



STATE OF MICHIGAN
DEPARTMENT OF TREASURY

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

DATE: September 1, 2014
TO: Rick Snyder, Governor
FROM: R. Kevin Clinton, Treasurer
SUBJECT: Status of Financially Stressed Local Governments

EMERGENCY MANAGER

Allen Park

Emergency Manager: Joyce Parker

Appointed: October 26, 2012

Anticipated Exit: September 2014

Recent Developments

- The Southfield Lease Properties were sold on August 22 to Time Equities for \$12M. took place
- The City's request for a \$2.7M emergency loan will be considered by the Emergency Loan Board during September. If approved, proceeds would be used to pay the delinquent pension obligation. Recent actuarial valuation revealed pension funding for General Employees at 79.22% and Police/Fire at 79.5%.
- EM Joyce Parker's proposed exit date is Thursday, September 25, 2014.

Significant Actions/Issues

- Future OPEB liabilities reduced by \$48.8M (33%).
- Litigation was filed by retirees challenging the Emergency Manager's authority to reduce OPEB liabilities. A court date on this matter is pending.

Issues to Resolve before EM Exit

- Complete tender offer and debt refinancing related to the Southfield Lease Properties by September 2014.
- Finalize compliance settlement with SEC.
- Reduce pension liabilities.

Detroit

Emergency Manager: Kevyn Orr

Appointed: March 14, 2013

Anticipated Exit: September 2014

Recent Developments

- The Department of Treasury is coordinating with the Governor's Office to implement the new Financial Review Commission, which is required by the "Grand Bargain" legislation.
- Participating with City advisors on two contemplated financings: 1) exit financing – DIP 'take out' and 2) DWSD new money and restructuring.

Flint

Emergency Manager: Darnell Earley

Appointed: November 28, 2013

Anticipated Exit: April 2015

Recent Developments

- Overall deficit reduced to \$9M in FY 2014.
- In August, Treasury staff met with the Mayor and City Council members in one-on-one meetings to discuss the possible Emergency Manager exit in April 2015 and to explain the function of a Receivership Transition Advisory Board.

Significant Actions/Issues

- The sale of the water pipeline for \$3.7M was completed in June 2014. KWA project is still moving forward as planned.
- Water Plant placed into full-time service in April 2014, ending the contractual relationship with DWSD.
- A \$1.1M State appropriation was received to fund front-line public safety positions for FY 2015.
- The Federal District Court Judge modified the preliminary injunction on June 30, 2014 (six retirees challenged modifications made by the Emergency Manager to retiree healthcare coverage). The City can implement cost saving measures pending the trial outcome. However, if the challenge stands, the City's cost will increase by approximately \$5M annually.
- The Emergency Manager has imposed collective bargaining agreement terms that will save the City \$336K annually with long-term projected savings of \$4.3M effective July 2014.

Issues to Resolve before EM Exit

- ~~Eliminate annual operating/structural deficit which is projected at \$1.5M for FY 2015 and grows to \$11.9M during FY 2019 if the City loses the lawsuit over retiree healthcare~~

Hamtramck

Emergency Manager: Cathy Square

Appointed: July 1, 2013

Anticipated Exit: October 2014

Recent Developments

- A firm has been hired to conduct the search for a qualified City Manager candidate.

Significant Actions/Issues

- The City requested a \$2.1M emergency loan, which was approved by the Emergency Loan Board on June 26, 2014. Proceeds will resolve a \$2.1M liability to MERS.
- Retiree healthcare changes were implemented in December 2013 at a cost savings of over \$1.8M.

Issues to Resolve before EM Exit

- Retiree healthcare litigation must be addressed.
- Hire a qualified City Manager before exit.
- The annual pension liability is anticipated to increase from \$3.5M in FY 2015 to \$4.3M in 2019.

Lincoln Park

Emergency Manager: Brad Coulter

Appointed: July 3, 2014

Anticipated Exit: January 2016

Recent Developments

- A Financial and Operating Plan was submitted to the Treasurer on August 22.
- .

Significant Actions/Issues

- The Police and Fire pension plan is 30% funded. The General Employee plan is 22% funded.
- Brad Coulter was appointed as Emergency Manager July 3, 2014
- FY 2013 ended with a General Fund deficit of \$89K. In the prior fiscal year, the City had a positive fund balance of \$2M.

Issues to Resolve before EM Exit

- Police and fire contracts need to be renegotiated.
-

RECEIVERSHIP TRANSITION ADVISORY BOARD (RTAB)

Benton Harbor

RTAB Appointed: March 10, 2014

RTAB Members: Cary Vaughn, Bret Witkowski, Marvin Raglon, Sharon Hunt

Recent Developments

- A study was initiated to review the cost of ongoing litigation issues.
- FY 2015 budget is balanced.
- The City Commission appointed Mary Donald to fill the vacant Commission seat.
- Due to the resignation of another City Commissioner a new vacancy has occurred on the City Commission.
- Berrien County Circuit Court approved the ballot signatures necessary to recall Mayor Hightower. This is the disputed second recall attempt against the Mayor. The recall question will appear on the November 2014 ballot. The Berrien County Clerk's Office has appealed the Court's decision. A recall effort has been initiated against the Berrien County Clerk for challenging the Court's decision.

Significant Actions/Issues

- Former Department of Public Works Director Darwin Watson was appointed City Manager in February 2014.
- General Fund revenues are projected to exceed expenditures by \$2.9M for FY 2014.
- A six-year capital improvement plan has been developed and has identified capital needs exceeding \$4.8M. RTAB approval is pending.
- The City Manager implemented a twelve-month operational plan to guide City operations.
- Lawsuit filed during October 2013 against the City and former EM Suanders by former Public Safety Director alleging he was dismissed for complaining to the State.

Ecorse

RTAB Appointed: May 1, 2013

RTAB Members: Edward Koryzno, Robert Bovitz, Joyce Parker

Recent Developments

- The City is still operating without a City Administrator; an interim search is ongoing. The Michigan Municipal League has submitted a proposal to perform a search for a permanent City Administrator. Treasury has agreed to assume 50% the cost of the search (\$6,500)
- The State has approved \$750K in SRF funds for a sewer project.
- The first annual RTAB evaluation will be submitted to the Board in September.
-

Significant Actions/Issues

- City Council has repeatedly rejected a CGAP grant which would have saved the City \$1M, offsetting the lost tax settlement revenue.

- Pension contributions are anticipated to increase from \$1.8M in FY 2015 to \$2.4M in FY 2016.
- The RTAB rejected the City's proposed five-year budget in June 2014 due to unrealistic projections. The firing of the City Administrator and the uncertainty of Plante Moran's continued financial services have delayed the completion of a viable five-year budget. The amended budget completion date is unknown.
- Plante Moran has suspended their previous letter of termination, contingent on certain conditions. (e.g. begin immediate search for permanent City Administrator, contract with neighboring community or an outside agency to provide HR services to the City).
-

Pontiac

RTAB Appointed: August 19, 2013

RTAB Members: Edward Koryzno, Louis Schimmel, Keith Sawdon, Robert Burgess

Recent Developments

-
- In April 2014, the Final Emergency Manager Order was amended to create a Deputy Mayor position. Thirty-six candidates applied and applications are being reviewed.

