CITY OF FLINT

OFFICE OF THE EMERGENCY MANAGER

Darnell Earley, ICMA-CM, MPA
Emergency Manager

November 21, 2013

Mr. R. Kevin Clinton, State Treasurer
Michigan Department of Treasury
4th Floor Treasury Building
430 West Allegan Street
Lansing, MI 48922

Dear Mr. Clinton:

Attached please find Update 4 for the City of Flint Financial and Operating Plan. This update is submitted by the Emergency Manager for the City of Flint to Governor Rick Snyder, through the Department of Treasury for the State of Michigan, in accordance with Public Act 436, Section 11.

The City of Flint had previously submitted a Financial and Operating Plan under PA 4 and PA 72; the City was not required under PA 436 to submit a new plan. However, with my appointment as Emergency Manager on October 8, 2013, it was appropriate to prepare an update to the current plan.

This report includes a summary of the financial conditions and goals for the City of Flint, the plan to conduct the operations of the City and the on-going actions being taken to resolve the financial emergency. This update will be posted on the City's website: www.cityofflint.com .

Respectfully submitted,

Darnell Earley, ICMA-CM, MPA
Emergency Manager

cc: Governor Rick Snyder
W. Workman, Dept. of Treasury
E. Koryzno, Dept. of Treasury
I. Brown, Clerk of the City of Flint

Financial and Operating Plan for the City of Flint – Update 4

November 21, 2014

Introduction

This update to the Financial and Operating Plan for the City of Flint is submitted by the Emergency Manager for the City of Flint to Governor Rick Snyder, through the Department of Treasury for the State of Michigan, in accordance with Public Act 436, Section 11.

The City of Flint had previously submitted a Financial and Operating Plan under PA 72 and was not required under PA 436 to submit a new plan. However, with the appointment of a new Emergency Manager on October 8, 2013, it was appropriate to prepare an update to the current plan.

This report includes a summary of the financial conditions and goals for the City of Flint, the plan to conduct the operations of the City, the on-going actions being taken to resolve the financial emergency, and the outline of a plan to prepare for a Transition Advisory Board. This update will be posted on the City's website: www.cityofflint.com .

Summary of the EM/EFM Appointment Sequence and Development of the Operating and Financial Plan

The Flint Financial Review Team determined in November 2011 that the City of Flint was in a financial emergency. (See Attachment #1)

On December 1, 2011 Governor Rick Snyder appointed Michael K. Brown as Emergency Manager. EM Brown developed the Financial and Operating Plan utilizing the resources of a five person Advisory Committee as well as five additional advisory committees. EM Brown sought broad expertise to ensure public engagement and to maintain a sense of continuity with the Mayor and City Council. All nine City Council members and over fifty other citizens participated in the advisory committees.

EM Brown's original Financial and Operating Plan (45 Day Plan) was submitted to the State Treasurer on January 15, 2012; the first update to the Plan was submitted on June 1, 2012. On August 8, 2012, PA 4 was suspended and Edward J. Kurtz was appointed Emergency Financial Manager under PA 72. (Mr. Brown stepped aside as he was prohibited from serving as EFM due to his recent service as Interim Mayor for the City of Flint.)

EFM Kurtz established a new Advisory Committee in accordance with the requirements of PA 72. Utilizing the Advisory Committee and the City of Flint management team, EFM Kurtz presented a second update to the Financial and Operating Plan and submitted this to the State Treasurer on February 8, 2013.

When P.A. 436 took effect on March 28, 2013 Mr. Kurtz was re-appointed by Governor Snyder as Flint's Emergency Manager. Mr. Kurtz continued in that capacity until his resignation after the end of fiscal year 2013. At that time Mr. Kurtz submitted his closing memorandum and the third update to the Financial and Operating Plan. Governor Snyder then reappointed Mr. Brown as Emergency Manager. On October 8, 2013 I was appointed by Governor Snyder as Flint's third Emergency Manager following Mr. Brown's resignation.

This report is now the fourth update to the Financial and Operating Plan.

Priority List for the Resolution of the Financial Emergency

- Stabilize the financial future of the City: maintain a balanced budget, seek increased revenue, and reduce unfunded pension and OPEB liability.

- Re-establish Flint as one of the safest cities in Michigan — both in reality and perception: provide public safety services, focusing on reducing violent crime, commensurate with cities of comparable size and resources, utilizing regional cooperation as appropriate.

- Implement the Blight Elimination Plan: manage demolitions, enforce blight ordinances.

- Maintain access to a clean, sustainable water source: implement the steps necessary to participate in the Karegnondi Water Authority (KWA) including interim water supply plan development, disposition of current pipeline sections, City Water Treatment Plant updates, a long term water supply back up plan, and a long term financial plan for the stability of the water and sewer funds.

- Implement the Master Plan of the City of Flint: update the Zoning Ordinance, evaluate the capital investment needs, and incorporate Master Plan activities in the annual budget development.

- Explore Governance Models for the City of Flint: establish a citizen's committee to evaluate Michigan city governance models, recommend course of action for Charter revision as a part of transition discussions.

Operations of the City of Flint

Shortly after his appointment as EM, Michael Brown took steps to reorganize the city government operations including: elimination of departments, consolidation of departments, elimination of management level positions, adjustment of the compensation of elected and appointed officials, elimination of the Civil Service operation and the Office of Ombudsman.

Management appointments were made to ensure that the essential services necessary for the public's health, safety and welfare are provided, and to continue conducting all aspects of the City of Flint's operation within the resources available. Necessary employment contracts were extended with the approval of the Treasury Department.

Department management reconfigurations were completed in anticipation of reductions in staffing levels as provided in the FY 13 Budget. Subsequently, as part of the FY 14 Budget process a Strategic Plan was adopted and more changes in the organizational structure occurred. The primary change was the inclusion of a new Planning and Development Department (See Attachment #2 Organizational Chart FY 14). I have made personnel adjustments to complete this reorganization of the Planning and Development Department.

When PA 436 became effective in March 2013 the City Council members' and Mayor's compensation was eliminated. EM Kurtz partially restored compensation for Mayor and Council through Orders 1 and 2. These orders also defined specific responsibilities and requirements. For example, the City Council members must complete Level One of the Michigan Municipal League (MML) core course for municipal government and must receive the MML education award with in one year. I have determined that this Order is still in effect and the newly seated Council will be required to individually sign acceptance of these requirements as a condition of receiving compensation.

All Orders and Directives issued by the Emergency Financial Manager (under PA 72) and Orders issued by the Emergency Manager (under PA4 and PA 436) are listed in Attachment #3: Orders and Directives of the EFM and EM.

Financial Status

Cash Flow as of November 1, 2013

The City's cash flow has improved significantly from the $13 million cash on hand in December of 2011. Thirteen million dollars is less than one month's operating expenses. By comparison, the cash on hand on June 30, 2013 was in excess of $40 million. Cash on hand as of November 1, 2013 is more than $48 million.

FY12 Budget and Audit

The Comprehensive Annual Financial Report (CAFR) for FY12 was completed and was filed with the State in a timely manner. The results were as expected, with fewer auditor comments than in past years. Deficits exist in the General Fund ($19.1 million) and in the Water Fund ($8.8 million).

The $19.1 million accumulated deficit reflected an excess of expenditures in the General Fund for FY12 of $10.2 million plus $8.9 million for FY11. This was anticipated by Emergency Manager Brown shortly after being appointed, which was almost six months into the FY12 year. Given that FY12 was nearly half over, and that significant unplanned reductions in services, primarily public safety, would need to occur if the projected deficit were to be immediately eliminated, the decision of the Emergency Manager, in consultation with Treasury, was to contain costs as much as possible but without significantly reducing services – especially public safety - for the balance of the year.

Instead, focus was concentrated on developing a budget for FY13 which would move toward restoring Flint to long term financial solvency.

The deficits identified in the City's Comprehensive Annual Financial Report for FY12, the year ended June 30, 2012, are follows:

General Fund -	$ 19,184,850
Water Supply Division -	$ 8,758,091
Economic Development Corporation	$ 119,439

Pursuant to State statute, Deficit Elimination Plans for both FY11 and FY 12 were submitted to the Department of Treasury. Both plans involved a mix of borrowing and expenditure reductions over the next five years. However, no final action was taken to implement the intended courses of action.

FY13 Budget and Audit

FY13 was the first budget developed and administered by the Emergency Manager and his team. Faced with a projected gap of more than $25 million, the FY13 budget was balanced through a mixture of significant revenue increases, significant expenditure decreases, and steps taken to reduce legacy costs. Previous reports detail the 25% increase in water and sewer rates, passage of a 6 mill property tax increase for police and fire, elimination of 20% of the City's workforce, compensation decreases equivalent to a 20% wage reduction for remaining employees, and the restructuring of health and retirement benefits for current employees and retirees necessary to develop a credibly balanced spending plan.

FY13 is now closed, and auditors have been on site since October 7, 2013. Preliminary results of FY13 year end show a surplus of revenues over expenses in the General Fund exceeding $4 million. This surplus will reduce the City's accumulated $19.1 million deficit as of the end of FY12 to less than $14 million. Since the goal of the EM team was to assure that FY13 would not end with any additional deficit, this result has significantly exceeded expectations.

Deficit Elimination Plan 2013

In October 2013 a draft Deficit Elimination Plan for FY13 was submitted to the Michigan Department of Treasury. In summary, the City's accumulated General Fund deficit of $19.1 million for FY12 has been reduced by $4.2 million to $13.9million. $11 million of this accumulated deficit is proposed to be eliminated by: 1) documenting the amounts currently owed to the Water and Sewer funds as a loan, and budgeting repayment of the outstanding amounts, including interest, from the Capital Improvement Fund; and 2) eliminating the remaining $2.9 million over the next five years by budgeted appropriations in the General Fund and other funds. Significant progress has been made to reduce the Water Fund deficit from $8.8 million in FY12 to under $500,000 in FY13. Additionally, the Economic Development Corporation (EDC) deficit will be eliminated according to the plan to be submitted by the EDC Board of Directors. No appropriation from the General Fund will be made to eliminate this deficit.

This draft plan is currently under review by the Department of Treasury.

FY 14 Budget and Strategic Plan

The FY14 budget was adopted via Emergency Manager Edward Kurtz Order #4 on June 7, 2013. This budget was developed with the same goal as FY13 – to assure the provision of essential services within the constraint of a balanced budget.

Achieving this goal again required reducing the workforce; however, with significant efforts from department heads and others involved in developing the budget, and building on ongoing reorganization of city processes, the level of services currently provided should generally continue at current levels. Most importantly, the quest to at least maintain current levels of police and fire staffing was maintained, although one consequence was that the additional reductions in staffing came from non-public safety areas. This was equivalent to an additional 10% reduction of staffing in those areas.

As the city approaches the end of the second quarter of FY14, the budget continues to be in balance. One set of budget adjustments has been recently implemented with approval of Treasury. With the exception of income tax revenues, the quarterly review of revenues and expenses to budget does not disclose any significant anomalies.

Income tax revenues remain sluggish, tracking right now at the FY13 level. Unfortunately, FY13 actual income tax revenues were $12.3 million, compared to a budget of $15.3 million. While the FY14 budget projection of $14.2 million is less than the FY13 budget, it is possible that income tax revenue may fall short of expectations. We will be monitoring this revenue line item and recommending adjustments as necessary to assure that the budget remains in balance.

The content of the City's Strategic Plan (Attachment #5) and the newly adopted Master Plan will be the basis for planning future budgets, determining service objectives, evaluating department/division management, and deciding whether and when to pursue grants.

The Strategic Plan includes a section entitled "Five Year Financial Projections and Challenges City of Flint, FY14-FY18". In summary:

Years 2—5 show the continuing challenge of the City's structural deficit, with property tax revenues continuing to fall through FY15, and then stabilizing but with no growth until FY18. At the same time however, legacy and compensation costs are projected to increase by 5% per year, and major grant sources will expire. The City will be faced with a significant challenge of attempting to choose between reductions in public safety and other reductions; however, finding other reductions may not be possible, given the minimal level of service provided. Again, without additional new significant levels of revenue, there is little ability to improve services or address continually increasing capital improvement needs.

