B)
- ▣ Cost analysis does not include future capital needs such as mechanical and process improvements within the period of analysis
- ▣ KWA cost estimate does not appear to include cost of redundant connections between Flint & Genesee WTPs as indicated in Flint River study
- ▣ KWA cost estimate does not appear to include IPS land and easement costs for system

Other Considerations - Cost

- ▣ KWA cost estimate does not appear to include engineering design cost and other management and administrative costs
- ▣ The emergency back up to the KWA supply requires the Flint WTP to maintain two separate treatment trains (further evaluation required to see if there are any water chemistry issues during conversions)
- ▣ Flint has indicated that they have a high water loss - this should be addressed first before sizing the KWA system for Flint's needs

Other Considerations - Cost

- ▣ The design of the KWA supply and the construction of the system has not been completed; final costs and time to complete are unknown - both can negatively impact Flint's final cost
- ▣ There is a high negative impact if the project is not completed within the three year period - payment on the bonds will be due, but revenue source is unknown

Other Considerations - Flint's Autonomy

- ▣ Flint and Genesee County are not represented on the DWSD Board of Water Commissioners
- ▣ The KWA will supply only Flint and GCDC, however Flint will have a minority vote on the KWA Board and Genesee County will have a majority vote (Board includes members not buying water to have voting authority)
- ▣ Under the DWSD option supplying Flint from Imlay will require an agreement with Flint and other DWSD customers off of the 72-inch main (Imlay, Mayfield, Lapeer)