Significant Actions/Issues

- A \$6M annual retiree healthcare obligation and related federal litigation must be resolved prior to August 2015, when the Emergency Manager Final Order expires.
- The RTAB continues to review the financial impact of the IRS 420 Transfer for payment of retiree healthcare costs approved by the Pontiac Pension Board and City Council. The tax exempt status of the pension system was extended by the IRS until December 2019.
- Resolve condemnation litigation and proceed with the budgeted \$2M demolition of the Phoenix Center.
- General Fund revenues are projected to exceed expenditures by \$4M in FY 2014.
-

CONSENT AGREEMENT

Inkster

Date Executed: February 20, 2012

Consultant/Treasury Representative: Mark Stuhldreher

Term of Consent Agreement: N/A

Recent Developments

-
- The Police Chief resigned in July; Interim Chief Vicky Yost was appointed August 4, 2014; search firm has been retained to find a permanent chief.
-

Significant Actions/Issues

Mark Stuhldreher, City Treasurer, was granted certain Emergency Manager powers in February 2012.

- Richard Marsh was appointed as City Manager in August of 2013.
- The City was awarded a \$486K CGAP grant on April 1, 2014 to contract with the Wayne County Sheriff's Department; the City is working with Michigan State Police to augment police staffing (on hold pending the hiring of a permanent chief).
- The City of Westland was awarded a \$347K CGAP grant to consolidate the Inkster Fire Department into the Wayne/Westland Fire Authority on April 1, 2014.
- A study of the Police Department has been completed and was very critical of the Police Chief and the City Administration.
- General Fund revenues are projected to exceed expenditures by \$1.5M in FY 2014.
-

River Rouge

Date Executed: December 15, 2009

Consultant/Treasury Representative: N/A (P.A. 72)

Term of Consent Agreement: N/A

Recent Developments

-
- Implemented a reduction in healthcare benefits for employees.

Significant Actions/Issues

- U.S. Steel annual \$1M tax settlement payment to the City expires in FY 2015.
- General Fund revenues are expected to exceed expenditures by \$986k in FY 2014.

Royal Oak Township

Effective Date: April 21, 2014

Consultant/Treasury Representative: Robert Burgess

Term of Consent Agreement: October 31, 2017

Recent Developments

- A consulting firm (UHY) is assisting the Consent Agreement Consultant and the Township in developing a Finance & Operating Plan. The deadline to complete the Financial & Operating Plan has been extended to September 30, 2014 by the State Treasurer.
- Surplus pension assets of \$619K administered by MERS were transferred to the Township. The State Treasurer approved the issuance of a Consent Agreement Order by the Township Supervisor prohibiting the use of these funds until the Finance & Operating Plan is approved. The Office of the Attorney General is reviewing the legal authority regarding the use of these funds for any purpose other than pension expenses.
-

Significant Actions/Issues

- The Michigan State Police continues to provide police services to the Township.

- A committee consisting of the Township Supervisor, Consent Agreement Consultant, and one Township Trustee met with the City of Ferndale on August 19th to explore contracting police and fire services. The Michigan State Police and Department of Treasury participated in these negotiations. The City of Oak Park will also be contacted to determine if they can provide police and fire services to the Township.
- A Deficit Elimination Plan for Police, Fire, and Street Lighting Funds must be submitted.
- An assistant was hired to aid the Consent Agreement Consultant. The Township must submit a Corrective Action Plan to address deficiencies identified in its 2013 Audit. On July 30, 2014 the Township submitted a Corrective Action Plan; it is currently under review by LAFD.

-

NEUTRAL EVALUATION

Highland Park

Financial Review Team Appointed: December 2, 2013

Financial Emergency Declared: January 30, 2014

PA 436 Option Selected: May 1, 2014

Recent Developments

- A long-term lease of its 32-acre tree farm in Rochester Hills for \$1M was announced by the City.
- The City is discussing the preparation of a RFP to privatize water and sewer system operations.

~~A draft Plan of Adjustment was prepared by the City. The City is seeking an Emergency Loan from Treasury to refinance a portion of its debt. This will have to be re-evaluated on Thursday.~~

Significant Actions/Issues

- Ronald Rose, former Dykema Gossett bankruptcy attorney, was appointed as a Neutral Evaluator in May 2014.
- The City announced that it has exercised its right under PA 436 to extend the neutral evaluation process another 30 days, ending on August 28, 2014.
- Liabilities total \$117.6M; of which some of the major components are: \$55.3M is debt, including \$20.7M owed to DWSD, \$17.7M is pension bonds, and \$26.1M is unfunded OPEB liabilities.
- OPEB costs are paid from the General Fund on a pay-as-you-go basis.
- Fifth Third Bank notified the City on September 11, 2013 that "Event of Defaults" have occurred regarding the Letter of Credit held by the bank. The bank terminated the Letter of Credit, transferred \$7M in unexpended bond proceeds, and is seeking to capture pledged state revenue sharing.
- The City defaulted on its State emergency loan payment due May 19, 2014. Treasury withheld \$101K from State Revenue Sharing on June 30, 2014 to cover the default.

OTHER COMMUNITIES

Melvindale

Significant Actions/Issues

- The General fund deficit for FY 2013 is \$1.9M, an increase of \$248K from the FY 2012 deficit.
- The City's ice arena unrestricted annual deficit for FY 2013 is \$1.9M, which is approximately \$160K more than what the City projected. It continues to negatively impact the General Fund.

~~Treasury representatives will meet with city officials in August to discuss strategies of addressing deficits. Suzanne will provide additional language.~~

- The City is considering millage proposals for the November ballot. The first is to pay the debt on the ice arena and the other is for street/sidewalk repair.

Taylor

Significant Actions/Issues

- The General Fund has an unrestricted deficit of \$2.2M.
- The City made only 47% of its required annual contribution for OPEB. The unfunded liability is \$232.7M and continues to grow.
- There are several contingent liabilities that may impact the financial stability of the City, including the possible need to subsidize Brownfield Redevelopment bonds of \$14.2M.
- A 1996 levy to pay a general obligation bond expires in 2015, potentially resulting in a \$6.2M drain per year on the General Fund during FY 2016 and FY 2017.

City of Wayne

Significant Actions/Issues

- Projected General Fund deficits for FY 2014 and beyond.
- Treasury prepared and presented recommendations for the City during April 2014.

~~The City is discussing a May 2015 ballot proposal that would seek voter approval for additional millage.~~

Wayne County

Recent Developments

- Warren Evans defeated Robert Ficano with 44% of the vote in the primary election for Wayne County Executive held August 5, 2014.
- The County Finance Director continues to pursue the implementation of the Waste Water Authority by meeting with the affected local units and the attorneys for several of the existing systems.
- The County believes it has sufficient documentation to support the County's ownership of the various waste water systems.

Significant Actions/Issues

- Treasury met with County Finance officials on July 1, 2014 to discuss progress on the Deficit Elimination Plan (DEP). Another meeting is scheduled for August 18, 2014. The County submitted a revised DEP, approved by the County Commission, which removes the changes to retiree healthcare. The loss of the \$9.2M in savings will be offset by the \$10M anticipated increase in revenue sharing.
- County Treasurer agreed to transfer \$150M from the Delinquent Tax Revolving Fund to the General Fund. Of that \$150M, \$82M has already been transferred and applied to the accumulated deficit, and \$44M has been applied to the operating/structural deficit in accordance with the DEP. The additional \$24M, which was not part of the DEP, will be used to help reduce the accumulated deficit.
- The elimination of the accumulated deficit is dependent upon the transfer of excess funds held in the Delinquent Tax Revolving Fund and the creation of a Wastewater Authority.