Within the next few months the City plans to prepare the financially challenging FY15 Budget.

See Attachment #4 FY 14 Adopted Budget Detail and Attachment #5 Setting a Sustainable Course for the City of Flint.

Revenue Enhancement Activity
Several new revenue actions were implemented for the FY13 Budget. The 3 mill waste collection levy was replaced with a fee based on the actual cost of the service. A Street Lighting Assessment District was established, and a new voter-approved 6 mill Police and Fire Protection millage was levied. Also, fees for licenses and permits were adjusted. Each of these revenue actions were continued in the FY 14 budget.

It should be noted that in the process of returning the City to management by the Mayor and City Council that these revenue enhancing actions will need to be continued or alternate financing mechanisms found.

The City recognized that these activities created significant burdens on many home owners, therefore assistance programs were developed. Via EFM Order No. 8 the Poverty Exemption to the Street Lighting Assessment was established. Individuals who qualify for relief from property taxes may apply for an exemption from the street lighting assessment as well. Also, through EFM Order No. 11, water service procedures were modified in order to provide an exemption from the monthly ready to serve charge to eligible property tax exempted home owners. EM Order No. 11 also modified the acceptance of the DHS maximum water deposit payment and revisions to the water turn-on fees.

FY 15 Budget Development
The FY14 budget was developed within the context of a five year projection of revenues and expenses. This exercise pointed out the continuing challenge the City of Flint will have in achieving long term financial stability. It is clear that – like many urban centers – Flint's financial solvency will continue to be

challenged with a structural deficit; that is, that status quo revenue growth and status quo expense base growth will always show a negative gap.

Given the relatively low level of service that the City can now only barely provide, closing this gap is not possible by continuing to only reduce expenses. However, with an additional source of revenue, such as could be obtained by an increase in the local income tax, coupled with continuing reductions in legacy costs, it is possible to stabilize city finances and begin to address the unsustainably low level of services which currently exist. Such an approach, for example, could turn an annually projected $2 million to $4 million deficit between revenues and expenses into a positive $5 million to $6 million surplus. Such surplus would enable the City to address the most critical areas on unmet service needs and unmet capital needs.

However, the City has been challenged on many of the decisions made to restore financial solvency. Most critical has been the legal challenge to its decision to change retiree healthcare. Should the City not prevail, it will likely be faced with increased costs of as much as $5 million annually. Those costs were not provided for in the FY14 budget, and are not planned in the FY15 budget; their inclusion could be financially disastrous. A loss on this legal challenge would be very significant not just for Flint but for many local governments.

Finally, as a result of analyzing projected revenues and expenses for the next five years, it has become clear that the City will continue to face a structural deficit in the area of $3 million to $5 million annually. More than anything, the City's stagnant revenue streams (no growth projected over the next 5 years) and its high amount of legacy costs ($37 million for FY14) have created this situation.

This structural deficit essentially precludes the City from stabilizing service levels even at minimal levels, and prevents it from addressing significant unmet capital needs (currently estimated at more than $300 million). Without structural change, this situation is not sustainable and the City will not achieve even a minimal level of financial solvency in the long term.

While bankruptcy has been mentioned as a possible solution to this, investigation of the alternative shows it to be expensive, slow, and with outcomes that are far from certain. However, investigation of an alternative which focuses on improving the City's revenue stream while continuing to reduce legacy costs shows promise. For example, an increase in the local income tax rate to the levels afforded other urban centers, coupled with significant additional changes in health care and pensions for active employees and retirees appears to have the potential to overcome the $3-$5 million structural deficit while providing a similar amount for stabilizing services and beginning to address capital needs.

Key Actions To-Date, Current Activities and Pending Issues
The city continues to review all departments and services for potential merger, consolidation, contracted service, shared services with other governmental entities, privatization or elimination. As a result of these reviews the City will determine what continuing activities should be subsidized with general property tax dollars, what will be paid by the users and what services can be eliminated.

Finance/Administration/IT
Finance Department

The Finance Department is proceeding with the following projects:

- selection of a vendor to conduct a Water/Sewage Rate Study to prepare for the transition to the new water source through the Karegnondi Water Authority and address the long term financial stability of the Water and Sewer Funds,
- implementation of a Procurement Card system and associated changes to the City's Purchasing Policies,
- continued effort to reduce pension and OPEB liabilities,
- continued aggressive monitoring of revenue and expense activities, with particular emphasis on revenue collections, position counts and overtime expenditures,
- planning and implementation of employee development programs focusing on financial management, supervision and labor relations, and leadership development,
- reorganization of city accounting functions based on the analysis and recommendations of an organizational study completed by Plante Moran.

Grant Management
Finance reviewed the process for all grants to the City of Flint for appropriate use of funds, potential for continued funding, and timely reapplication. A grant pre-submission approval system has been operational since March 2013 following EM Order No. 10.

Economic Vitality Incentive Program (EVIP) Requirements
The City of Flint has met all reporting requirement dates for Economic Vitality Incentive Program (EVIP) in order to qualify for all disbursements of State Shared Revenue. Each report is available on the City's website www.cityofflint.com through Munetrix Citizens Guide to Finances and Dashboard.

Transition of Flint Employee Retirement system (FERS) to Michigan Employees Retirement system (MERS)
The FERS to MERS transition nears completion. Retirees have been receiving their monthly checks from MERS since October 18, 2012. The transfer of the administrative components will be complete by July 1, 2013. All of this transition will be complete upon finalization of the Model Labor Contracts.

A lawsuit was filed in late May 2013 by URGE against the City seeking to force the City to negate the move of the pension funds to MERS. This lawsuit is pending before Circuit Court Judge Yuille.

Treasury Division
Income tax processing is being handled through a joint project with the Cities of Grand Rapids and Lansing. Beginning in FY14, income tax collections have been handled by Innovative Software, the current vendor for the City's income tax software. Also of note, the City is operating with a shared Treasurer between the City of Burton and the City of Flint.

The City contracted with Plante Moran to conduct a study to evaluate the potential of shared services between the City and Genesee County treasury functions. This study was funded by the Mott Foundation.

Collection rates are an on-going concern. This year, the city will be made whole via full payment from the County. In subsequent years those shortfalls must be repaid to the County. The City estimates that only 33 % of property taxes and assessments have been paid, water and sewer delinquencies have grown to 40 %.

In an effort to improve income tax collection the city purchased the 2010 State Tax role and began sending notices to 8800 individuals, both residents and non-residents, who have not filed City tax returns. The total estimated tax value from uncollected income tax for the 2010 tax year is between $300,000 & $400,000. The City also plans to pursue uncollected income tax from previous years.

Assessment Division
The Assessment Division has been operating with a part-time Level IV Assessor. A member of the Division is currently completing Level IV assessment certification.

The City of Flint shares the services of the Assessor with City of Lansing.

Currently, the Assessor is projecting City of Flint property values to stabilize in FY15.

Human Resources Department
Continued reduction in personnel has strained the capability of departments to complete compliance and reporting work. Both short and long term vacancies create knowledge deficits which are becoming most difficult to overcome. This will be exacerbated as further staff reductions are required.

HR has joined the Genesee Intermediate School District in using APPLITRAC system for job postings and the initial hiring process.

City-wide management and supervisory training has been re-established after an almost fifteen year absence.

Labor Agreements and Implementation
During the tenure of EM Michael Brown, Labor Counsel held meet and confer sessions with the City's six bargaining units. A target of 20% equivalent wage reductions was achieved. Tentative Agreements were reached with four of these bargaining units. As contract settlement was necessary prior to adopting the FY13 budget, the EM invoked the 19K provision in Public Act 4 from the State Treasurer for the bargaining units which had not achieved Tentative Agreements (EM Orders 18 and 26) and with Local 1799 which had approved a TA but had not ratified (EM Order 27).

EFM Edward Kurtz held additional sessions with AFSCME, Flint Police Officers Association (FPOA) and the Firefighters Union. In January 2013 AFSCME and the City reached agreement for the privatizing of waste collection and demolition. A lawsuit by FPOA seeking to return to the status quo (prior to EM imposed contract) was dismissed by the circuit court. In late May, a lawsuit was filed by AFSCME Council 25 seeking to overturn the contract imposed by the EM in April of 2012.

A Model Contract has been developed and a new round of meet and confer sessions have begun, starting with the Flint Police Officers Association. The City's goal is to streamline and standardize the contracts and to further reduce legacy costs. It is hoped that these models could be used throughout the State.

The City has contracted with a part-time Labor Relations Specialist; through his efforts dozens of past grievances have been settled and only a handful of grievances remain outstanding.

Retiree Health Insurance Revisions
The City's approach to containing its OPEB liabilities has been to restructure both active and retiree health care benefits, and to eliminate the promise of retiree health care for new employees. The changes have had a significant impact on the City's OPEB liabilities, reducing the total unfunded liability from nearly $900 million to less than $400 million, and reducing the Annual Required Contribution (ARC) from $60 million to $22 million.

As noted earlier, on June 25, 2013, the court denied the City's request to stay the order and in fact, applied the injunctive order to all retirees as a class (without actually certifying a class). The City's legal counsel has recommended the City immediately comply with the court's order with regard to the six members of the lawsuit. The City has authorized legal counsel to immediately apply for relief in the 6th Circuit Court.

The City is utilizing the services of Cornerstone Municipal Consulting in ongoing review of various Employee/Retiree health care options including plan design, delivery systems, Medicare Advantage, Medicare Wrap Around, benefit carveouts, etc. in an effort to control health care costs. Administration of the City's health insurance benefits program is being handled by Cornerstone.

Retiree Prescription Drug Program Revision
The City suspended the planned implementation of a modified prescription drug program which required the issuance of a generic drug unless a name brand drug is determined to be medically necessary. This action resulted due to a lawsuit, Yurk et al. v. City of Flint, in Genesee County Circuit Court before Hon. Archie Hayman. Judge Hayman granted a preliminary injunction that precludes implementation of the plan. Importantly, the case was somewhat unusual, as the court's decision was based on a 2002 settlement agreement (entered by the Emergency Financial Manager) in which the City agreed not to modify the prescription drug program for the effected employees.

Dependent Eligibility Audit
In FY12 the City conducted a dependent eligibility audit. Three hundred eighty-one dependents were identified for removal from the City's health plans. This reduction is estimated to have saved $1.3 million in the first year - FY13.

Information Technology
Prior to the start of FY13 the Information Services Department eliminated all but two of the existing positions. Through reorganization, 6 of 9 employees were rehired under new job descriptions. The new structure allowed more flexibility and greater utilization of personnel.

Several large scale projects have been completed including: installation of a back-up server for Public Safety and 9-1-1, installation of new switches which will allow for a more complete use of Public Safety's data collection and record keeping systems; software upgrade for the New World records management system; finishing the AT&T Managed Router Service deployment to the City network; installation of a new visualization server cluster; and the automation capability of the Third Ave. Pump Station.

Other projects are on track, primarily the system upgrade of the BS&A ERP. Another legacy project nearing final milestones is the installation of 300 new desktop terminals in City Hall and in the Police Department.

Fleet Division
The City has consolidated the management of the City's vehicle and truck fleet under the Fleet Division. This division will oversee the specification, purchase, repair and maintenance and replacement schedule for all city vehicles and wheeled equipment. The Division recently participated in a successful auction of surplus equipment.

City Clerk
The City Clerk has recently conducted the November election and the swearing in of the 2013-2014 City Council. The Clerk is also making arrangements for the orientation and training of the new Council members.

As part of the FY14 reorganization, the City has transferred the responsibility for Business Licensing to the newly formed Department of Planning and Development. The City recognizes that it is losing significant revenue from unlicensed businesses and this change is designed to insure that all businesses in the City of Flint are licensed and inspected.