Flint WTP: 18 MGD Max

Capacity

Flint ADD:	12.00 MGD	1,604 MCF/Day
DWSD ADD:	0 MGD	- MCF/Day

Annual Volume

Flint:	585,561 MCF
DWSD:	- MCF

2013 Cost of Supply

Flint WTP O&M:	\$ 13.46 /MCF	\$ 7,881,320 /Yr
DWSD:	\$ - /MCF	\$ - /Yr

Escalation/Inflation Rate

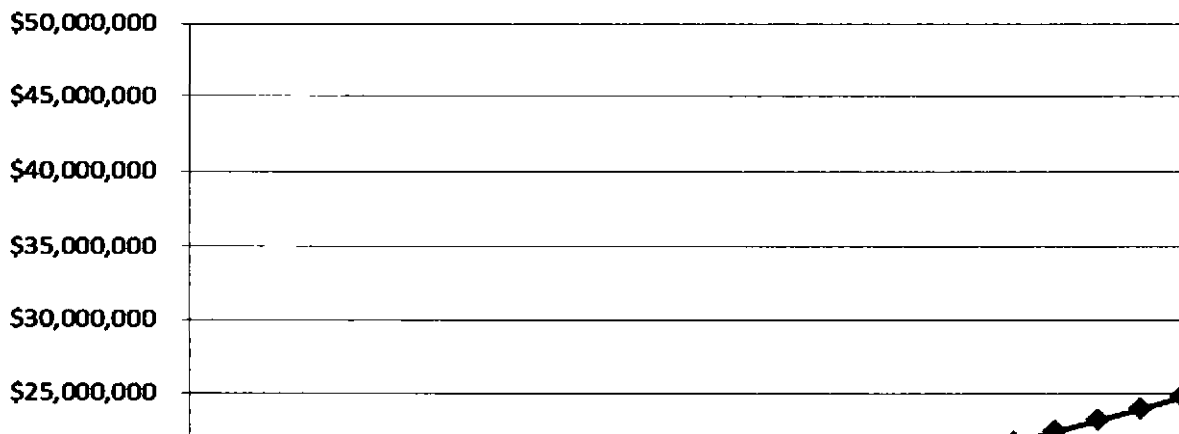
Flint:	4.51% /Yr
DWSD:	0.0% /Yr

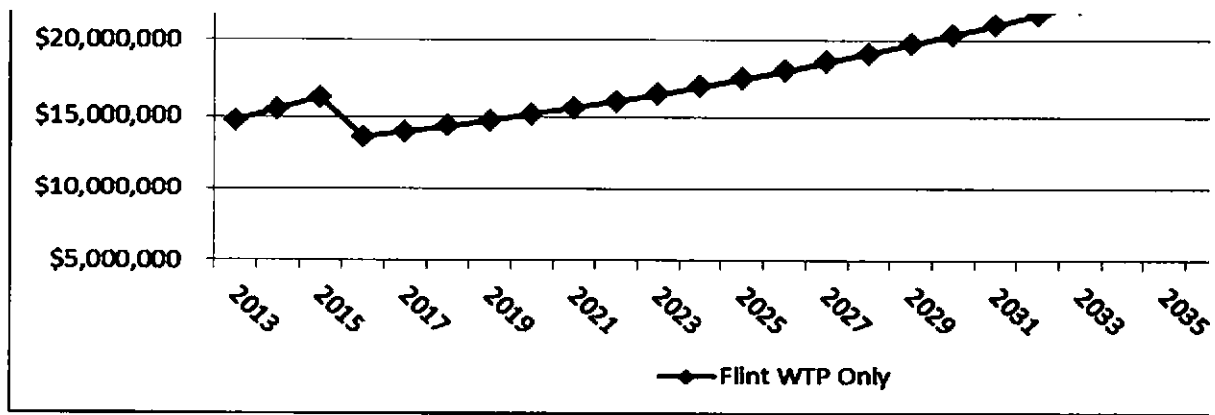
Capital Expenditure

Capital:	\$ 61,458,000	
Bond Issuance (2.25% of Total):	1,900,000	Check: 2.25%
3 Years of Capitalized Interest:	12,750,000	Check: 5.0% /Yr (Bond Inter)
Reserve (10% of Total):	8,500,000	Check: 10.0%
Total:	\$ 84,608,000	

Revenue Bond Rate:	5%
Number of Years:	25
Annual Cost:	\$6,003,146
Interest on Reserve:	3%

Flint WTP Only





imum Day /12 MGD Average Day

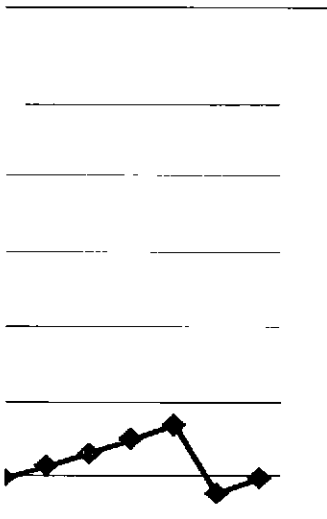
		Flint WTP	Water	Revenue	Interest	
	Year	O&M	Purchase	Bond	on	TOTAL
				Payment	Reserve	
1	2013	\$ 3,538,214	11,461,700		255,000	\$ 14,744,914
2	2014	\$ 3,697,788	12,034,785		255,000	\$ 15,477,573
3	2015	\$ 3,864,558	12,636,524		255,000	\$ 16,246,082
4	2016	\$ 7,881,320		\$6,003,146	255,000	\$ 13,629,465
5	2017	\$ 8,236,767		\$6,003,146	255,000	\$ 13,984,913
6	2018	\$ 8,608,246		\$6,003,146	255,000	\$ 14,356,391
7	2019	\$ 8,996,478		\$6,003,146	255,000	\$ 14,744,623
8	2020	\$ 9,402,219		\$6,003,146	255,000	\$ 15,150,364
9	2021	\$ 9,826,259		\$6,003,146	255,000	\$ 15,574,404
10	2022	\$ 10,269,423		\$6,003,146	255,000	\$ 16,017,568
11	2023	\$ 10,732,574		\$6,003,146	255,000	\$ 16,480,719
12	2024	\$ 11,216,613		\$6,003,146	255,000	\$ 16,964,759
13	2025	\$ 11,722,482		\$6,003,146	255,000	\$ 17,470,628
14	2026	\$ 12,251,166		\$6,003,146	255,000	\$ 17,999,312
15	2027	\$ 12,803,694		\$6,003,146	255,000	\$ 18,551,839
16	2028	\$ 13,381,140		\$6,003,146	255,000	\$ 19,129,286
17	2029	\$ 13,984,630		\$6,003,146	255,000	\$ 19,732,775
18	2030	\$ 14,615,337		\$6,003,146	255,000	\$ 20,363,482
19	2031	\$ 15,274,488		\$6,003,146	255,000	\$ 21,022,634
est on Total)	20	2032	\$ 15,963,368	\$6,003,146	255,000	\$ 21,711,513
	21	2033	\$ 16,683,316	\$6,003,146	255,000	\$ 22,431,461
	22	2034	\$ 17,435,733	\$6,003,146	255,000	\$ 23,183,879
	23	2035	\$ 18,222,085	\$6,003,146	255,000	\$ 23,970,230
	24	2036	\$ 19,043,901	\$6,003,146	255,000	\$ 24,792,046
	25	2037	\$ 19,902,781	\$6,003,146	255,000	\$ 25,650,926
		2038	\$ 20,800,396	\$6,003,146	255,000	\$ 26,548,542
		2039	\$ 21,738,494	\$6,003,146	255,000	\$ 27,486,639
		2040	\$ 22,718,900	\$6,003,146	255,000	\$ 28,467,046
		2041	\$ 23,743,522			\$ 23,743,522
		2042	\$ 24,814,355			\$ 24,814,355