The plan to eliminate the operating/structural deficit depends on significant labor costs savings and pension revisions.

- The Treasurer received letters from the law firm of Foster Swift and the Downriver Utility Wastewater Authority on behalf of several communities affected by the Waste Water Authority proposed in the County's DEP. They expressed disagreement with the plan and also questioned the ownership of the assets.
- The County reduced the amount needed to borrow for general operating cash flow purposes from \$100M to \$75M. The Tax Anticipation note was issued on May 28, 2014 and the proceeds were placed in escrow.
- The County received \$25M of its cash flow borrowing of May 28, 2014 upon closing. A second draw in the amount of \$25M was approved by Treasury on July 2, 2014 leaving a balance of \$25M in escrow. Estimated final release date is expected to be by August 15, 2014.

Koryzno, Edward (Treasury)

From: Maxine Murray <mmurray@cityofflint.com>
Sent: Tuesday, September 02, 2014 8:31 AM
To: Byrne, Randall (Treasury); Kapp, Gene (MSP); Muchmore, Dennis (GOV); Roberts, John (DTMB); West, Samantha (GOV); Dempkowski, Angela (Treasury); Baird, Richard (GOV); Darnell Earley; Deasy, Thomas (MSP); Koryzno, Edward (Treasury); Clement, Elizabeth (GOV); Elizabeth Murphy; Etue, Kriste (MSP); Hollins, Harvey (GOV); James Tolbert; Jerry Ambrose; Klotz, Josephine (MSP); Lee, Nichole (MSP); McGowan, Emmitt (MSP); Smith, Paul (GOV); Sands, Thomas (MSP); Sipes, Stephen (MSP); O'Neill, Stephen (MSP); Saxton, Thomas (Treasury); Workman, Wayne (TREASURY)
Subject: Conference Call Agenda for 09/03/14
Attachments: Agenda & Attachments 090314 Conf Call with Treasury.pdf

Good morning,

Please find attached the agenda and attachment for the September 3rd, 9:00 am conference call.

Thank you.

--

Maxine Murray
Executive Assistant to
Mayor Dayne Walling
Darnell Earley, Emergency Manager
1101 S. Saginaw Street
Flint, MI 48502
810.237.2035 Telephone
810.766.7218 Fax

**City of Flint Wednesday 9:00am Phone Conference Agenda
September 3, 2014**

1) Public Safety Update – FPD, MSP, (FFD, if needed)

- a) FPD
 - i. Water Theft Warrants issue – may need assistance from Attorney General
- b) FFD
- c) Traffic Accidents Resulting in Death of Flint Citizens – Update on Strategies Special ALPACT Meeting held August 22, 2014
- d) Would like to have a statement of the mission, goals, and objectives of MSP/FPD collaboration.
- e) Other update from Chief Tolbert and MSP

2) Governor's Office Update – R. Baird, H. Hollins, B. Clement

- a) Court Consolidation
- b) Other

3) Lawsuits – Status, Issues

- a) Retiree Lawsuit – No updates
- b) MSP - Crash Lawsuit – Flint street design and maintenance

4) Financial and Administrative Update

- a) Remaining bargaining units in “meet and confer” sessions: Fire, Sgts., and Cpts. & Lts. Parties have exchanged proposals.
- b) Need to start to develop a plan to begin pre-funding employee healthcare.
- c) Next benchmark is audit. Budget is on track at this point.

5) City Council Update

- a) A grid-timeline has been developed using the 7 point Transition Management plan. This will be used as an itemized list of steps to be completed in order to prepare for transition. This was reviewed with each Council member in individual meetings with Treasury on August 20, 2014.

6) Blue Ribbon Committee on Governance

- a) Five Charter Amendments and the question of whether to have a general revision of the current charter have been placed on the November ballot. These were as recommended by the BRC.

7) Water Issues

- a) Glenn Acres – water turn-on order from Judge Hayman. Judge has put complex in hands of a receiver.

- b) Limited area boil-water notice – resolved.
- c) General Motors Water Issues – resolved. However, if this should become an issue for the GCDC with DWSD we would hope Treasury will be supportive of the GM-GCDC franchise customer agreement.

8) Messaging

- a) A plan is being developed to present to the community at-large and to the various interest groups (i.e. business, investors, foundations) the background of the financial emergency, the actions taken and next steps to emerge from receivership. This will be an on-going item for discussion.
- b) Hurley Hospital Valuation City - beginning regular meetings with the Hurley leadership to identify strategy beneficial both Hurley and the City of Flint.

9) 9-1-1 Reconsolidation Plan

- a) Genesee County Consortium plans to hold a full membership meeting to discuss allowing Flint to rejoin the County 9-1-1 Consortium on September 9, 2014. Reconsolidation is both a financial and resident benefit for Flint. General Fund currently supplements 9-1-1 operations \$2.4 million per year. Significant feature and equipment upgrades will be required of the Flint system if it continues as a stand-alone operation.

10) Recruitment and Selection of City Administrator/Manager

- a) Provide guidance on several considerations: duration of appointment, contract, consistent with TAB, working with TAB, etc. – Finalize timeline after January 1, 2015.
- b) Emergency Manager has developed a recruitment package and a recruitment and appointment timeline; recruitment to begin September 1, 2014. (See attached)

11) Other Items

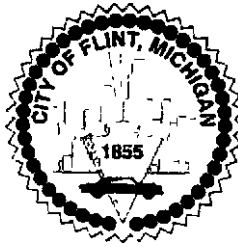
Attachments:

City Administrator Recruitment Package

City Administrator Recruitment and Appointment Timeline

1-888-██████ access code ██████

Created on: 08/28/14



**CITY OF FLINT
OFFICE OF EMERGENCY MANAGER
DARNELL EARLEY
ICMA-CM, MPA**

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

For Immediate Release

**City of Flint Boil Water Advisory in Effect for Area Affected
Due to Abnormal Water Sample**

Flint, Michigan – September 5, 2014 – The City of Flint's Utilities Department in conjunction with the Department of Environmental Quality has issued a boil water advisory for a portion of the city. The boil water advisory is in effect for the area bordered by Dayton Street on the north, DuPont Street on the east, the Flint River on the south, and by Lavelle Road (to the Flint River) on the west. Testing over the last 48 hours has shown that the water in the area above tests positive for the presence of total coliform bacteria. Residents in the area should continue to boil water or use bottled water for drinking, bathing, making ice, brushing teeth, washing dishes, and preparing food until further notice. Boiling the water kills bacteria or other harmful organisms.

Total coliform bacteria are generally not harmful themselves. Coliforms are bacteria which are naturally present in the environment and are used as an indicator that other, potentially-harmful, bacteria *may be present*. Usually, coliforms are a sign that there could be a problem with the treatment or distribution system (pipes).

–CONTINUE–



**CITY OF FLINT
OFFICE OF EMERGENCY MANAGER
DARNELL EARLEY
ICMA-CM, MPA**

Whenever we detect coliform bacteria in any sample, we do follow-up testing to see if other bacteria of greater concern, such as fecal coliform or E. coli, are present. We did not find any of these bacteria in our subsequent testing. If we had, we would have notified you immediately. However, we are still finding coliforms in the drinking water.