Office of the City Attorney
The City Attorney is continuing with efforts to improve litigation management through claim evaluation, claim reporting, attorney training and trial preparation. The City Attorney continues to emphasize the "litigation team" approach to case handling, with weekly review of pending matters and discussion of how best to protect the City of Flint's legal interests.

With the help of interns from Michigan State University, all City ordinances have been reviewed Charter revisions which would increase flexibility for department reorganization and budget flexibility are also being considered.

Also, in preparation for the new Department of Planning and Development, the City Attorney's Office prepared draft revisions to the City Code concerning business licensing and regulation. Many ordinances and former business licenses are recommended for removal because they were obsolete, or could be put under the newly created General Business License. Several businesses also will be required to obtain a Business Endorsement.

Criminal Justice System Advisory Council (CJSAC)
Based on input from the State Police, Governor's Office and a Michigan State University Criminal Justice Study, it was clear that the Genesee County Criminal Justice System and the Flint Police Department could benefit from improved coordination and policy development.

In September 2012 the first meeting of the Criminal Justice System Advisory Council (CJSAC) was held. Eight workgroups were established. Through these work groups a number of cooperative projects, streamlined operations and new collaborations have been identified and implemented. Regular meetings of the full Council are held quarterly and work groups schedule meetings as needed.

68th District Court
The City currently funds the operation of the 68th District Court; in FY14 this amounts to $3.5 million net. This significant portion of the City's General Fund needs to be studied

closely and recommendations developed to meet this required activity while containing and reducing costs.

I strongly encourage the State to continue the process of working to consolidate the 67th and 68th District Courts. As of mid-November 2013 a bill which would allow this consolidation to proceed has passed the MI Senate and two versions of the bill approach second reading in the House.

Department of Public Works

Utilities Division

Karegnondi Water Authority (KWA)

In March 2013 both the City Council and EM Kurtz adopted resolutions to enter into a contract with KWA to partner with Genesee County, City of Lapeer, Lapeer County and Sanilac County in the construction of a pipeline to deliver raw water to the City of Flint. This decision followed many months of analysis by the City of Flint, the Genesee County Drain Commissioner's office, and ultimately involved the State Treasurer and Governor Snyder. This conclusion to join KWA is momentous for the City and the entire region. The City looks forward to a safe, reliable water supply through which water costs can be stabilized for the KWA participants.

Immediately after the KWA decision the Detroit Water and Sewer Department (DWSD) notified the City that it will terminate the contract with the City for the delivery of water in 12 months. The City is currently developing its plans to assure water service between April 2014 and the full operation of the KWA pipeline (approximately 36 months after construction begins).

There are many details to be addressed in the implementation of this project including the use of existing pipeline.

Water Department

Upgrades to the City's Water Treatment Plant are required prior to the transition to the KWA water source and any temporary use of the Flint River. KWA water from Lake Huron will be "raw" and will require treatment by the city prior to customer distribution. Engineering work is well underway.

An evaluation is taking place to implement an effective Preventive Maintenance plan which focuses on controlling water loss (leakage). This is expected to involve a combination of outsourcing, in-house work, and shared services with the County.

There are currently no major water main leaks and the crews are now working on the small leaks such as curb boxes, etc.

A plan is being reviewed to replace all water meters in the City. Currently $700,000 has been allocated in FY 14 for that purpose.

Discussions have begun with the Genesee County Drain Commissioner on a wide range of shared services and partnerships for both water and sewer operations.

Sewage Treatment Division
The automation of one of the City's pump stations (which was staffed 24 hrs a day) has been completed. This will result in the elimination of overtime and a savings of over $500,000 annually.

The planned shutdown of the City's incinerator has begun with engineering plans for a new load-out facility and is expected to reach completion in early Spring 2014. The estimated savings from this project is an annual $400,000.

U. S. Department of Environmental Quality S2 Grant
An S2 DEQ grant to study infrastructure condition for water pollution control was accepted. The study was defined to encompass the City's entire sanitary sewer system including the overall collection system, the capacity and condition of the system, potential upgrade recommendations to the lift stations and the pumping stations, and to make recommendations for necessary investments to maintain the system.

Storm Water Management Plan
A draft new storm water ordinance that shifts the cost allocation to the larger users has been developed.

Swedish Biogas International (SBI)
In conjunction with the City of Flint sewage treatment plant shut-down of the sludge incinerator, Swedish Biogas International (SBI) proposes to accept sludge output and produce electricity. The city will agree to purchase the electricity at a reduced rate compared to purchase from Consumer's Energy. The SBI contract has completed the City's review process and is now awaiting SBI's Board of Directors' authorization.

Transportation Division
Solid Waste Management Division
In early February 2013, the Infrastructure Department signed a contract with Republic Services, a private waste collection company. The City of Flint no longer collects or disposes of household waste. Through this new contract, residents city-wide now have access to curb-side recycling. It is expected that the fee for waste collection service will continue to be billed and collected by the City.

Outsourcing of Sanitation is complete and the process of establishing city composting is underway with a permit application to DEQ submitted and a site plan of action being prepared for the EPA.

Street Maintenance and Engineering
Discussions have started with the County Road Commissioner on possible shared services.

Both road paving and engineering are seasonal activities and these are at ever decreasing levels. These are under review as areas to downsize or eliminate. Consideration is being given to developing service sharing arrangements or creating the ability to source on an as needed basis. Only crack sealing and pothole repair was conducted this season; no repaving of any City streets occurred.

Facilities Management
A private company held an on-line auction in January 2013 to dispose of surplus equipment from a variety of departments in the City. This one day auction netted \$130,000. A second auction was held in May 2013 which netted an additional \$250,000. An auction at the impound lot was held in June 2013, netting over \$30,000 for the City.

The Facilities manager is reviewing all city owned assets (both real property and capital equipment) to determine if disposal should be pursued.

All city owned facilities are under review for energy savings, revenue generation from tenants, or possible liquidation.

Parks and Recreation
The City contracted with two vendors who have the capacity to mow all of the city parks (64) multiple times at a rate that fits the current millage. The City also actively sought neighborhood groups and organizations who would adopt one or more of the City's parks, traffic triangles or medians. The current Parks millage generates enough money for reduced parks mowing and limited tree removal where property has been damaged or streets are blocked.

Golf Courses
All four of the city's golf courses were leased to private organizations. Two courses were operational summer 2012 and both reopened for the summer of 2013.

Senior Centers
The Pierce Senior Center closed on April 30, 2012 as funding was no longer available. The City of Flint continued to explore its options with the two open Senior Centers: Brennen and Hasselbring. In June 2013 contracts were successfully negotiated with United Senior Network for the operation and sale of

the Hasselbring Community Center, and with the Brennan Elm Park Senior Community Corporation for the operation of the Brennan Community Center. Planning is also underway for a third center in downtown in partnership with another vendor.

Department of Planning and Development

The creation of the Department of Planning and Development, separate from the Infrastructure Department (now Department of Public Works), had been envisioned since the beginning of the FY14 budget. I announced the department reorganization and the new Department Head, current Chief Planner, Megan Hunter in early November 2013. The Master Plan has now been adopted and this department will be charged with guiding the implementation of the many objectives included in the Plan. Blight elimination is one of the City's top priorities and the associated blight enforcement activities will be coordinated through this department as well.

Master Planning

The City of Flint is proud to announce the October 2013 adoption (by both a unanimous decision of the City Council and the Emergency Manager) of the first comprehensive Master Plan since 1960. Overall, 5000 residents participated in this extensive process.

Following the data gathering phase of the master planning process, the planning team was able to release a summary of the findings in an Existing Conditions Report. This report has already proven extremely beneficial, assisting several community stakeholders in applying for grants and helping inform decisions around critical issues such as blight and demolition. In fact, the completed Housing Conditions Inventory included in the report was critical in helping the Genesee County Land Bank develop its successful application for $3.7 million in funding for demolition through the Michigan Blight Elimination Grant Program. This data was also used to develop an application for the Federal *Hardest Hit Program* which resulted in an award of $20 million (See Blight Management Plan below).

A four-hour Vision and Goals Workshop was held on March 9, 2013 where nearly 500 stakeholders engaged in small group dialog. Also during this time, staff worked with the Planning Commission and community to identify the eight sub-area plans to be included in the Master Plan.

In May, the City began work on the actual drafting of the Master Plan. A Memorandum of Understanding between City and the Flint Community Schools was signed in order to formalize joint planning efforts particularly around community facilities.

In early summer 2013 the planning team embarked on the development of a land use plan. The first Land Use Workshop was held on Saturday, June 22' 2013 and involved over 160 residents in candid discussions about vacancy and realistic development patterns.

A 63 day public comment period concluded with an October 2013 state mandated public hearing. The Planning commission met and approved the plan later in October, before final adoption by the City Council and the Emergency Manager.

The next step is the revision of the City's Zoning Ordinance. This is required to be completed by June 2014.

Community and Economic Development
With the end of the Federal NSP program in sight, the City has begun evaluating the management needs of the department and what can be outsourced or become a shared service.

Emergency Manager Kurtz challenged each department to complete the use of HUD, CDBG and/or other grant funds within the grant guideline spending period.

Collaborative economic development efforts are underway with the Flint & Genesee Chamber of Commerce to attract and retain businesses; and to receive and apply new tools such as the Next Michigan Development Corporation and Smart Zone designation. The City will continue to work with RACER Trust for brownfield development, including Buick City.

The City of Flint is challenged in its current financial condition to provide significant investment into job creation and Economic Development. However, the City has developed a unique and effective partnership with the Flint & Genesee Chamber of Commerce (F&GCC) which is the recognized economic development entity for Genesee County. The City receives specific community and economic development services from F&GCC each year.

Blight Management Plan
I have determined that blight has become one of the primary issues facing the City of Flint. Blight is a continuum of problems from tall grass and weed control through abandoned, demolition ready property. The newly formed Department of Planning and Development is formulating a complete blight strategy.

The City's financial condition has resulted in the drastic reduction in the Building and Safety Inspections Division. All demolition work is now the responsibility of the Genesee County Land Bank Authority. The City has hired part-time Neighborhood Safety Officers (NSOs), through a grant from the Mott Foundation, who alert residents to blight violations and can issue citations as necessary. NSOs are also processing the impounding of abandoned vehicles, verifying current business licenses and identifying rental properties.

The Landbank, in partnership with the City, has recently received over $3.5 million from MSHDA for demolition of properties in three specific areas of the City. First, around Northwestern High School, second around Northern High School, and the third around the area of Diplomat Pharmacy and the International Academy of Flint.

The Landbank, again in partnership with the City of Flint received $20.1 million Hardest Hit Federal Funds for residential demolitions in Genesee County, primarily in the City of Flint. This will be a significant milestone in the history of the City, affording it the opportunity to significantly improve the quality of life in the City's "tipping neighborhoods". The U.S. Treasury in June signed off on a proposal -- the first of its kind in the nation -- that allowed the Michigan State Housing Development Authority to create a blight elimination program using federal money originally set aside for mortgage relief. More than 1,500 demolitions will take place over the next 18 months as part of Flint's $20.1 million award. This is Flint's largest federally funded demolition project.

In May 2013 the City received a report from the Center for Community Progress entitled "City of Flint Vacant Property Maintenance Site Visit Report" which provided recommendations for the City and its partners to consider implementing. This, along with other reports including the City's developing Master Plan is leading to a defined "Blight Elimination Plan".

DCED had $400,000 in CDBG funding for mowing and trash removal. This was supplemented with approximately $800,000 from the Landbank. In total this funded mowing the vacant properties only one time during the summer of 2013.

A Cities of Service grant for $25,000 was awarded to Flint in Spring 2013 for use for neighborhood clean-ups and tire collection. Twenty projects were funded and the tire collection resulted in 10,000 tires being removed from back yards, lots and parks.