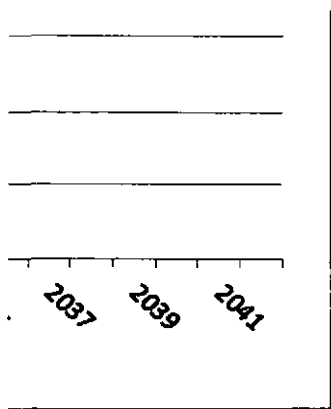
25 Yrs Cumulative

\$ 459,381,789

30 Yrs Cumulative

\$ 590,441,893





Koryzno, Edward (Treasury)

From: Koryzno, Edward (Treasury)
Sent: Friday, December 28, 2012 8:41 AM
To: R. Eric Cline (cliner1@michigan.gov)
Cc: byrneR1@michigan.gov
Subject: FW: DWSD Proposal for Flint

Eric, Please contact Dave Guestella and determine if they included DWSD's items in their analysis. If not, we need to know what impact they would have. Ed

From: Stibitz, Brom (Treasury)
Sent: Friday, December 28, 2012 8:38 AM
To: Koryzno, Edward (Treasury); Fraser, Roger (Treasury)
Cc: Dillon, Andy (Treasury)
Subject: RE: DWSD Proposal for Flint

Can you guys please touch base with the City and Tucker to make sure that their analysis takes into account the details from DWSD?

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

From: Koryzno, Edward (Treasury)
Sent: Thursday, December 27, 2012 4:28 PM
To: Stibitz, Brom (Treasury); Fraser, Roger (Treasury)
Cc: Dillon, Andy (Treasury)
Subject: RE: DWSD Proposal for Flint

Below is Eric's initial observations of the preliminary TYJT report and what DWSD's current offer:

I have compared the written proposal received from DWSD to the Charts and PowerPoint provided by TYJT. As the DWSD proposal is written and contains more detail than the graphic summary provided by TYJT, it is difficult to completely determine if all points are covered in both presentation formats.

However, here is what stands out to me.

- The DWSD proposals state that the first year of a contract with Flint would be 2014. TYJT states 2013 as Year One.
- The DWSD proposals discuss a "redundancy credit" to Flint that will result from the blending option by Flint. I do not see this identified in the TYJT information.
- The DWSD proposals make no reference to the 12 or 8 MGD Maximum Day options outlined by TYJT.
- The information provided by TYJT makes no mention of DWSD reserving the right to serve existing customers on the 72" pipeline, if purchased). Nor is there a mention of the wheeling charge (paid to Flint) in the TYJT information.
- DWSD estimates Flint would not begin utilizing a blending option until 2018. Until then, it is assumed that DWSD would provide 100% of water to Flint. This is not referenced in the TYJT information.

This is my first analysis. If you wish additional analysis to be done, please let me know.