The City of Flint Utilities Department will be flushing the system in that part of the city and increasing the chlorine added to water in the area. The City anticipates that the problem will be resolved within the next three days, which is the minimum amount of time for a boil water notice. All water testing results at the City of Flint Water Treatment Plant have shown the City's drinking water meets all Safe Water Drinking Standards. Testing of the drinking water is a part of the routine process for ensuring the quality and safety of the system which happens weekly at ten different sites around the city. Anyone with questions about the advisory or any other water issues should call 810-787-6537.

—END—

LOCALIZED DRINKING WATER WARNING

Coliform bacteria detected in localized area of Flint water system

BOIL YOUR WATER BEFORE USING

Our water system detected the presence of coliform bacteria in the water supply on September 3, 2014. We routinely monitor for the presence of drinking water contaminants. We took routine samples for coliform bacteria during on September 2, 2014 from all sampling locations throughout the city. The location near Flushing Road and Chevrolet Avenue showed the presence of coliform bacteria. We took three repeat samples at this location and at adjacent locations on September 3 and again on September 4, 2014. Two of the three samples on the 3rd showed the presence of total coliform bacteria and three of the three samples collected on the 4th in this same area showed the presence of total coliform bacteria. All other monitoring locations in the City continue to show no presence of Coliform bacteria.

What should I do?

DO NOT DRINK THE WATER WITHOUT BOILING IT FIRST. Bring all water to a boil, let it boil for one minute, and let it cool before using, or use bottled water. Boiled or bottled water should be used for drinking, making ice, brushing teeth, washing dishes, and preparing food. Boiling kills bacteria and other organisms in the water. **Continue using boiled or bottled water until further notice.** This boil notice is limited to the area bordered by Dayton Street (north), DuPont Street (east), Flint River (south), and LaVelle Road to Flint River (west)

If you have a severely compromised immune system, have an infant, are pregnant, or are elderly, you may be at increased risk and should seek advice from your health care providers about drinking this water.

What does this mean?

Total coliform bacteria are generally not harmful themselves. *Coliforms are bacteria which are naturally present in the environment and are used as an indicator that other, potentially-harmful, bacteria may be present.*

Usually, coliforms are a sign that there could be a problem with the treatment or distribution system (pipes). Whenever we detect coliform bacteria in any sample, we do follow-up testing to see if other bacteria of greater concern, such as fecal coliform or E. coli, are present. We did not find any of these bacteria in our subsequent testing. If we had, we would have notified you immediately. However, we are still finding coliforms in the drinking water.

What happened? What is being done?

We are still detecting coliform bacteria. We will inform you when our sampling shows that no bacteria are detected. We are flushing the system and increasing the chlorine residual within the affected area. We anticipate resolving the problem within the next two to three days. In the meantime, please continue using boiled or bottled water until we notify you otherwise.

If you have questions, you may contact Mr. Brent Wright of the City of Flint at 810-787-6537, bwright@cityofflint.com, 4500 North Dort Highway, Flint MI. 48505 or Daughtry Johnson, Utilities Administrator (810) 766-7135, ext. 2602. General guidelines on ways to lessen the risk of infection by microbes are available from EPA's Safe Drinking Water Hotline at 1-800-426-4791.

2310

CERTIFICATION:

WSSN: [enter Water Supply Serial Number]

I certify that this water supply has fully complied with the public notification requirements in the Michigan Safe Drinking Water Act, 1976 PA 399, as amended, and the administrative rules.



Signature

Utilities Administrator

Title

9/5/14

Date Distributed

Reminder to water supplier: This notice / certification must be sent to the DEQ.

cc: [cc the local health department and the Michigan Department of Agriculture and Rural Development if the boil affects a municipal supply]

Please share this information with all the other people who drink this water, especially those who may not have received this notice directly (for example, people in apartments, nursing homes, schools, and businesses). You can do this by posting this notice in a public place or distributing copies by hand or mail.

This notice is being sent to you as a precautionary measure by the City of Flint.

CERTIFICATION:

WSSN: [enter Water Supply Serial Number]

I certify that this water supply has fully complied with the public notification requirements in the Michigan Safe Drinking Water Act, 1976 PA 398, as amended, and the administrative rules.

Signature

Title

Date Distributed

cc:

Reminder to water supplier: This notice / certification must be sent to the DEQ.
[cc the local health department and the Michigan Department of Agriculture and Rural Development if the boil affects a municipal supply.]

Byrne, Randall (Treasury)

From: Jason Lorenz <jlorenz@cityofflint.com>
Sent: Saturday, September 06, 2014 10:20 PM
Subject: Fwd: Boil Water Update
Attachments: Scan028.PDF

Please see attached.

--

Brent Wright
Water Plant Supervisor
City of Flint
4500 N. Dort Hwy.
Flint, MI. 48505
Ph: 810.787.6537 ext. [REDACTED]
Fx: 810.787.3710

Byrne, Randall (Treasury)

From: Jason Lorenz <jlorenz@cityofflint.com>
Sent: Monday, September 08, 2014 5:46 PM
To: WNEM; ABC12news; Flint Journal; NBC25 Newsroom; Ron Fonger
Subject: PRESS RELEASE: Boil Water Advisory Extended
Attachments: Boil Water Advisory 9.8.2014.pdf

For Immediate Release

**City of Flint Boil Water Advisory Remains in Effect
for Previously Identified Area**

Flint, Michigan – September 8, 2014 – The City of Flint’s Utilities Department has extended both of the boil water advisories from Friday and Saturday for a portion of the city. Friday’s boil water advisory is in effect for the area bordered by Dayton Street on the north, DuPont Street on the east, the Flint River on the south, and by Lavelle Road (to the Flint River) on the west. Saturday’s boil water advisory also covered the area bordered by Stewart Ave. (north), Saginaw (east) Hamilton Ave (south), and Clio Rd (west). This remains a localized issue to those portions of the city.

The Utilities Department believes that due to the low usage and demand of the area, water remains in the system for a longer period of time compared to the rest of the city. The City of Flint Utilities Department is increasing the chlorine added to water in the area, and to improve water circulation, will continue flushing the system in that part of the city. Residents can expect to see open hydrants in the area. The City of Flint will continue to aggressively investigate this issue until it has been corrected.

The Utilities Department has opted to keep the advisory in effect until the results of a citywide sampling taken today are known. This advisory is a precautionary measure to ensure the safety of drinking water for city residents. Residents in the area should continue to boil water or use bottled water for drinking, making ice,

brushing teeth, washing dishes, and preparing food until further notice. Boiling the water kills bacteria or other harmful organisms.

Total coliform bacteria are generally not harmful themselves. Coliforms are bacteria

which are naturally present in the environment and are used as an indicator that other, potentially-harmful, bacteria *may be present*. Usually, coliforms are a sign that there could be a problem with the treatment or distribution system (pipes).

Whenever we detect coliform bacteria in any sample, we do follow-up testing to see if other bacteria of greater concern, such as fecal coliform or E. coli, are present. We did not find any of these bacteria in our subsequent testing. If we had, we would have notified you immediately. However, we are still finding coliforms in the drinking water.

All water testing results at the City of Flint Water Treatment Plant have shown the City's drinking water meets all Safe Water Drinking Standards and this remains a localized problem. Testing of the drinking water is a part of the routine process for ensuring the quality and safety of the system which happens weekly at ten different sites around the city. Anyone with questions about the advisory or any other water issues should call 810-787-6537.