A very positive development in the City has been the unsolicited efforts of private businesses and educational organizations planning large scale redevelopment projects, with the City and the Landbank, to improve areas surrounding their operations.

Smith Village Housing Development
The Smith Village housing project is funded primarily with HUD and NSP2 grants. Phase I, which includes 29 housing units, has been completed as scheduled. HUD determined February 10, 2012 was the goal to expend 50% of the allocation. The Smith Village housing project met that development goal.

On May 18, 2012, the City announced that Phase II of the Smith Village development will be undertaken by Ginosko Development Company and Rohde Construction Company. Ginosko's site plan was approved by the Flint Planning Commission on May 22, 2012.

Smith Village Phase I (29 units) - 26 units are complete. 13 units have sold and 6 have purchase agreements; 7 remain available for sale.

Smith Village Phase II (9 units) – all 9 units are complete. One unit has a purchase agreement; 8 are available for sale. No further homes will be built until all units sell.

Marketing/Sales initiatives have been instituted. The City schedules financial institutions to be present at the model home two days a week to pre-qualify buyers who visit the homes. Presentations have been made, and marketing materials have been provided to Home Buyer Counseling Organizations, Fair Housing Organizations, Community Development Corporations and the Flint Housing Commission. Twelve of the 20 units that have been sold or that are under purchase agreement are committed to Low Income Residents. *This means the project is developing as a mixed income community.* The commitment to HUD is to have 51% of the purchasers meet low income guidelines (51% of Annual Medium Income).

U. S. Department of Housing and Urban Development Monitoring of the HOME Program

The City of Flint received notice from HUD that it has capacity to run the HOME program following HUD's February 2012 program monitoring.

In the City of Flint 2012 Single Audit, DCED had one finding related to the resolution of the OIG audit for 2010. In the 2011 Single Audit, under the previous administration, there were 8 findings.

In September 2012, HUD headquarters in Washington D.C. monitored the DCED ARRA Homeless Prevention and Rapid Rehousing Program and stated that the City of Flint established a comprehensive and well coordinated program for providing homelessness prevention assistance for its residents, and that the City's HPRP Policies and Procedures Manual was well thought out.

In December 2012, HUD notified the City of Flint, in its Comprehensive Annual Performance and Evaluation Report (CAPER) that it met its timeliness ratio and expenditure requirement reaffirming their confidence in DCED's capacity to administer federal programs.

Real Estate Transactions

In August 2012 the City of Flint sold the Genesee Towers to Uptown Redevelopment Corporation for $1 and committed $880,000 CDBG dollars toward the over $4 million cost of demolition. Genesee Towers has been a liability for the City since December 2010 when the city assessed a one time millage to cover the $9.0 million judgment. The transaction has been finalized and demolition is expected before the end of 2013.

A quit claim deed for Chevy-in-the-Hole site has been transacted between the EDC and the City of Flint. EPA money for clean up has been agreed upon.

Public Safety

Organizational revisions were made in Public Safety following the September 2013 retirement of Public Safety Director and Police Chief Alvern Lock. I appointed new Chief of Police James Tolbert to oversee the Flint Police Department and the 9-1-1

Center. Current Chief David Cox, Jr. will continue as Fire Chief. Both Chief Tolbert and Chief Cox report to the Emergency Manager.

A Police and Fire Protection Millage request for 6 mills for 5 years was placed on the November 2012 ballot and was approved by the electorate. This began the process of stabilizing both the Police and Fire Department funding. The City hired eight additional police officers; seven more officers are attending the Police Academy and will graduate in December. Millage dollars have been used to replace the expired 2012 Mott Foundation Community Policing Grant.

A Public Safety Plan was introduced to the public on May 4, 2012. This plan addressed Police and Fire department daily activities, operation of the Flint 72-hour lock-up, transition to 800 MHz communications system and the formation of the Criminal Justice System Advisory Council. A new Public Safety Plan is being drafted and is expected to be released before the close of 2013.

The City continues to review many options for shared services, station configurations, staffing levels, contract services and technology applications.

Police Department

Recently appointed Chief James Tolbert is evaluating the operations of the Flint Police Department and is formulating new crime fighting initiatives which will be incorporated in the new Public Safety Plan. The City and FPOA have held a first meet and confer session on the new Model Labor Contract.

In October 2013 a Sergeants exam was offered by the City's HR Department. Interviews are being scheduled now and promotion announcements are planned in December 2013.

In June 2012 the Police Department changed to a 12 hour shift operation. These changes in combination with the expansion of alternative call response procedures (including the introduction of the on-line CopLogic reporting system); have resulted in the continuing reduction in response times to 9-1-1 calls.

The City of Flint is continuing its existing collaborative efforts with regional partners. Examples: Flint Area Narcotics Unit, Safe Streets Task Force, and U.S. Attorney's Office Zero Tolerance gun violence reduction initiative, LifeLines (formerly known as CeaseFire), and other programs to help eliminate gang activity and prevent other violent acts.

The city continues to receive patrol assistance and detective assistance from Michigan State Police. Patrol assistance is a crime-deterrent and increases traffic safety compliance. The detective assistance has increased the capacity for investigations within the Flint Police Department.

The city continues to apply new technologies and information systems to improve police efficiencies and improve targeting and effectiveness; these include New World Record Management System, CopLogic, and DDACTS. The city is also evaluating the new P1 ARMS (record management and CAD system) being implemented by the Michigan State Police.

Lock-up
The Public Safety Department recommended selection of the Genesee County Sheriff as the operator of the Flint lock-up. The lock-up opened the week of October 1, 2012.

In early 2013, use of the lock-up was made available to all Genesee County police agencies. The availability of the lock-up is credited with the clearance of over 1000 warrants per month in Genesee County. The State Legislature has approved funding for an additional year of operation.

9-1-1 Operation
The City completed the change over to the 800 MHz communication system for the Police and Fire Departments before the December 31, 2012 required implementation date. The installation of a point to point microwave link with the Genesee County 9-1-1 Consortium tower system was finalized in July 2013.

The Mott Foundation funded a 2013 study through the MSU Training and Technical Assistance Team to determine the costs and issues involved in pursuing a reconsolidation of the Flint 9-1-1 Center with the Genesee County 9-1-1 Consortium. This intent was the basis of the C-GAP application and $1.8 million award to construct a simul-cast communications tower which will be integrated into the Consortium's tower system. I support the effort to move toward reconsolidation.

Cooperative work with the Genesee County Consortium continues with the evaluation of a new phone system in preparation for the next generation 9-1-1 system.

Fire Department
After many years of functioning without a Fire Chief, Chief David Cox, Jr. was hired April 15, 2013. Chief Cox has aggressively addressed excessive use of overtime and he is currently in the process of restructuring the department.

The FEMA funded SAFER Grant which supports the wages and benefits of 39 firefighters was renewed on June 10, 2012 for two years. The new grant totaled $6.9 million. The City is now in FEMA's final round of evaluation of its 2013 SAFER application to again fund 39 firefighters. It is very rare that a city would be awarded a full funding request in back-to-back granting periods, yet the city is applying for full funding for a third period. If SAFER is not fully funded the City could support approximately 20 firefighters using the Police and Fire Operations millage; the balance would be laid off and two stations would be closed.

A protocol was finalized for the transition to the Genesee County Sheriff's Department to handle the paramedic calls in the City of Flint. The Paramedic millage is now managed only by Genesee County. Completion date was July 1, 2012.

Emergency Manager's Conclusions

Significant work has been accomplished to stabilize the financial situation of the City of Flint. The whole organization has been being restructured to reflect a smaller, leaner government operation. Services which were routinely provided are being inspected to determine if they should continue and if so, in what format. Technology solutions which can increase efficiencies are being implemented.

I acknowledge that substantial progress has been made, however the City is still experiencing an on-going financial emergency. In light of the progress made there are four areas of concern which must be addressed before the emergency can be declared resolved: 1) long term budget management; 2) stable sources of revenue; 3) resolution of pension and legacy costs; and 4) governance and charter revision evaluations.

For one year, FY13, the goal of containing overspending was achieved. The city must continuously function within a balanced budget, eliminate the accumulated deficit and further reduce the legacy and pension costs. Projections through 2018 demonstrate Flint's continuing challenges. Projecting current revenues and expenses into the future shows a continuing gap of $2 to $4 million annually.

Stable revenue is necessary in order for this City, and most other cities in Michigan, to continue to avoid a bankruptcy situation. We have asked our residents to accept a significant 6 mill Police and Fire Protection Millage; and they have done so. We have imposed a street lighting assessment, a waste collection fee and tremendous water and sewer rate increases. However, our residents have not enjoyed increasing services, increasing property valuations or increasing employment opportunities.

As noted previously, there are very few additional revenue options. We are approaching the limit of the City's borrowing capability. Capital improvement funds are drained and the property tax millage rate in within .1 mill of maximum. State Revenue Sharing is now tied to EVIP and C-GAP competitive granting. We have made a request through our State Legislative representatives and the State Treasurer to push legislation to allow City voters the opportunity to decide to increase the income tax. This action could generate $7 million annually and would eliminate the City's structural deficit. A bill has been introduced but has not been acted upon.

In the meantime, Flint is still struggling with effects from increased expenses and reduced revenue from decisions outside our control. These include: a recent General Motors/Delphi closure impacting over 300 jobs, the unknown impact from the changes in personal property taxes, the $120,000 cost to hold the State Senate primary election, and the $575,000 required match for MDOT projects in FY14.

Further, I do not recommend beginning the transition back to the Mayor/Council management of the City at this time. The City still has critical budgeting issues; there is tremendous work necessary on evaluation of the governance model and potential charter revisions. Also, a new City Council has just taken office.

I am considering assigning some city management responsibilities to the Mayor and City Council. This would be a step toward preparing the Mayor and Council to again manage the City's financial responsibilities. These will be determined in the upcoming months.

Flint has twice been placed in the hands of a State appointed emergency manager. A third failure should be avoided at all costs. Therefore, I plan to appoint a 21 person blue ribbon citizens' committee to evaluate various governance models used in Michigan cities and to recommend course of action for Charter amendment or revision. I anticipate the committee will begin their work after the first of the year. I feel that this is a key step in the City's preparation to successfully manage a fiscally sound city.

I feel strongly that it is incumbent upon me to make sure that the city reaches it goal of sustained financial solvency. The financial emergency is not fully resolved until the long-term financial structure is secured.

Another update of this report is expected to be presented in April 2014 as required by PA 436. Other updates will be provided as appropriate.

Respectfully submitted,

Darnell Earley

Darnell Earley, ICMA-CM, MPA
Emergency Manager
Flint, MI

Attachments:
1. Summary of Findings of the Flint Financial Review Team
2. Organizational Chart FY14
3. Orders and Directives of the EFM and EM
4. FY14 Adopted Budget
5. Setting a Sustainable Course for the City of Flint 2014-2018

Dempkowski, Angela (Treasury)

From: Workman, Wayne (TREASURY)
Sent: Friday, October 18, 2013 12:13 PM
To: Koryzno, Edward (Treasury); Byrne, Randall (Treasury)
Subject: Fwd: Press Release: EM Statement on Water
Attachments: Earley Statement on Water.pdf; ATT00001.htm; WaterPres053112.PDF; ATT00002.htm; Cost Comparison. KWA v DWSD.pdf; ATT00003.htm

Do you think he means E&Y?