Eric Cline | Unit Operations Specialist - Office of Fiscal Responsibility State of Michigan | Michigan Department of Treasury

430 W. Allegan Street, 3rd Floor | Lansing, MI 48922
(517) 335-2078 | cliner1@michigan.gov

From: Stibitz, Brom (Treasury)
Sent: Thursday, December 27, 2012 12:14 PM
To: Fraser, Roger (Treasury); Koryzno, Edward (Treasury)
Cc: Dillon, Andy (Treasury)
Subject: DWSD Proposal for Flint

This came in the mail from DWSD on the Friday before Christmas. I have not reviewed it to know whether the proposals it contains match up to those presented by TYJT last week.

Koryzno, Edward (Treasury)

From: Koryzno, Edward (Treasury)
Sent: Friday, December 28, 2012 11:32 AM
To: Stibitz, Brom (Treasury); Fraser, Roger (Treasury)
Cc: Dillon, Andy (Treasury)
Subject: RE: DWSD Proposal for Flint

Categories: follow-up

I spoke to Mike Brown and he has asked an engineer from Rowe who is associated with the KWA project to determine the impact of the DWSD proposal. Mike's intent is to have the analysis in his hands by January 3. Eric is contacting Dave Guestella from TYJ&T to determine if the proposal contains information absent from their preliminary report.

From: Stibitz, Brom (Treasury)
Sent: Friday, December 28, 2012 8:38 AM
To: Koryzno, Edward (Treasury); Fraser, Roger (Treasury)
Cc: Dillon, Andy (Treasury)
Subject: RE: DWSD Proposal for Flint

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Cc: Dillon, Andy (Treasury)
Subject: RE: DWSD Proposal for Flint

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Cc: Dillon, Andy (Treasury)
Subject: DWSD Proposal for Flint

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Koryzno, Edward (Treasury)

From: Cline, Richard (Treasury)
Sent: Friday, December 28, 2012 1:14 PM
To: Byrne, Randall (TREASURY); Koryzno, Edward (Treasury)
Subject: RE: Draft Flint Supply Assessment.Questions

Importance: High

Dave,

Good afternoon. I hope you had a good holiday and are planning on a good New Year.

Thanks for the presentation information. Just to follow-up, it appears that no additional presentation on the 15th is being asked for. Should that change, I will let you know.

I have some additional questions I want to clarify with you. Some of these are just internal questions we have and want to make sure we are interpreting your presentation information correctly. I have highlighted my specific questions for clarity.

- You should have received a copy of a letter from DWSD to Flint dated December 21st. As I review the options that they provide Flint, I note some differences with what you outlined as the DWSD options for Flint. **Have you taken these changes into account? If not, what is the impact these "latest" proposals will have?**

Overall, I have some broad, "strategic" questions:

- Anticipating a return of future growth to the City, **what is the maximum MGD DWSD could provide to Flint? What about KWA?** The overall question is whether either entity could provide more water to Flint than is anticipated if they needed to.
- On the flip-side, if decline continues in Flint, **what happens if Flint needs less water than projected? What would that do to the financial projections?**
- **Given Flint's current financial situation, did you analyze the City's ability to actually sell bonds to make any of these improvements?**
- It appears that the overall expenditures required to cover any of the outlined options are going to require water rates to rise almost annually. **Has there been any analysis on what rates might look like and/or what the capacity of the public to pay these rates might be?**

Specifically:

- **What is the total cost for Flint to buy the 72" line from DWSD?** I see a capital cost on that option of \$4.7-million. **Does that include the 72" line?** Related to this, **do we know what the projected lifespan of that line is? What would the replacement cost be?** A question we are having is whether Flint would have the financial and/or operational ability to maintain this line. Also, **I am unsure as to what the overall benefit of Flint owning that line is if they remain with DWSD.**
- It appears to me that the O&M costs for the Flint Water Plant are very high. **If Flint were to continue to buy water from DWSD, other than for a back-up, is there any reason they could not avoid those costs by mothballing the plant and having DWSD provide 100% finished water to them?**
- Regarding KWA, perhaps I missed this explanation, but **why are the options for KWA for 12 MGD as opposed to the option for 18 MGD?**

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

From: David Guastella [mailto:DGuastel@tyjt.com]

Sent: Saturday, December 22, 2012 9:21 AM

To: gambrose@cityofflint.com

Cc: Fraser, Roger (Treasury); Cline, Richard (Treasury); ekurtz@cityofflint.com; George Karmo; Awni Qaqish

Subject: Flint Supply Assessment 12-21-12

Jerry

Per our discussion yesterday, please find attached our presentation information.