–END–

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

LOCALIZED DRINKING WATER WARNING
Coliform bacteria detected in localized area of Flint water system
BOIL YOUR WATER BEFORE USING

Our water system detected the presence of coliform bacteria in the water supply on September 3, 2014. We routinely monitor for the presence of drinking water contaminants. We took routine samples for coliform bacteria during on September 2, 2014 from all sampling locations throughout the city. The location near Flushing Road and Chevrolet Avenue showed the presence of coliform bacteria. We took three repeat samples at this location and at adjacent locations on September 3 and again on September 4, 2014. Two of the three samples on the 3rd showed the presence of total coliform bacteria and three of the three samples collected on the 4th in this same area showed the presence of total coliform bacteria. On September 5th two of three sample showed presence of total coliform bacteria. **Updated area of ML King and Pasadena.** On September 4th one sample showed presence of total coliform bacteria. On September 5th two of the three samples at adjacent locations showed presence of total coliform bacteria. All other monitoring locations in the City continue to show no presence of Coliform bacteria.

What should I do?

DO NOT DRINK THE WATER WITHOUT BOILING IT FIRST. Bring all water to a boil, let it boil for one minute, and let it cool before using, or use bottled water. Boiled or bottled water should be used for drinking, making ice, brushing teeth, washing dishes, and preparing food. Boiling kills bacteria and other organisms in the water. **Continue using boiled or bottled water until further notice.** This boil notice is limited to the area bordered by Dayton Street (north), DuPont Street (east), Flint River (south), and LaVelle Road to Flint River (west).

The current boil water notice is being expanded to the north. This boil water notice is being expanded to the area bordered by Stewart Ave. (north), Saginaw (east), Hamilton Ave (south), and Clio Rd (west).

If you have a severely compromised immune system, have an infant, are pregnant, or are elderly, you may be at increased risk and should seek advice from your health care providers about drinking this water.

What does this mean?

Total coliform bacteria are generally not harmful themselves. *Coliforms are bacteria which are naturally present in the environment and are used as an indicator that other, potentially-harmful, bacteria may be present.*

Usually, coliforms are a sign that there could be a problem with the treatment or distribution system (pipes). Whenever we detect coliform bacteria in any sample, we do follow-up testing to see if other bacteria of greater concern, such as fecal coliform or E. coli, are present. We did not find any of these bacteria in our subsequent testing. If we had, we would have notified you immediately. However, we are still finding coliforms in the drinking water.

CERTIFICATION:

2310
WSSN: «WSSN»

I certify that this water supply has fully complied with the public notification requirements in the Michigan Safe Drinking Water Act, 1976 PA 399, as amended, and the administrative rules.



Signature

PLANT SUPERVISOR

Title

9/6/2014

Date Distributed

Reminder to water supplier This notice / certification must be sent to the DNRE

What happened? What is being done?

We are still detecting coliform bacteria. We will inform you when our sampling shows that no bacteria are detected. We are flushing the system and increasing the chlorine residual within the affected area. We anticipate resolving the problem within the next two to three days. In the meantime, please continue using boiled or bottled water until we notify you otherwise.

If you have questions, you may contact Mr. Brent Wright of the City of Flint at 810-787-6537, bwright@cityofflint.com, 4500 North Dort Highway, Flint MI. 48505 or Daughtry Johnson, Utilities Administrator

(810) 766-7135, ext. 2602. General guidelines on ways to lessen the risk of infection by microbes are

available from EPA's Safe Drinking Water Hotline at 1-800-426-4791.

CERTIFICATION:

2310
WSSN: «WSSN»

I certify that this water supply has fully complied with the public notification requirements in the Michigan Safe Drinking Water Act, 1976 PA 399, as amended, and the administrative rules.



Signature

PLANT SUPERVISOR

Title

9/6/2014

Date Distributed

Reminder to water supplier This notice / certification must be sent to the DNRE.

Byrne, Randall (Treasury)

From: Jason Lorenz <jlorenz@cityofflint.com>
Sent: Tuesday, September 09, 2014 5:15 PM
To: Jason Lorenz
Subject: Re: PRESS RELEASE: Boil Water Advisory Lifted
Attachments: Recent Boil Water Notice Lifted 9.9.14.pdf

PLEASE SEE ATTACHED.

Thank You.

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

On Tue, Sep 9, 2014 at 4:36 PM, Jason Lorenz <jlorenz@cityofflint.com> wrote:

For Immediate Release (Official Signed Notice to Follow)

City of Flint Boil Water Advisory Lifted

Flint, Michigan – September 9, 2014 – The City of Flint’s Utilities Department and the DEQ have lifted both of the boil water advisories from this week for a western portion of the city. Testing results from all areas of the city confirm that the water is safe for all purposes. “The investigation into the cause of the boil water advisories continues,” said Emergency Manager Darnell Earley, “we will share the results from that investigation once it is available.”

–END–

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

Koryzno, Edward (Treasury)

From: Workman, Wayne (TREASURY)
Sent: Wednesday, September 10, 2014 2:00 PM
To: Koryzno, Edward (Treasury); Byrne, Randall (Treasury)
Subject: FW: PRESS RELEASE: Boil Water Advisory Lifted

Let me know what you find out

From: Clement, Elizabeth (GOV)
Sent: Wednesday, September 10, 2014 1:59 PM
To: Workman, Wayne (TREASURY); Muchmore, Dennis (GOV); Saxton, Thomas (Treasury)
Subject: RE: PRESS RELEASE: Boil Water Advisory Lifted

The boil water advisory was lifted yesterday while I was talking to John Gleason. The source has still not been identified and the plant and DEQ are working to figure it out. I told Gleason that his suggestion to have contingency plans for these water events makes great sense but I had to look into the specifics of using the Guard and I would get back to him. This is more for DEQ and the Guard to assist with at this time but please keep us posted on what the EM may share as far as updates.

From: Workman, Wayne (TREASURY)
Sent: Wednesday, September 10, 2014 1:46 PM
To: Muchmore, Dennis (GOV); Clement, Elizabeth (GOV); Saxton, Thomas (Treasury)
Subject: FW: PRESS RELEASE: Boil Water Advisory Lifted

Water is back on as of yesterday. Checking with City on how confident they are that it is fixed.

From: Byrne, Randall (Treasury)
Sent: Wednesday, September 10, 2014 1:33 PM
To: Workman, Wayne (TREASURY)
Cc: Koryzno, Edward (Treasury)
Subject: FW: PRESS RELEASE: Boil Water Advisory Lifted

Wayne:

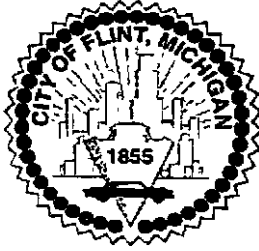
I received this late yesterday.

Randy,

From: Jason Lorenz [<mailto:jlorenz@cityofflnt.com>]
Sent: Tuesday, September 09, 2014 5:15 PM
To: Jason Lorenz
Subject: Re: PRESS RELEASE: Boil Water Advisory Lifted

PLEASE SEE ATTACHED.

Thank You.



Dayne Walling
Mayor

CITY OF FLINT
Department of Public Works

Darnell Earley, ICMA-CM, MPA
Emergency Manager

Howard Croft
Director

MEMORANDUM

TO: Darnell Earley, Emergency Manager
Dayne Walling, Mayor

FROM: Howard Croft, Public Works Director

DATE: September 16, 2014

RE: Recent Boil Water Advisory

Mr. Earley,

I have compiled a bullet point list of the pertinent events surrounding the recent boil water advisory in the City of Flint. I have separated the events into five categories and attempted to condense them into a comprehensive sequence for your review.