Sent from my iPad

Begin forwarded message:

> **From:** "Jason Lorenz" <jlorenz@cityofflint.com>
> **Subject: Press Release: EM Statement on Water**
>
> The attached release contains an official statement from Emergency Manager Darnell Earley regarding water issues.
>
> Also attached are the water presentation from May, 2012 and the cost comparison report of KWA & DWSD from October, 2012 that were referenced in today's EM press briefing.
>
> -Jason Lorenz
> Public Information Officer
> City of Flint
> (810) 237-2039
> jlorenz@cityofflint.com<mailto:jlorenz@cityofflint.com>

CITY OF FLINT
OFFICE OF EMERGENCY MANAGER
DARNELL EARLEY

Jason Lorenz
Public Information Officer
(810) 237-2039
jlorenz@cityofflint.com

For Immediate Release

Emergency Manager Darnell Earley Committed to Increased Transparency and Detailed Information on Water Rates

Flint, Michigan – October 18, 2013 –Flint Emergency Manager Darnell Earley has today announced that the City of Flint's water issues will be one of his key concerns in his new role and a top priority for his team. With the major decision to join the Karegnondi Water Authority made and the beginning of construction on the water intake and pipeline approaching, Mr. Earley expressed his commitment to thoroughly reviewing and assessing the scope of the issues in the following statement:

"Good management can only be accomplished with a careful examination of the facts; I want my efforts to reflect data driven decisions made with the most accurate information obtainable. As I said when I arrived, I will be making the areas of most concern to Flint residents my top priorities; the future of Flint's water supply, water system and the cost of operation and maintenance are as important to Flint residents as public safety or any other major obligations of a full service city such as Flint.

–CONTINUE–

CITY OF FLINT
OFFICE OF EMERGENCY MANAGER
DARNELL EARLEY

I also want to be transparent in what we glean from this exercise; through this initiative I will keep the public as informed on the process as I am as we go forth. It is for that reason that I plan to examine this issue with the help of an independent, third party consultant in order make a fair and impartial assessment. The goal of this assessment is to ensure that the long term costs of the KWA decision are accurately and openly reflected in the water rates charged to residents and businesses.

Water prices are a key concern to Flint water users, so as we look forward we want to provide them with an understanding of how they are set and to inform residents of available assistance. We currently have a poverty exemption for a portion of water and sewer charges available to low income homeowners and a lowered water deposit for low income renters. The City of Flint has done all that it can in the short term to ease the burden of water increases. Now is the time to look to the future; we want to ensure that our residents get the best possible service at the best cost through a sustainable system and a process that is self supporting for decades to come."

-Darnell Earley
Flint Emergency Manager

–END–

City Hall
1101 S. Saginaw Street - Flint, Michigan 48502
810-766-7346 FAX: 810-766-7218 www.cityofflint.com

City of Flint

Water Forum

5/30/2012

City Of Flint Water Forum

CONTENTS

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.

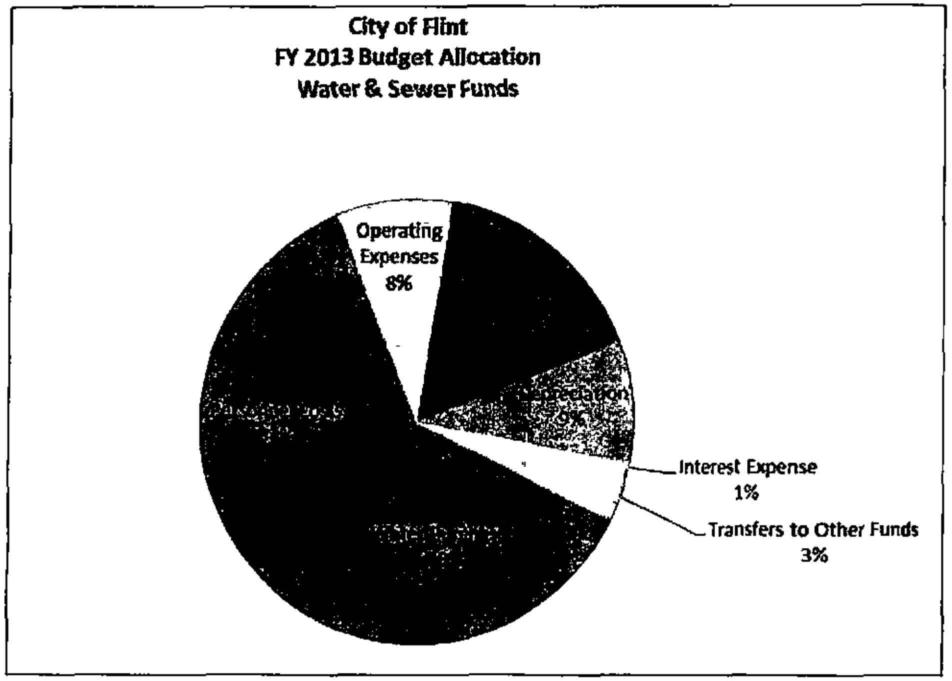
The "Fixed Costs" that must be covered to maintain the system and deliver quality water have increased over time.

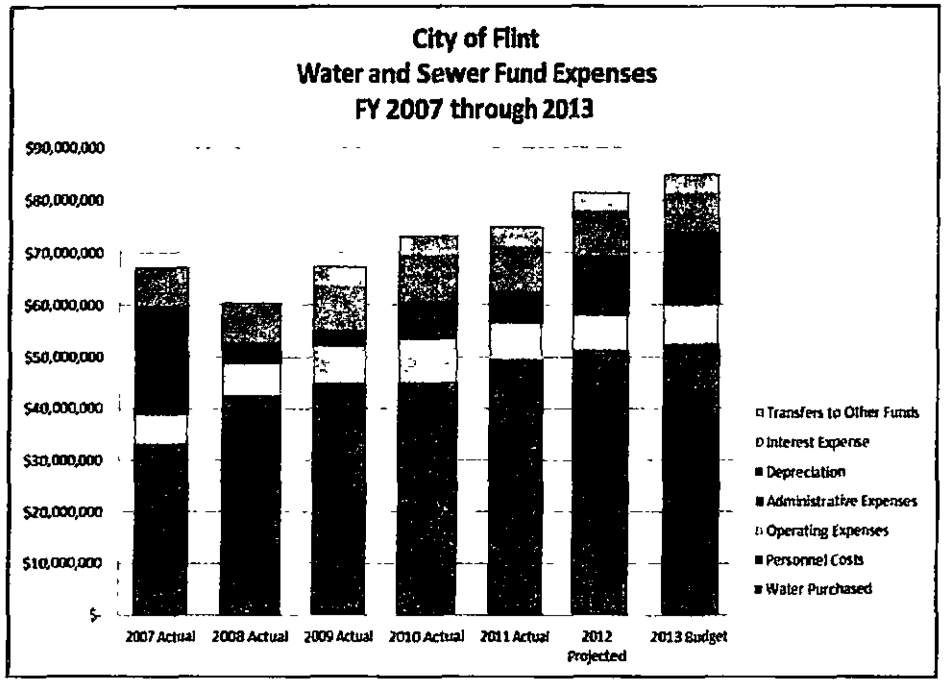
City Of Flint
Most Frequently Asked Questions about Water

- ❑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 ?

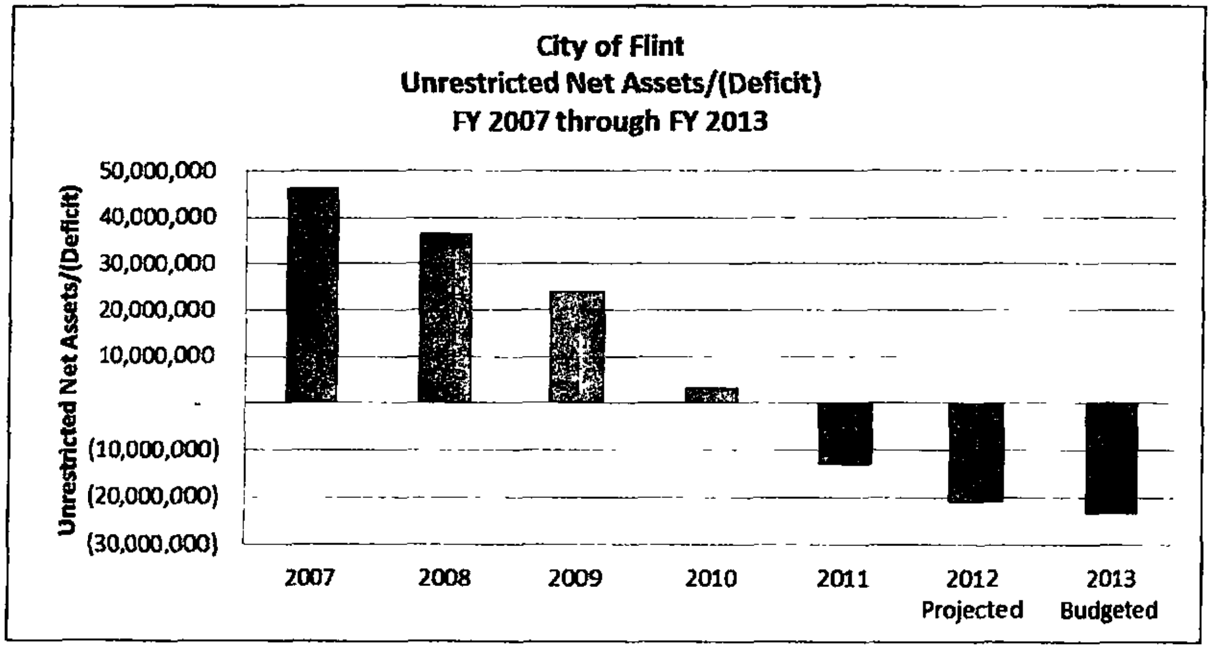
City of Flint

Budget Allocation and Fund Expenses

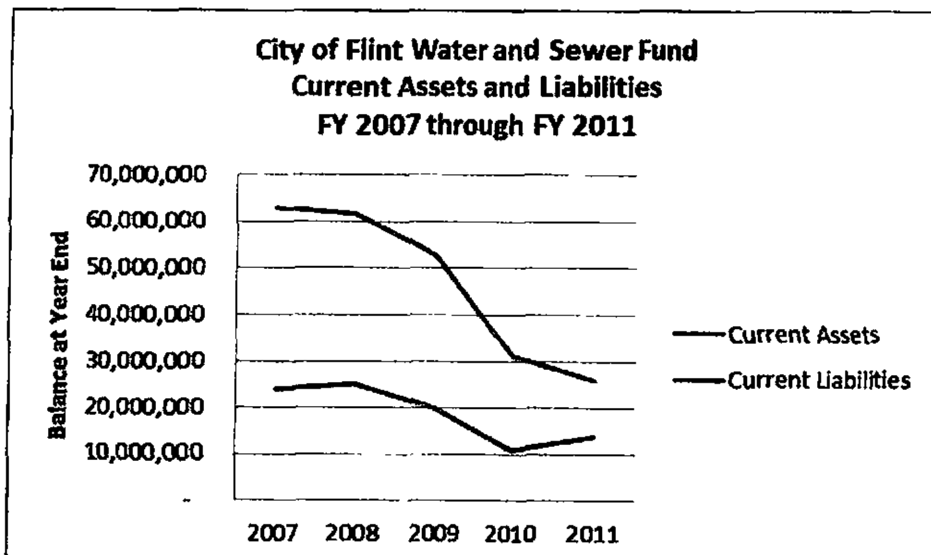


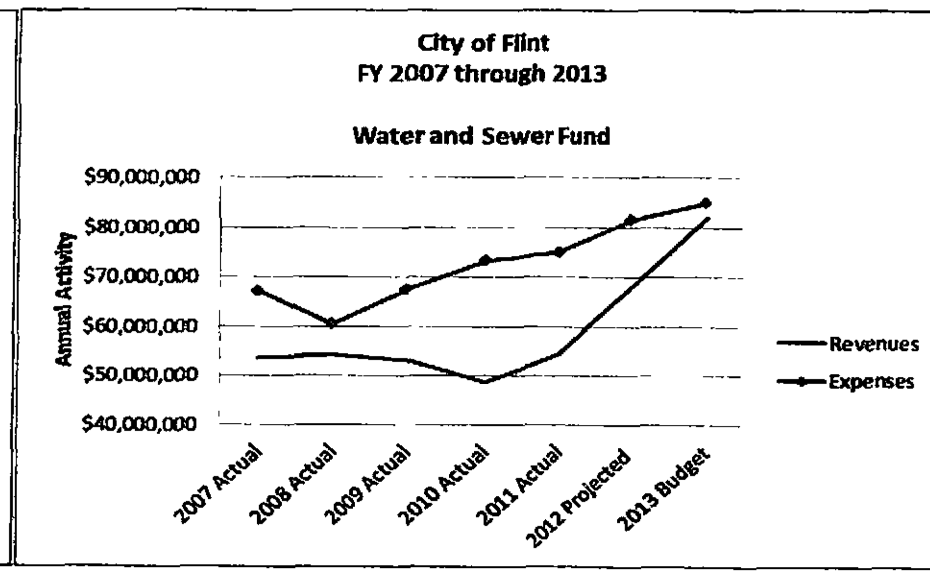


	Audited						
	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Projected	2013 Budget
Operating Revenues	51,090,679	51,100,332	51,906,553	47,926,589	54,385,644	67,983,044	81,734,552
Other Revenues	2,627,939	3,274,450	1,442,383	764,886	68,645	126,670	455,867
Annual Revenues	53,718,618	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	75,113,094	81,593,158	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