Dave

**Review of TYJT December 21, 2012 Presentation
City of Flint Water Supply Assessment
Prepared by Rowe Professional Services Company**

DWSD Supply (Slides 7 through 9)

1. The 8 mgd maximum day supply by DWSD options can result in periods during the summer when most of the water to meet demands will be supplied by the City from the river. To aid in maintaining a consistent water quality, softening of the water from the river should be provided with this option, greatly increasing the City's costs.
2. Upgrades to Flint's WTP and dams will be needed for options requiring blending, since the WTP will be required to provide continuous, reliable service and compliance with recent surface water treatment regulations.
3. The rates for the options analyzed are shown on Slide 9 as "TYJT Estimates". Options and rates shown are different than presented by DWSD previously.

	DWSD 11/29/2012	TYJT Estimates
18 mgd Maximum Day - P&B	\$16.24	\$16.37
12 mgd Maximum Day - P&B	\$16.30	\$16.31
8 mgd Maximum Day -P&B		\$12.68
12 mgd Maximum Day - Imlay	\$14.38	\$14.38
8 mgd Maximum Day - Imlay		\$11.11

4. Since the rates used in the analyses are shown as estimates, are they actual offers or just presented as "what if" scenarios?
5. We assume that the Imlay options are based on transfer of the 72" main through Lapeer County to Flint. The analyses show a capital cost of \$4.7 million; we assume that this is the proposed purchase / lease cost to Flint. This should be clarified along with pertinent details.
6. If the transmission main is transferred to Flint, what are Flint's responsibilities regarding service to the Lapeer County customers? If they remain DWSD customers, then Flint should receive some revenue for the use the main. It does not appear this is included in the TYJT analyses.
7. If the transmission main is transferred to Flint, we assume that the city will be responsible for the maintenance of the 50 year old main. The TYJT analysis did not include this.
8. Do the rates shown include the credit for "reliability" which had been discussed with DWSD?
9. If the point of commerce is changed from Baxter and Potter to Imlay, a new meter pit will be required. The cost of this does not appear to be included in the TYJT cost analyses.

Flint River Supply (Slide 10)

1. If any of the “blending” options are chosen, it will be necessary to upgrade the Flint WTP and dams to provide reliable, continuous service and compliance with recent surface water treatment regulations.

Data Collected (Slide 14)

1. The slide notes that Flint blending is based on DWSD supplying 2/3 and Flint supplying 1/3 of 12 MGD ADD. For the maximum day demand (18 mgd), if DWSD supplies a maximum of 8 mgd, Flint will supply 10 mgd or 56% of the total. However, such a large portion will make it more difficult to blend and achieve consistent water quality. Flint will need to soften water for these options.

Benchmarking Comparisons (Slide 16)

1. The slide subtitles are “KWA O&M Inflation Factor” and “DWSD and Flint Rate Inflation Factor”. It seems appropriate to benchmark O&M costs for the KWA, because future costs of service will be dependent on how operating costs are impacted by inflation. For Flint, it does not seem appropriate that “rate inflation” from other utilities be used to determine the impact of inflation on future cost of service. Rates are impacted by inflation, but also by other factors such as debt and customer base. O&M expenses and rates are different and care should be exercised not to mix the two during analyses. The TYJT analyses apply an inflation factor (based on rates from other utilities) to the Flint WTP operating expenses, which does not seem to be consistent.
2. The KWA will supply raw water; SOCWA and YUCA both supply finished water. Regulations impact the O&M for finished water suppliers but should not impact the KWA O&M. The use of data from SOCWA and YUCA does not seem like a comparable comparison with the KWA. Finished water suppliers will have increased costs due to regulatory compliance, which really are not due to “inflation” of the costs of wages, power, chemicals, etc.
3. DWSD has a history of rates to Flint and other suburban wholesale customers. Rates tend to be quite specific to each utility, based on much more than just the costs of operating and maintenance. It appears that DWSD historical rates have not been considered in projecting future DWSD rate increases.