OVERVIEW

- On Friday September 5, 2014 the City of Flint issued a boil water advisory to residents in two of ten test areas around the city.
- The advisory was due to multiple positive tests for "total coliform" and the area covered approximately 9 square miles.
- On Sunday September 7, 2014 the City expanded the advisory to include another of the ten test areas due to a subsequent positive total coliform test.
- The boil water advisories were lifted on Tuesday September 9th at 5:00pm after consultation with the DEQ.

BACKGROUND

- State of Michigan Regulations requires that the City of Flint Water Treatment Plant perform testing of its water distribution system on a routine basis in ten different locations around the City.
- The tests take twenty four hours to produce valid results and are sent directly to the Department of Environmental Quality for review.
- Test results which show positive for "E.coli" or "fecal coliform" trigger boil water notices for the test area and the advisories usually remain in effect until three consecutive tests return negative results.
- A single positive test for "total coliform" does not generally result in a boil water advisory, rather it indicates that the environment is conducive for bacteria.
- Typically, investigation into possible causes followed by corrective measures such as flushing the affected area with open hydrants will cleanse the system.
- This process is overseen by an employee who is required to hold an F-1 State License and is listed as the Operator in Charge of the Water Plant and an employee who holds an S-1 State License which is required to maintain distribution systems of this municipal size.
- The City of Flint has over 500 miles of pipe in its distribution system, much of which is over 70 years old.
- The City of Flint has over ten-thousand valves throughout its distribution system.
- The City of Flint has a professional reliability study of its system which was updated in December 2013.

PROBLEM

- ❖ After detecting the initial positive test for total coliform, normal procedures did not clear the condition and multiple positive tests ensued.
- ❖ The continued positive total coliform tests were the cause for issuing the boil water notice.
- ❖ Additional discoveries showed that residual chlorine levels in the affected area were considerably lower than normal.

SOLUTION

- ✓ On Monday September 8, 2014 the City convened all licensed personnel, Utility Supervisors, and DPW Director to a single meeting location and held a brainstorming session with the DEQ on conference call.
- ✓ It was agreed that while not totally isolated, the concern was mainly present in a specific large transmission line that ran through all positive testing areas.
- ✓ It was determined to expand the hydrant flushing outside of the immediate impact area.
- ✓ It was found that a 24" valve which feeds this transition main was broken in the OFF position outside of the immediate impact area.
- ✓ The broken valve was preventing fresh water from being pushed directly into the impacted area while causing water to travel from the water plant around the entire city and preventing adequate circulation of fresh water.
- ✓ After repairing the broken valve, virtually all of the symptoms were erased over a 24 hour period and the chlorine count has steadily risen back to normal levels throughout the transmission main.

CONCLUSION

- ✓ It was determined that the broken valve was not the single cause of the problem but was a significant factor in the development of the problem.
- ✓ Other possible factors include:
 - Low usage in the area
 - Pipe size in relation to volume of usage
 - Temperature change of surface water
 - Water Pressure in the area
- ✓ It was determined that the broken valve was the main reason that normal remedies were ineffective.
- ✓ Throughout the event, the City was in direct contact with DEQ personnel daily.
- ✓ The positive tests were for "total coliform" only.
- ✓ The following statement about total coliform was approved by the DEQ and distributed to the public as part of the recent boil water advisory:

Total coliform bacteria are generally not harmful themselves. Coliforms are bacteria which are naturally present in the environment and are used as an indicator that other, potentially-harmful, bacteria may be present.

Usually, coliforms are a sign that there could be a problem with the treatment or

distribution system (pipes). Whenever we detect coliform bacteria in any sample, we do follow-up testing to see if other bacteria of greater concern, such as fecal coliform or E. coli, are present. We did not find any of these bacteria in our subsequent testing. If we had, we would have notified you immediately. However, we are still finding coliforms in the drinking water.

- ✓ The City of Flint is in the first year of strategic budgetary investment in an infrastructure strategy.
- ✓ The City of Flint infrastructure strategy has been, and will continue to be developed with state licensed employees, industry experts, and proven experienced consultants.

Howard D. Croft
Public Works Director

Koryzno, Edward (Treasury)

From: Maxine Murray <mmurray@cityofflint.com>
Sent: Monday, September 15, 2014 11:37 AM
To: Byrne, Randall (Treasury); Kapp, Gene (MSP); Muchmore, Dennis (GOV); Roberts, John (DTMB); West, Samantha (GOV); Dempkowski, Angela (Treasury); Baird, Richard (GOV); Darnell Earley; Deasy, Thomas (MSP); Koryzno, Edward (Treasury); Clement, Elizabeth (GOV); Elizabeth Murphy; Etue, Kriste (MSP); Hollins, Harvey (GOV); James Tolbert; Jerry Ambrose; Klotz, Josephine (MSP); Lee, Nichole (MSP); McGowan, Emmitt (MSP); Smith, Paul (GOV); Sands, Thomas (MSP); Sipes, Stephen (MSP); O'Neill, Stephen (MSP); Saxton, Thomas (Treasury); Workman, Wayne (TREASURY)
Subject: Agenda for Wednesday, September 17, 2014
Attachments: Agenda 091714 Conf Call with Treasury.pdf

Good morning,

Please find attached the agenda for the Wednesday, September 17th conference call.

Thank you.

--

Maxine Murray
Executive Assistant to
Mayor Dayne Walling
Darnell Earley, Emergency Manager
1101 S. Saginaw Street
Flint, MI 48502
810.237.2035 Telephone
810.766.7218 Fax

**City of Flint Wednesday 9:00am Phone Conference Agenda
September 17, 2014**

X) Public Safety Update – FPD, MSP, (FFD, if needed)

- a) FPD
 - i. Water Theft Warrants issue – Update/may need assistance from Attorney General
- b) FFD
- c) Other update from Chief Tolbert and MSP

2) Governor's Office Update – R. Baird, H. Hollins, B. Clement

- a) Court Consolidation
- b) Other

X) Lawsuits – Status, Issues

- a) Retiree Lawsuit – No updates

X) Financial and Administrative Update

- a) Remaining bargaining units in “meet and confer” sessions: Fire
- b) Sgts., and Cpts. & Lts. bargaining units have achieved Tentative Agreements.
- c) The City is amending the DEP to show future commitment on retiree healthcare.
- d) Working to enact a budget stabilization ordinance.
- e) Need to start to develop a plan to begin pre-funding employee healthcare.
- f) Next benchmark is audit. Budget is on track at this point.
- g) Status of legislative initiative to allow vote on local income tax increase.

X) City Council Update

- a) The next City Council meeting is scheduled for Monday, September 22, 2014.

*EM shared w/ media regarding level one mmk training
• Have until transition.*

6) Blue Ribbon Committee on Governance

- a) Five Charter Amendments and the question of whether to have a general revision of the current charter have been placed on the November ballot. These were as recommended by the BRC. Group of BRC members met 9/8/14 to discuss forming a committee to promote these initiatives.

• Update next time.

X) Water Issues

- a) Two more areas had five day boil-water notices – resolved, broken 24” valve was a major contributor to the problem.
- b) Flint will continue to investigate why conditions develop which are favorable for more severe problems to occur. Pursuing these investigations may include seeking additional professional assistance to review both systems and processes.