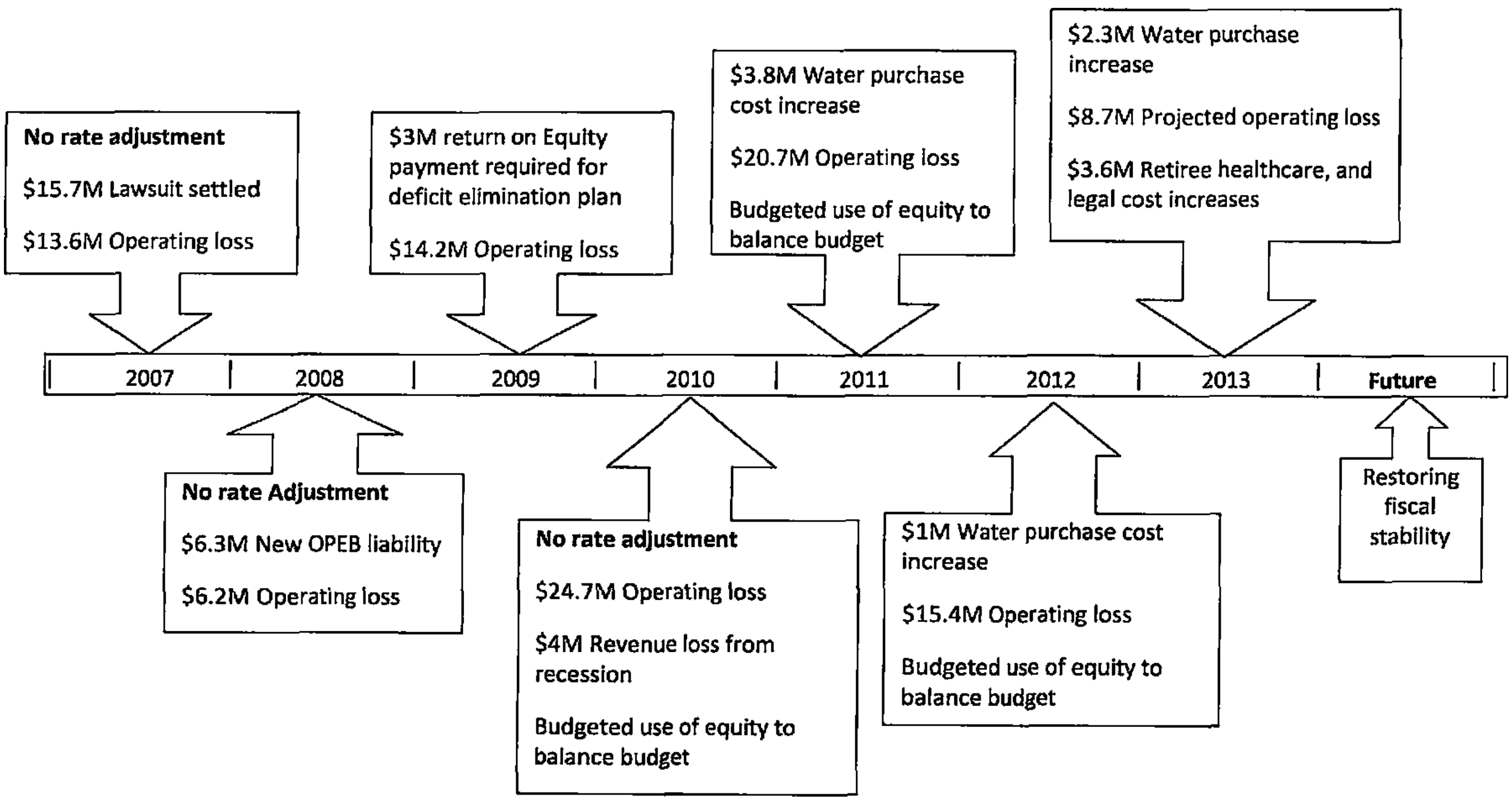




City of Flint

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**				
									(millions)
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 [	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	12 5	0.5	$13 0
						Revenue lost due to recession	2	2	$4.0
2011	2011	$54,527,079	$75,185,879	($20,658,800)	($12,866,607)	Use of retained earnings budgeted	7.1	3.5	$10.6
	2011					Water purchase cost increase	0	3.8	$3.8
2012		$68,279,187	$83,682,840	($15,403,653)	($20,884,122)	Use of retained earnings budgeted	5.1	0	$5 1
						Water purchase cost increase	0	0.8	$0.8
2013	2013	$82,220,420	$90,970,420	**($8,750,000)**	**($23,379,690)**	Water purchase cost increase	0	2.3	$2.3
						RHC/Legal/Admin Cost Allocation	2 1	1.5	$3.6
				($99,279,840)					$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
[redacted]	02/28/2012
	NET AMOUNT DUE
	147.85

RETURN THIS STUB WITH YOUR PAYMENT

Seq=3138

**AUTO
[redacted]

0000037681000001478502282012000001491377706

KEEP THIS PORTION FOR YOUR RECORDS

LAST READ/DATE/TYPE		NEW READ/DATE/TYPE		CONS	SERVICE	CHARGE		
361	01/03/2012 A	363	02/03/2012 A	2	Sewer Non-metered	6.62	Prev. Balance	161.08
					Sewer Svc Chrg	22.07	Payments	-75.00
					Water	13.36	Adjustments	0.00
					Water Svc Chrg	19.36	Current Penalty	0.36
							New Charges	61.41
							Total Due	147.85
ACCOUNT: BALD-005810-0000-01		SERVICE AT [redacted]					Due Date	02/28/2012

PENALTY ASSESSED 30 DAYS AFTER DUE DATE

CITY OF FLINT
DEPARTMENT OF FINANCE

Customer Service Center

Dayne Walling
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	Lack of control over new / fixed changes
Possibility to negotiate a lower rate	Past practices
Ability to "Blend" water sources to further control costs	

Consider a Contract with the Karegnondi Water Authority

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

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, MICHIGAN
Department of Finance

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

Dayne Walling
Mayor

Edward J. Kurtz
Emergency Financial Manager

Michael K. Brown
City Administrator

Gerald Ambrose
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.

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.

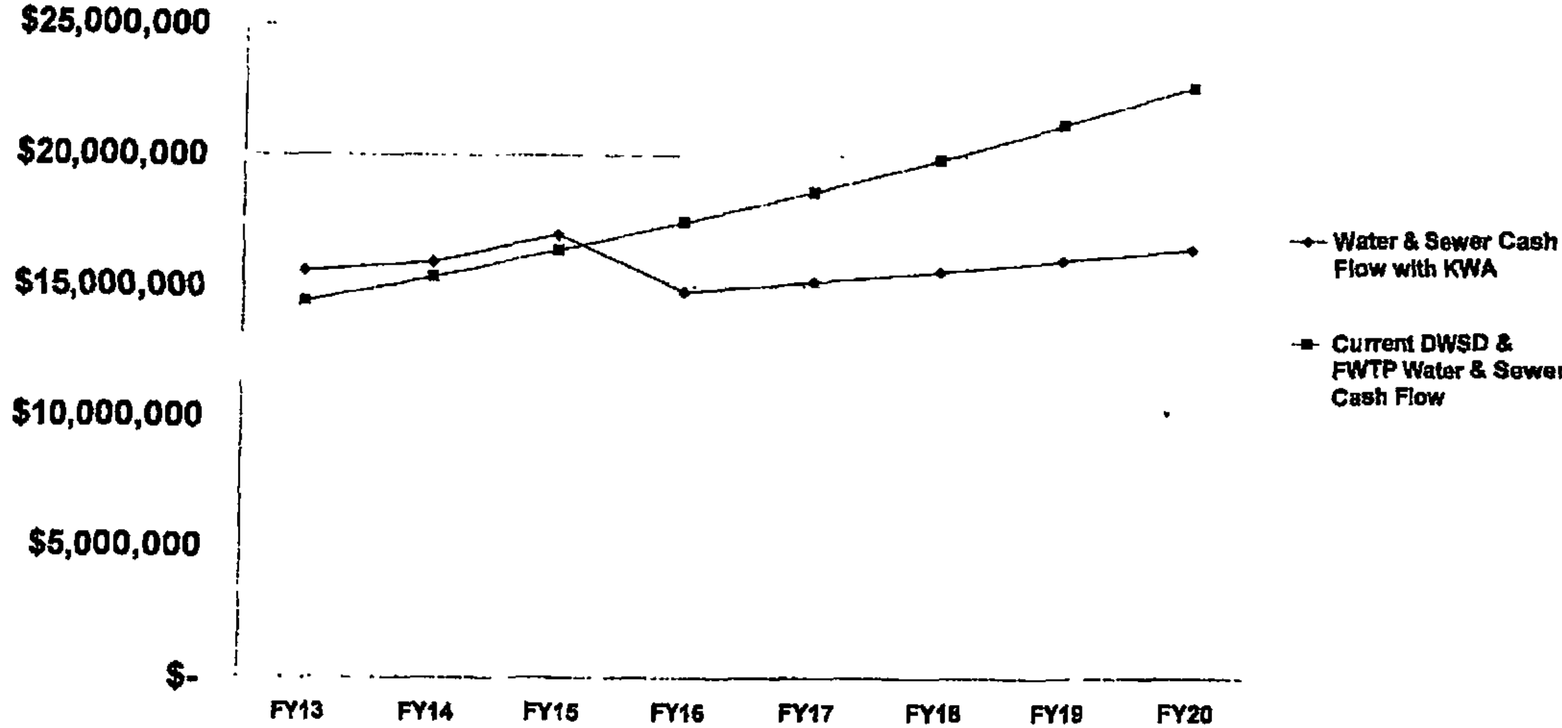
Attached are the three projections summarized above. First is the "Original Projection" utilizing the KWA Study. Second is the "Worse Case Projection" with cost increases and construction delays. Third is the reduced DWSD costs associated with fixed capacity costs and capped increases in operational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

Please contact me if you have any questions.

Gerald Ambrose
Director of Finance

GA:js
Attachments

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	$ 16,365,834	$ -	$ -	$ -	$ -	$ -
KWA Entry Fee	$ 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	$ 968,953	$ 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	$ 15,936,535	$ 16,946,934	$ 14,888,149	$ 15,274,260	$ 15,679,676	$ 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	$ 15,355,135	$ 16,365,534	$ 17,450,717	$ 18,616,851	$ 19,870,650	$ 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 Cost: DWSD - KWA	$ (1,162,800)	$ (581,400)	$ (581,400)	$ 2,562,568	$ 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)	$ 236,968	$ 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 $2,562,568 or 15% LESS than DWSD in the first year of operation (Year 4). This gain offsets the upfront costs of $2,325,600 by $236,968.