Capital Financing (Slide 17)

1. KWA bonds are planned to be general obligation bonds, backed by member counties.

O&M Inflation Factor (Slide 20)

1. SOCWA and YUCA are finished water suppliers; ever-changing regulatory requirements will impact their operating costs more than a raw water supplier, such as KWA.
2. KWA will be a supplier of raw water. O&M costs should primarily be limited to power and labor, with a little chemical use for zebra mussel control. KWA will not provide treatment of the water.

3. The KWA study assumed power, labor, and chemical costs increase at an annual average of 3%. TYJT indicated this is too low and suggested 5%.
4. Following are examples of historical inflation, which support the 3% as a reasonable assumption for O&M expenses (not rates)
 - a. Labor- GCDC-WWS labor costs have increased at an annual average rate of 2.5% since 2003
 - b. Electricity Rates in Michigan (per U.S. Energy Information Administration) have increased an average of 3.2% since 1999.
 - c. The U.S. Bureau of Labor Statistics indicates that the inflation rate over the last 30 years has been an average of 2.8%.

Finished Water Rate Inflation (Slide 21)

1. TYJT bases their assumptions for rate inflation on a survey of rates from three other water suppliers, but ignored the actual rate history of DWSD. TYJT assumed DWSD rate increases of 4.4% annually (if water is purchased from P&B) and 2.9% annually (if water is purchased from Imlay). Based on the actual charges by DWSD to Flint, DWSD historical rates are as follows:
 - a. 10 year increase in DWSD rates to Flint:: 10.5% annually
 - b. Average annual increase through 45 year history: 6.7%
2. Note that for the KWA analyses, an inflation factor has just been applied to power, labor, and chemicals. Although higher prices for labor, power, and chemicals impacts utility rates; rates are impacted by many other factors, many of which are not related to inflation. Rate inflation will likely be different than O&M inflation. Other factors impacting rates:
 - a. Debt – the amount of debt varies widely between utilities
 - b. Number of customers / quantity of water sold – there are many fixed expenses with a utility, that if are distributed amongst more users/more gallons sold will result in lower rates. Conversely, if there are fewer users or less water sold, the rates are higher. Assumptions regarding future water consumption will have a great impact on “rate inflation”.
3. Unlike KWA and Flint operating expenses which will increase over time based on inflation, the cost of continued DWSD service should be based on the inflation of DWSD rates, to include the increasing cost of other DWSD expenses such as debt and the impact of reduced customers / demands in addition to increasing O&M expenses.
4. Even though there could be a one-time reduction in DWSD rates through adopting the model contract, limiting peak demands, and or changing the point of commerce; it doesn't seem reasonable to assume that subsequent annual increases will only average 4.4% through the 30 year period of analysis. This is significantly less than historical performance (yet TYJT suggests that inflation for KWA O&M expenses will increase at almost double the rate of historical indicators).

Capital Financing with Revenue Bonds (Slide 24)

1. Note that the KWA bonds will be general obligation bonds backed by the member counties.
2. The 2009 KWA Study assumed 6%, 25 year financing. The interest rate for planning was reduced in the 2012 Study update to 5%, which is still higher than if bonds were sold today.
3. Financial consultants determined the charges for purchasing capacity in the KWA supply based on the estimated project cost plus appropriate financing costs. Based on 60 units of capacity, \$538,764,000 will be generated for repayment of debt and project costs using the capacity charges in the KWA capacity agreement.
$$\begin{array}{rcl} 25 \text{ years} * 60 \text{ units} * \$355,300 / \text{unit} & = & \$532,950,000 \\ 3 \text{ years} * 60 \text{ units} * \$32,300 / \text{unit} & = & \underline{\$ 5,814,000} \\ & & \$538,764,000 \end{array}$$
4. For a KWA project cost of \$272,421,558, total P&I is \$483 million. The difference of \$55,500,000 is available for financing expenses (capitalized interest, bond issuance costs, etc.) and additional contingencies.
5. Bond holder reserve is not a requirement for general obligation bonds.
6. TYJT assumed that 3% interest would be earned on the bond holder reserve during the 25 year bond period. Current interest rates are less than 1% and it seems inappropriate to assume such a high rate will be earned on retained funds.
7. Bondholder reserve, if provided, should be applied against the last couple of P&I payments. The TYJT did not apply it. This will reduce their project costs.