What is causing the
↑ issues?

- c) General Motors Water Issues – working through lawyers at this point. However, if this should become an issue for the GCDC with DWSD we would hope Treasury will be supportive of the GM-GCDC franchise customer agreement.

8) Messaging

- a) A plan is being developed to present to the community at-large and to the various interest groups (i.e. business, investors, foundations) the background of the financial emergency, the actions taken and next steps to emerge from receivership. This will be an on-going item for discussion.
- b) Hurley Hospital Valuation City - beginning regular meetings with the Hurley leadership to identify strategy beneficial both Hurley and the City of Flint.

9) 9-1-1 Reconsolidation Plan

- a) The Genesee County 9-1-1 Consortium has voted to accept Flint's request to join. Consolidation expected to be complete by July 1, 2015.

10) Recruitment and Selection of City Administrator/Manager

- a) Provide guidance on several considerations: duration of appointment, contract, consistent with TAB, working with TAB, etc. – Finalize timeline after January 1, 2015.
- b) Emergency Manager has developed a recruitment package and a recruitment and appointment timeline; recruitment began September 1, 2014.

11) Other Items

1-888- [REDACTED], access code [REDACTED]

Created on: 09/12/14

CoF - Call 09/17/14

EM, Harvey Hollins, BD, DST, SAA, Gery Ambrose, MSP, CoF Chief

1)

a. #s very high with people who are obtaining water illegally

- Full cooperation w/ prosecutors ~~officers~~ office.

- FBI will sit in on interviews to ensure this doesn't go across multiple city offices.

b. Increase in fires (not arson)

c. MSP + ICMA will be in town - looking to expand patrol.

- 123 total officers + civilians

- 40% reduction in homicide

- 19% reduction in assault

- 13.9% overall reduction in stat¹ crime.

- ATF working to get guns/felons off the streets.

9) 911 → allowed/accepted CoF to join end of FY (July)

- \$1M savings to the City - Need to adjust the budget.

2) Gov:

3) Retirees received letters that they can change premiums.

4) Meeting w/ Fire this AM

b-d) Fund balance policy

Updated 'budget stabilization fund'

- finalized around end of Nov

- Updating council in Oct on the end of first quarter

G) Reviewing w/ Treasury, Council + Mayor

Income Tax: Looking to increase local income tax,

- Stanley is supportive of it - submitted a bill

Note: Not before November → West Side communities, I-69 corridor,

> 1M for City? Govs office interested.

* Allow local income tax collected w/ State income tax.

• Task force in treasury working on this

G) Charter amendments - NAACP apposed to the idea.

• Also charter commission → they will look @ the charter.

7. Boil water. broken valve

• Working w/ DEQ → they've okayed water to drink.

> System needs to be fixed.

Note:

Look @ potential grant applications ~~FDCVT~~ (FDCVT)

• GM situation: In hands of the attorney

- Solution: location of plant @ SW corner of City; allow

GM to tap into county line.

• Use Eliot Citysewage not City water.

8. Positive messaging system - talk about the positive ideas
(Hurley, water, crime, Blue Ribbon, etc...)

10) Recruitment of CM etc.→

1)
Govt's office — water issue

Byrne, Randall (Treasury)

From: Maxine Murray <mmurray@cityofflint.com>
Sent: Tuesday, September 30, 2014 8:42 AM
To: Byrne, Randall (Treasury); Kapp, Gene (MSP); Muchmore, Dennis (GOV); Roberts, John (DTMB); Dempkowski, Angela (Treasury); Baird, Richard (GOV); Darnell Earley; Deasy, Thomas (MSP); Koryzno, Edward (Treasury); Clement, Elizabeth (GOV); Elizabeth Murphy; Etue, Kriste (MSP); Hollins, Harvey (GOV); James Tolbert; Jerry Ambrose; Klotz, Josephine (MSP); Lee, Nichole (MSP); McGowan, Emmitt (MSP); Smith, Paul (GOV); Sands, Thomas (MSP); Sipes, Stephen (MSP); O'Neill, Stephen (MSP); Saxton, Thomas (Treasury); Workman, Wayne (TREASURY); West, Samantha (GOV)
Subject: Conference Call Agenda
Attachments: Agenda 100114 Conf Call with Treasury.pdf

Good morning,

Attached is the agenda for the conference call on **Wednesday, October 1st, 9:00 am.**

Thank you.

--

Maxine Murray
Executive Assistant to
Mayor Dayne Walling
Darnell Earley, Emergency Manager
1101 S. Saginaw Street
Flint, MI 48502
810.237.2035 Telephone
810.766.7218 Fax

**City of Flint Wednesday 9:00am Phone Conference Agenda
October 1, 2014**

1) Public Safety Update – FPD, MSP, (FFD, if needed)

- a) FPD
 - i) Status of Sherman St. house demo and site clean-up? MSP initially agreed and now the decision appears to have changed.
- b) FFD
- c) Other update from Chief Tolbert and MSP

2) Governor's Office Update – R. Baird, H. Hollins, B. Clement

- a) Court Consolidation
- b) Other

3) Lawsuits – Status, Issues

- a) Retiree Lawsuit – No updates

4) Financial and Administrative Update

- a) Remaining bargaining units in “meet and confer” sessions: Fire
- b) Sgts., and Cpts. & Lts. bargaining units have achieved Tentative Agreements.
- c) The City is amending the DEP to show future commitment on retiree healthcare.
- d) Need to start to develop a plan to begin pre-funding employee healthcare.
- e) Next benchmark is audit. Budget is on track at this point; preparing for 1st quarter end.
- f) Status of legislative initiative to allow vote on local income tax increase.

5) City Council Update

- a) Flint City Council postponed action on the Budget Stabilization ordinance and fund Balance policy and the primary reason given was that these recommendations came from the EM. This editorial from the Flint Journal is an excellent summation:
http://www.mlive.com/opinion/flint/index.ssf/2014/09/editorial_flint_city_council.html#i_ncart_river

6) Blue Ribbon Committee on Governance

- a) The “Vote YES for Change” committee held its first community discussion on Thursday, September 25.

7) Water Issues

- a) Flint will continue to investigate why conditions develop which are favorable for more severe problems to occur. Pursuing these investigations may include seeking additional professional assistance to review both systems and processes.

- b) General Motors Water Issues – working through lawyers at this point. However, if this should become an issue for the GCDC with DWSD we would hope Treasury will be supportive of the GM-GCDC franchise customer agreement.

8) Messaging

- a) A plan is being developed to present to the community at-large and to the various interest groups (i.e. business, investors, foundations) the background of the financial emergency, the actions taken and next steps to emerge from receivership. This will be an on-going item for discussion.
- b) Hurley Hospital Valuation City - beginning regular meetings with the Hurley leadership to identify strategy beneficial both Hurley and the City of Flint.

9) 9-1-1 Reconsolidation Plan

- a) The Genesee County 9-1-1 Consortium has voted to accept Flint's request to join. Consolidation expected to be complete by July 1, 2015.

10) Recruitment and Selection of City Administrator/Manager

- a) Provide guidance on several considerations: duration of appointment, contract, consistent with TAB, working with TAB, etc. – Finalize timeline after January 1, 2015.
- b) Emergency Manager has developed a recruitment package and a recruitment and appointment timeline; recruitment began September 1, 2014.