(3) The cost of the KWA option is projected to be $6.1 million or 27% LESS than DWSD in the 5th year of operation (Year 8)

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

Detail of Original Cost Projections **FINAL** **10/31/2012**

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)	$ 4,411,680	$ 4,852,848	$ 5,338,133	$ 5,871,946	$ 6,459,141	$ 7,105,055	$ 7,815,560	$ 8,597,116
Escalator	1.10	1.10	1.10	1.10	1.10	1.10	1.10	
Commodity Cost (2)	$ 7,276,640	$ 7,640,472	$ 8,022,496	$ 8,423,620	$ 8,844,801	$ 9,287,041	$ 9,751,394	$ 10,238,963
Escalator	1.05	1.05	1.05	1.05	1.05	1.05	1.05	
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
Escalator	1.05	1.05	1.05	1.05	1.05	1.05	1.05	
TOTAL	$ 14,413,858	$ 15,355,135	$ 16,365,534	$ 17,450,717	$ 18,616,851	$ 19,870,650	$ 21,219,435	$ 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 ($12.46x1600unitsx365).*

(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

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
KWA Entry Costs (1)	*$ 1,162,800*	$ 581,400	$ 581,400		$ -	$ -	$ -	$ -
Fixed KWA Construction Cost (2)				$ 6,593,155	$ 6,593,155	$ 6,593,155	$ 6,593,155	$ 6,593,155
Escalator				1.00	1.00	1.00	1.00	
Fixed Flint WTP Construction Cost (3)				$ 572,781	$ 572,781	$ 572,781	$ 572,781	$ 572,781
Escalator				1.00	1.00	1.00	1.00	
Flint WTP Operating Cost (4)	$ 5,911,538	$ 6,207,115	$ 6,517,471	$ 6,843,344	$ 7,185,511	$ 7,544,787	$ 7,922,026	$ 8,318,128
Escalator	1.05	1.05	1.05	1.05	1.05	1.05	1.05	
KWA Commodity Charge (5)	$ 759,200	$ 797,160	$ 837,018	$ 878,869	$ 922,812	$ 968,953	$ 1,017,401	$ 1,068,271
Escalator	1.05	1.05	1.05	1.05	1.05	1.05	1.05	
TOTAL	KWA NOT AVAILABLE			$ 14,888,149	$ 15,274,260	$ 15,679,676	$ 16,105,363	$ 16,552,334

(1) The City will, upon joining, be required to pay an 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 annually. Since it is projected that fee will be assessed for 3 years, the City's upfront cost is projected at $2,325,600.

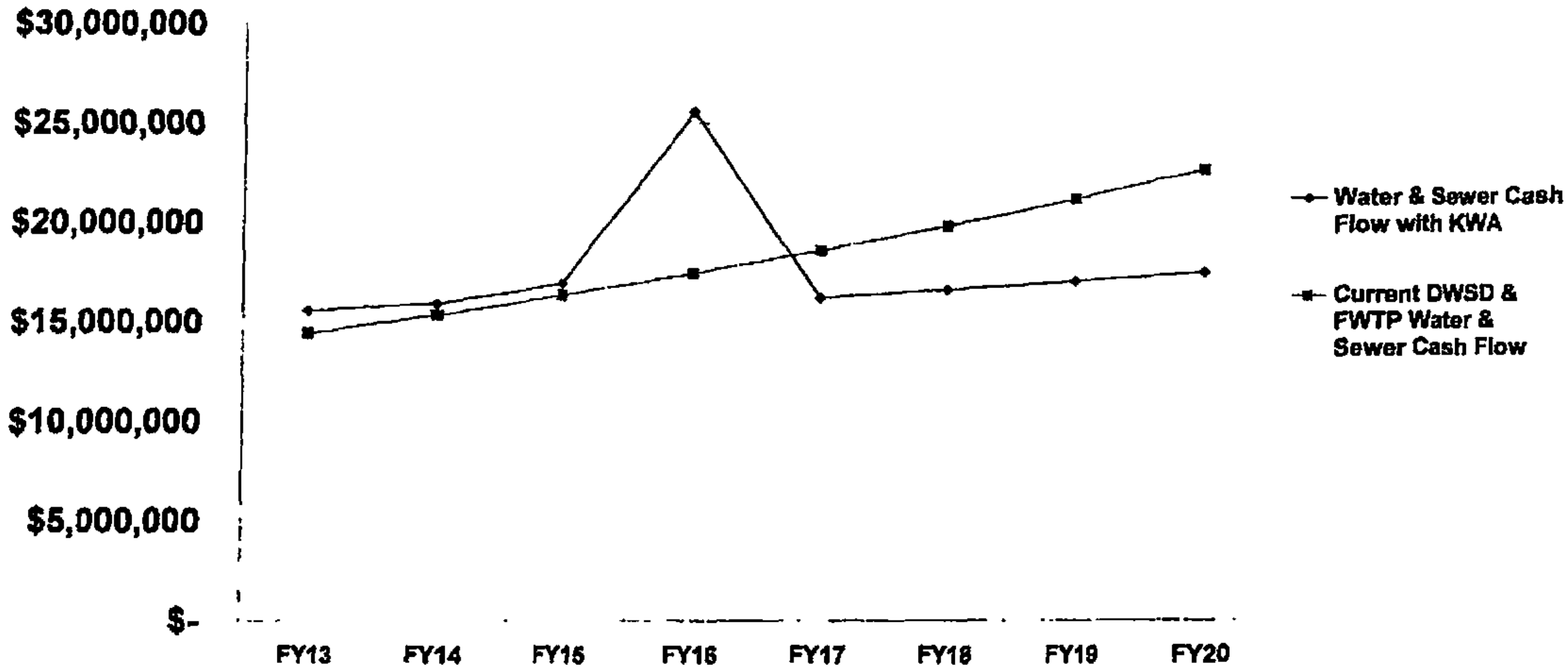
(2) Per KWA proposal, project cost is $272 million. City's fixed cost would be 30% of debt service, based on capacity design of 60mgd, of which 18MGD is for Flint. Debt service is based on 5% interest rate @ 25 years; 5% added to principal for capitalized interest for FY13, FY14, and FY15. ($272,421,588 plus $13,621,078 for 3 years = $313,284,792)

(3) Per KWA proposal, the cost of upgrading the Flint is $7.1 million. City's fixed cost would be100% of debt service based on 5% interest rate @ 25 years), with 5% added to cover capitalized interest for FY13, FY14, and FY15. (total principal = $8.165 million)

(4) Per FY13 Budget annual cost of WTP is $4,111,538. $1.8 million for electricity and chemicals & 2 FTE's are added. 100% City cost. 100%

(5) Per KWA proposal, initial commodity charge would be based on $1.30/unit or 7,600 gallons. Charge is based on 12MGD.

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	$ 16,365,534	$ 17,460,717	$ -	$ -	$ -	$ -
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	$ 968,953	$ 1,017,401	$ 1,068,271
FWTP operations w KWA	$ -	$ -	$ -	$ -	$ 7,185,511	$ 7,544,787	$ 7,922,028	$ 8,318,128
Total Costs	$ 15,576,658	$ 15,936,535	$ 16,946,934	$ 25,701,544	$16,349,150	$ 16,754,566	$ 17,180,253	$ 17,627,225

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	$ 15,356,135	$ 16,365,534	$ 17,460,717	$18,616,851	$ 19,870,650	$ 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	$ (1,162,800)	$ (581,400)	$ (581,400)	$ (8,240,826)	$ 2,267,700	$ 3,116,084	$ 4,039,182	$ 5,043,960
Cumulative	$ (1,162,800)	$ (1,744,200)	$ (2,325,600)	$ (10,566,426)	$ (8,298,726)	$ (5,182,642)	$ (1,143,460)	$ 3,900,500

"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 $581,400 plus $581,400 annually for the first 3 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 $19 million in the original projection.

Worse Case Scenerio

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)	$ 4,411,680	$ 4,852,848	$ 5,338,133	$ 5,871,946	$ 6,459,141	$ 7,105,055	$ 7,815,560	$ 8,597,116
Escalator	1.10	1.10	1.10	1.10	1.10	1.10	1.10	
Commodity Cost (2)	$ 7,276,840	$ 7,640,472	$ 8,022,496	$ 8,423,620	$ 8,844,801	$ 9,287,041	$ 9,751,394	$ 10,238,963
Escalator	1.05	1.05	1.05	1.05	1.05	1.05	1.05	
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
Escalator	1.05	1.05	1.05	1.05	1.05	1.05	1.05	
TOTAL	$ 14,413,858	$ 15,355,135	$ 16,365,534	$ 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 $12.46/unit ($12.46x1600unitsx365)

(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

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
KWA Entry Costs (1)	$ 1,162,800	$ 581,400	$ 581,400	$ -	$ -	$ -	$ -	$ -
Fixed KWA Construction Cost (2)				$ 7,582,128	$ 7,582,128	$ 7,582,128	$ 7,582,128	$ 7,582,128
Escalator						1.00	1.00	
Fixed Flint WTP Construction Cost (3)				$ 658,698	$ 658,698	$ 658,698	$ 658,698	$ 658,698
Escalator								
Flint WTP Operating Cost (4)	$ 5,911,538	$ 6,207,115	$ 6,517,471	$ 6,843,344	$ 7,185,511	$ 7,544,787	$ 7,922,026	$ 8,318,128
Escalator	1.05	1.05	1.05	1.05	1.05	1.05	1.05	
KWA Commodity Charge (5)	$ 759,200	$ 797,160	$ 837,018	$ 878,869	$ 922,812	$ 968,953	$ 1,017,401	$ 1,068,271
Escalator	1.05	1.05	1.05	1.05	1.05	1.05	1.05	
TOTAL	KWA NOT AVAILABLE				$ 16,349,150	$ 16,754,566	$ 17,180,253	$ 17,627,225

(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 $581,000, for a total of $2,325,600.