KWA Construction (Slides 26 through 29)

TYJT has indicated that the KWA construction cost estimate is too low. The primary differences in cost estimates for the project appear to be the following components:

1. Pump Stations (Slide 27) – The TYJT estimate for the pump stations is more than double that used by the KWA (\$54,573,314 vs. \$24,618,080). KWA estimates were based on actual construction costs from recent projects completed by Genesee County within the last eight years.
 - a. 32mgd water pump station including two-10 MG ground storage tanks - \$13.4 million
 - b. 80 mgd wastewater pump station, 50 feet deep wetwell – \$8.3 million
 - c. 30 mgd wastewater pump station, 50 feet deep wetwell – \$9.4 million

The KWA budgeted amount seems reasonable for two pumping stations as currently planned and to be constructed in rural areas (not southeast Michigan).

2. Redundant Power – There is no need for redundant power; other provisions will provide reliability of supply.
3. Land – Preliminary engineering has continued so earlier budgets established for planning for land acquisition can be greatly reduced. Options have been obtained on all properties which must be

purchased, so purchase prices are known. It will be necessary to obtain easements for only two miles of pipeline construction. All land costs are now estimated at \$1.25 million.

4. Engineering, Legal, Administration & Contingencies

- a. The October 2012 KWA estimate provided an allowance of 25% of construction cost to cover engineering, legal, administration, and contingencies (ELAC). This was reduced from the 38% allowance used in the 2009 Study because ongoing planning and design have firmed up many of the details of the project, including:
 - i. The intake design has been completed and all regulatory permits obtained.
 - ii. The transmission main route has been determined. Meetings with road agencies have firmed up the requirements for construction and restoration within rights-of-way. Environmental review and permitting are in process.
- b. TYJT costs for Intake Crib, Pump Stations, and Transmission Mains (Slide 30) include a 30% allowance for ELAC. These allowances (from Slides 26 through 28) total \$72,139,566. In addition, Slide 30 provides the following additional ELAC costs in the project total:

Design Engineering / Pump Stations	\$16,939,581
Construction Management	\$14,434,410
Administration	\$ 349,440
Legal	\$ 831,000
Total	\$32,554,431
- c. Combining this with the \$72,139,566 totals \$104,693,997 or 43% of the estimated construction cost. We believe that such a high allowance for ELAC is not appropriate for a project of this magnitude where preliminary engineering and some design have already been completed.

Cost Comparison (Slide 30)

1. The TYJT pump station price is too high based on costs of similar projects; costs used by KWA are based on costs of recent local projects. The KWA estimate is believed to be sufficient for the proposed pumping stations.
2. Redundant power is not required; this does not need to be included in the TYJT estimate.
3. Land for LHPS – actual price is \$360,000
4. Design Engineering / PS and Transmission – KWA included engineering in the 25% ELAC allowance included in the \$207,752,895 estimated cost of transmission mains; TYJT included engineering in their 30% ELAC allowance included in the \$218,811,559 estimated cost. By adding \$16,939,581 for design engineering, \$14,434,609 for construction administration, \$349,440 for administration, and \$831,000; it seems that ELAC is being “double-counted”. The TYJT 43% allowance for ELAC seems unwarranted for a project with a great deal of preliminary and design engineering completed. The 25% KWA allowance is believed to be sufficient.
5. Easements and land (other than LHPS) should total \$1,140,000, based on current options and specific needs for easements.