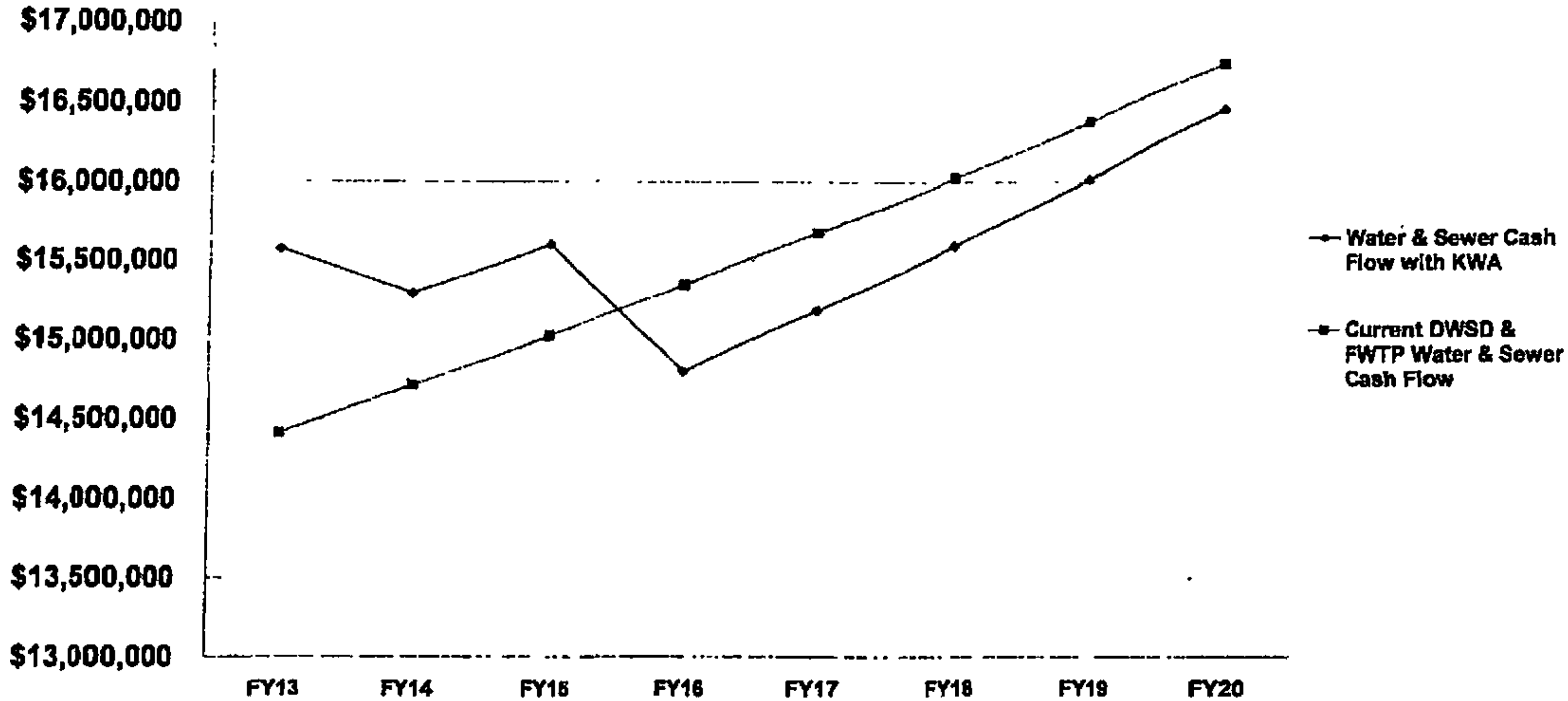
(2) Per KWA proposal, original project cost is $272 million. City's fixed cost would be 30% of debt service, based on capacity design of 60mgd, of which 18MGD is for Flint. Debt service is based on 5% interest rate @ 25 years, 5% added to principal for capitalized interest for FY13, FY14, and FY15. ($272,421,558 plus $13,621,078 for 3 years = $313,284,792). 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 be100% of debt service based on 5% interest rate @ 25 years), with 5% added to cover capitalized interest for FY13, FY14, and FY15. (total principal = $8.165 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 12MGD

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



FINAL 10/31/2012

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	$ 15,679,676	$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)	$ 457,629	$ 404,302	$ 343,496	$ 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, DWDS costs could be less with these limitations on cost increases.*

13-5423

EM SUBMISSION NO.: EME0482013

PRESENTED: 11-14-13

ADOPTED: 11-18-13

BY THE EMERGENCY MANAGER:

Resolution Authorizing Change Order #2 to the Lockwood, Andrews & Newnam Contract for the Implementation of Water Plant Operations

The City of Flint entered into a contract with Lockwood, Andrews & Newnam to study the feasibility and develop cost estimates for utilizing the Water Plant as a primary drinking water source in an amount not to exceed $171,000.00; and

Authorization is needed to enter into change order #2 to the existing contract no. 13-046 with Lockwood, Andrews & Newnam for additional funding of $962,800.00 for a total contract price not –to-exceed $1,133,800.00. The additional services will include final design work, construction engineering and necessary regulatory submittals to operate the Water Plant off the river until the KWA water source is completed; and

These funds are made available in account in 591-536.100-801.000; and

IT RESOLVED, Appropriate City Officials are to do all things necessary to enter into change order #2 to the existing contract no. 13-046 with Lockwood, Andrews & Newnam for an additional contract price of $962,800.00 for a total contract price not-to-exceed $1,133,800.00. Funding will come from the account 591-536.100-801.000.

APPROVED AS TO FORM:

Peter M. Bade, Chief Legal Officer

APPROVED AS TO FINANCE:

Jerry Ambrose, Finance Director

EM DISPOSITION:

ENACT ✓ **FAIL** ____ **DATED** 11-18-13

Darnell Earley, Emergency Manager

EM SUBMISSION NO.: EME 573 2014

PRESENTED: 10-17-14

ADOPTED: 10-23-14

BY THE EMERGENCY MANAGER:

Resolution Authorizing Change Order #3 to the Lockwood, Andrews & Newnam Contract for the Implementation ~~of~~ Water Plant Operations

The City of Flint entered into a change order #2 contract with Lockwood, Andrews & Newnam to study the feasibility and develop cost estimates for utilizing the Water Plant as a primary drinking water source in an amount not to exceed $962,800.00 for a total contract price of $1,133,800.00; and

Authorization is needed to enter into change order #3 to the existing contract no. 13-046A with Lockwood, Andrews & Newnam, for additional design and testing services. Additional funding in the amount of $244,900.00 is required for a total contract price not –to-exceed $1,378,700.00; and

These funds are made available in account in 591-536.100-801.000; and

IT RESOLVED, Appropriate City Officials are to do all things necessary to enter into change order #3 to the existing contract no. 13-046A with Lockwood, Andrews & Newnam in the amount of $244,900.00 for a total contract price not-to-exceed $1,378,700.00 Funding will come from the account 591-536.100-801.000.

APPROVED AS TO FORM:

For

Peter M. Bade, Chief Legal Officer

APPROVED AS TO FINANCE:

for

Jerry Ambrose, Finance Director

EM DISPOSITION:

ENACT ✓ **FAIL** ______ **DATED** 10-23-14

Darnell Earley, Emergency Manager

Resolutions

Show All entries

Search:

ResoDate	ResolutionNo	Description
06/26/2013	2013EM140	Resolution Authorizing Approval to Enter into a Professional Engineering Services Contract for the Implementation of Placing the Flint Water Plant into Operation
06/26/201	2013EM14	Water Plant
06/30/201		

Showing 1 to 1 of 1 entries (filtered from 2,155 total entries)

Possibly go together?

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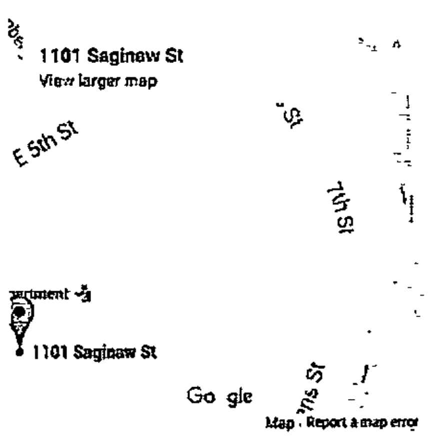
Public Act 436



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Koryzno, Edward (Treasury)

Subject:	Weekly Call with Ed Koryzno
Location:	Conf Call
Start:	Wed 10/30/2013 10:00 AM
End:	Wed 10/30/2013 10:30 AM
Show Time As:	Free
Recurrence:	Weekly
Recurrence Pattern:	every Wednesday from 10:00 AM to 10:30 AM
Meeting Status:	Meeting organizer
Organizer:	Koryzno, Edward (Treasury)
Required Attendees:	Darnell Early (dearly@cityofflint.com); Muchmore, Dennis (GOV); Roberts, John (GOV); Baird, Richard (GOV); Larkin, Brian (GOV); Hollins, Harvey (GOV); Saxton, Thomas (Treasury); Workman, Wayne (TREASURY)
Optional Attendees:	'mmurray@cityofflint.com'

Ed Koryzno to host.
Call in – 1-888-[redacted]
Access Code –[redacted]

Participants
Darnell Early
Liz Murray
Jerry Ambrose
Rich Baird
Brian Larkin
Harvey Hollins
Wayne Workman
Ed Koryzno

Cline, Richard (Treasury)

From: Maxine Murray <mmurray@cityofflint.com>
Sent: Tuesday, October 29, 2013 11:35 AM
To: Cline, Richard (Treasury)
Cc: Dempkowski, Angela (Treasury)
Subject: Re: FW: 3 Resolutions for Approval - EME0262013, EME0272013 and EME0282013 - October 25, 2013

Good morning Mr. Cline:

Thank you for approving EME0282013. I am forwarding your questions to the Purchasing Director and will contact you shortly.

Thanks again.

Maxine

On Tue, Oct 29, 2013 at 11:24 AM, Cline, Richard (Treasury) <cliner1@michigan.gov> wrote:

Maxine,

Good morning. I have been reviewing the 3 recent resolutions that have been transmitted to Treasury. I have recommended approval of EME0282013 (truck tires).

I, however, have some follow-up questions regarding the other two. Please help me coordinate a follow-up so we can move forward with these items.

My questions are:

1. EME0262013 - Resolution to McNaughton-McKay Electric for Cedar Street Pumping Station Switchgear Upgrades - $482,000.00 - (Water Fund)

- This is a very expensive purchase to receive only one bid for.
- Has the City considered trying to secure additional bids or rebidding the entire project?
- I note that the MDEQ is requiring these upgrades. Is there a timeframe the City is working within?

2. EME0272013 - Resolution to Rowe's Engineering, Inc. for Engineering Services - $40,000.00 (when added to previous approved amount the cumulative total is $189,600.00) (Parks/Recreation Fund)

- What is the nature of the requested engineering services?

- If Rowe Engineering is already the City's engineering consultant and provides engineering services (per bid proposal #844), why is this bid proposal necessary? Would not these services fall within the existing service contract?

Please let me know how best we can follow-up on these items.

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

From: Dempkowski, Angela (Treasury)
Sent: Friday, October 25, 2013 10:12 AM
To: Cline, Richard (Treasury)
Subject: FW: 3 Resolutions for Approval - EME0262013, EME0272013 and EME0282013 - October 25, 2013

Angela Dempkowski

Senior Executive Management Assistant

Michigan Department of Treasury

dempkowskia@michigan.gov

(517) 373-4415

From: Maxine Murray [mailto:mmurray@cityofflint.com]
Sent: Friday, October 25, 2013 10:04 AM
To: Dempkowski, Angela (Treasury)
Subject: 3 Resolutions for Approval - EME0262013, EME0272013 and EME0282013 - October 25, 2013

Good morning Angela,

We are submitting the following three resolutions for State approval:

1. EME0262013 - Resolution to McNaughton-McKay Electric for Cedar Street Pumping Station Switchgear Upgrades - $482,000.00 - (Water Fund)

2. EME0272013 - Resolution to Rowe's Engineering, Inc. for Engineering Services - $40,000.00 (when added to previous approved amount the cumulative total is $189,600.00) (Parks/Recreation Fund)

3. EME0282013 - Resolution to GCR Tire Center, Inc. for Supply of Auto, Light Truck and Police Tires - $150,000.00 - (Fleet/Central Garage Fund)

The resolutions are attached.

Thank you.

--

Maxine Murray

Executive Assistant to

Pleyte, Beth (Treasury)

Subject: Flint Team Meeting Conference Call

Start: Thu 10/31/2013 11:00 AM
End: Thu 10/31/2013 12:00 PM

Recurrence: (none)

Meeting Status: Accepted

Organizer: Hollins, Harvey (GOV)
Required Attendees: Muchmore, Dennis (GOV); Baird, Richard (GOV); Larkin, Brian (GOV); Clayton, Stacie (GOV); Wisniewski, Wendy (GOV); VanSickle, Michele (GOV); Workman, Wayne (TREASURY); Koryzno, Edward (Treasury); Dempkowski, Angela (Treasury); Saxton, Thomas (Treasury); emurphy@cityofflint.com; jtolbert@cityofflint.com; gambrose@cityofflint.com; jlorenz@cityofflint.com; Maxine Murray; dearley@cityofflint.com

Call In: 866-[redacted]
Access: [redacted]

Harvey Hollins will host

Participants
Dennis Muchmore, Gov's Office
Rich Baird, Gov's Office
Harvey Hollins, OUMI
Brian Larkin, OUMI - Flint
Wayne Workman, Treasury
Edward Koryzno, Treasury
Darnell Earley, Flint EM
Elizabeth Murphy, Flint EM's Assistant
Chief James Tolbert, Flint Chief of Police
Jerry Ambrose, Flint Finance Director
Jason Lorenz, Flint Public Information Officer