Other Considerations – Redundancy / Reliability (Slide 33)

1. Unfunded Mandates/ Future Regulations
 - a. The proposed KWA supply will deliver raw water; it is not anticipated to be affected by future changes to regulations. Regulations will impact the City of Flint with respect to treatment and/or distribution of finished water. The City will be subject to these requirements with any of the DWSD blending options, just as they will be responsible for them if supplied by KWA. Some compliance costs may actually be less with the higher quality Lake Huron water rather than Flint River water as the source.
2. State Goals
 - a. The TYJT presentation indicates that creation of a new raw water supply is contrary to the governor's goals as suggested. However, the development of a new raw water supply provides new opportunities. Communities in Sanilac, St. Clair, and Lapeer counties will have the option to join a regional water supply and replace their small local supplies where limited supplies and high concentrations of arsenic have been a concern. The new water supply also provides great economic development opportunities. The raw water supplied by KWA will make a new commodity, raw water, available to the region. A large, low-cost supply of raw water can be a valuable resource for industries and agribusinesses. The development of a new water supply will also create construction jobs through the short term period of building the new water supply and subsequently over a longer period as new businesses and industries are developed in the area.
 - b. The City of Flint and area communities will benefit as permanent jobs are created for operating and maintaining the local treatment facilities.
3. Redundancy
 - a. We agree that the KWA and DWSD options are similar with respect to redundancy. Both provide the primary water supply; customers are responsible for their backup supply.

Other Considerations – Cost Slide 34

1. TYJT indicates that the DWSD 8 mgd supply option is the least cost alternative.
 - a. The TYJT analysis does not include the cost of needed upgrades to the City's WTP or increased operating costs in their analysis. During summer months, water from the river will need to be softened before blending. More than half of the water supplied will be provided from the river. When the cost of upgrades to the WTP and the increased operating costs (for softening) are added to the TYJT analysis, the KWA option is less than the DWSD 8 mgd option.
2. For any of the DWSD "blending" options, upgrades will need to be made at the WTP to provide for continuous, reliable operation and compliance with new surface water treatment rules. Increased capital and operating costs for treating water from the river should be added to the TYJT costs for comparison with the other options.
3. Water from the river will require greater effort to treat than water from Lake Huron (more chemicals, power, and residuals). The TYJT analysis shows about the same O&M costs for the Flint WTP, regardless of water source. It seems that the WTP O&M costs for the KWA options should be reduced to reflect the savings from treating Lake Huron water.

4. The TYJT presentation noted that the KWA analysis did not include allowances for mechanical and process improvements within the planning period. The KWA will supply raw water. The facilities consist of pipe, pumps, and a tank. There are no treatment facilities which would be susceptible to future regulatory changes. The only improvements that seem likely would be the need to provide additional capacity. Capacity expansion is planned to be financed through capacity charges to new users.
5. The provision for redundant connections between the City's water system and the GCDC system was included in the most recent water supply agreement between the two, in 2011. Although not a KWA cost, the cost of the redundant connections should be considered with all options.
6. The \$2.3 million budgeted for land by KWA was intended to cover all land requirements. Since the October update, options have been obtained on all land to be purchased and the locations of easements needed has been finalized. Total land costs are now estimated to be about \$1.5 million.
7. The 2004 study included a 47% allowance for engineering, legal, administration, and contingencies (ELAC). The 2009 study reduced the allowance for ELAC to 37% because many of the details since the 2004 conceptual study had been better defined. For the October 2012 update, the allowance for ELAC was reduced to 25% because continued planning and preliminary engineering further addressed details from the earlier concepts.
 - a. The detailed design (plans and specifications) and permitting have been completed.
 - b. The transmission main route has been finalized. Meetings with road agencies have established requirements for construction and restoration within road rights-of-way. Environmental permitting is in process. The primary remaining unknown is pipe sizing, which is largely dependent on Flint's participation.

It is our experience that the 25% ELAC allowance is appropriate for a project of this magnitude at this stage in the planning / design stage. The 43% ELAC allowance recommended by TYJT is excessive for a project in the design phase.

8. Flint's WTP as a backup to the KWA will be less difficult to provide for than the current arrangement as a backup to DWSD. We believe there is potential for challenges with chemistry and treatment for the proposed DWSD blending options, too.
9. It doesn't seem that oversizing the KWA capacity is a good solution for the city's water loss problems, if that is what is being suggested.
10. Yes, it would be nice if the KWA system could be constructed to firmly determine its cost and time to complete before making a decision about water supply alternatives. However, a decision is needed regarding Flint's participation so that the sizing and design can be completed, before it can be built.