11) Other Items

1-888-██████, access code ██████

Created on: 09/26/14

Karegnondi Water Authority

Financial Report
September 30, 2014

Independent Auditor's Report

To the Board of Directors
Karegnondi Water Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of Karegnondi Water Authority, a component unit of Genesee County Water and Waste Services, from inception through the year ended September 30, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Karegnondi Water Authority

Management's Discussion and Analysis

The Karegnondi Water Authority (KWA) was incorporated in October, 2010 pursuant to Act 233, Public Acts of Michigan, 1955, as amended, by the County of Genesee ("Genesee Co."), the County of Lapeer, the County of Sanilac, the City of Flint ("Flint"), and the City of Lapeer for the purpose of providing its member communities with a new source of water for treatment and distribution. This new water source will come from a Water Supply System (the "System") which is currently being constructed. The System will use Lake Huron as its source.

The System is expected ultimately to supply raw water for the three-county area consisting of over 2,200 square miles and a population of over one half million residents, but the System will initially provide raw water primarily to residents in Flint and Genesee Co. Currently, Genesee Co. receives finished water from the City of Detroit, through its Detroit Water and Sewerage Department (DWSD). Flint, which received water from DWSD through April 2014, is temporarily using and treating water from the Flint River. Genesee Co. and Flint participated in the establishment of the KWA in order to have a more reliable supply of water and long-term stabilization of rates.

The KWA will supply metered, untreated water to contracting members who will in turn be responsible for treating and distributing treated water to their individual customers. The actual cost for administration, operation, and maintenance of the System will be allocated based on water sold, and each contracting member will be responsible for its proportional share of these costs.

The KWA currently has entered into two Water Purchase Contracts (the "Contracts") effective October 1, 2013: one with Flint to supply up to 18 million gallons per day (mgd), and one with the Genesee County Drain Commissioner, as County Agency of Genesee Co. under Act 342, Public Acts of Michigan, 1939, as amended (the "County Agency"), on behalf of Genesee Co., to supply up to 42 mgd. The charges to be paid by Flint and the County Agency in the Contracts are broken down into two distinct portions: an annual fixed or capital fee and an annual commodity or operations and maintenance fee. Flint and the County Agency expect to pay such charges from the revenues of their respective water supply systems as an operation and maintenance expense in the same manner that each paid or presently pays for water furnished by DWSD.

The size of the System is based on the volume identified in the above Contracts. Each contracting party is responsible for the annual fixed fee regardless of the amount of water taken. The other members of the KWA had until October 16, 2013 to enter into a water purchase contract with the KWA at the same rates set forth in the Contracts. No additional water purchase contracts were entered into on or before that date and as a result, members entering into water purchase contracts with the KWA subsequent to that date will pay all incremental costs associated with accommodating their water purchase contracts.

Karegnondi Water Authority

Management's Discussion and Analysis (Continued)

The intake facility and property were financed through the issuance of bonds by the Genesee Co. Agency in the principal amount of \$35,000,000 in October 2013, with the understanding that the County Agency would make the intake and property available to the KWA for use by the KWA as part of the System. Genesee Co. is solely responsible for paying the principal of and interest on these bonds from the net revenues derived from its users. Genesee Co. has pledged its limited tax full faith and credit as additional security for the bonds. The lake intake is currently under construction. The County Agency supervised the design of the facility and the receipt and award of construction bids for the facility. The lake intake is expected to be completed in 2015.

The KWA has retained the services of the County Agency to administer the design and construction of the System. The County Agency provided these services at no cost to the KWA since its inception through September 2014. In October 2014, the KWA began paying the County Agency \$3,000.00 monthly for these services. In addition, it is expected that the KWA will also contract with the County Agency for operation and maintenance of the System after the System is completed and fully operational. The County Agency has significant experience in planning, operating and managing water and wastewater systems, having been responsible for planning, operating and managing its own system since 1966. The County Agency currently employs approximately 128 people in connection with the operation and management of its current system, and it is expected that from this group, five full-time equivalent employees will be involved in the operation and maintenance of the System. The KWA is not expected to have any employees.

On behalf of the KWA, the County Agency has acquired 40 acres of land with 100 feet of frontage on Lake Huron in Sanilac County for the intake plant and first pump station, and 40 acres of land on the northwest corner of Martin Road and Hull Road in Lynn Township in St. Clair County for the standpipe and second pump station. The County Agency has also acquired approximately 80 acres of land on the northeast corner of Marathon Road and Stanley Road in Oregon Township in Lapeer County to serve as the site for the County Agency's new water treatment plant, reservoir, and the Westside Pump Station.

In anticipation of the construction of the System, the County Agency previously obtained a permit from the Michigan Department of Environmental Quality ("MDEQ") authorizing the withdrawal of up to 85 mgd from Lake Huron. In addition, the County Agency has hired project managers which have to date secured the route of the pipe line, identified all environmental issues and obtained preliminary permits for the entire 63-mile route, and retained consulting firms to complete the design of the remaining System facilities. At this time, the intake, the first two pumping stations, and portions of the pipeline are under construction.

Karegnondi Water Authority

Management's Discussion and Analysis (Continued)

The estimated construction costs for the System, including the lake intake and site financed by the County Agency, are approximately \$269,000,000 based on water purchase contracts of 60 mgd. The KWA and the Local Units have entered into contracts, whereby the KWA has agreed to issue bonds in an aggregate amount not to exceed \$300,000,000 (collectively, the "System Bonds"), to finance the remaining facilities for the System in anticipation of the Contractual Payments to be made by the Local Units as provided therein. The Contract is contemplated in the Water Purchase Contracts and sets forth the manner in which the capital costs of the System facilities will be allocated. Under the Contracts, Flint and the County Agency are responsible for paying approximately 34.2% and 65.8%, respectively, of the debt service on the System Bonds. This allocation takes into account and credits the County Agency for financing and being responsible for the payment of 100% of the costs of the Intake. In addition, Genesee Co. has pledged its limited tax full faith and credit to 100% of the debt service on the System Bonds.

Interim Water Supply Arrangements for Genesee Co. and Flint

Flint had purchased treated water from DWSD for approximately 30 years, during which time the County Agency had a contract with Flint that required Flint to purchase water from DWSD and provide that water to the County Agency. Flint is currently using the Flint River as a temporary water source, while the County Agency is purchasing treated water directly from DWSD.

Related Facilities

In order to provide finished water to its customers, Flint made numerous upgrades to its existing water treatment plant (which had been operating in a back-up only role) and is currently permitted to treat water drawn from the Flint River until the System is operational. In order to provide finished water to Genesee Co. customers, the County Agency will be required to build a new water treatment plant, reservoir, and approximately five miles of watermain running from the new treatment plant to the County Agency's main distribution facility at Henderson Road, at an estimated cost of \$80,000,000.

The completion date for the System is projected for no later than July 31, 2016, at which time Flint expects to cease treating water from the Flint River, and will begin purchasing and treating water from the KWA. Once the County Agency completes its water treatment plant and associated pipeline in 2017, it will discontinue purchasing water from DWSD, and will also begin purchasing and treating water from the KWA.

Objectives

The main objectives of the KWA are to build and maintain a high quality water delivery system at rates which will be fair and cost-effective to all concerned. And in accordance with its bylaws, the KWA maintains a yearly budget of income and expenses. The budget is reviewed and approved by the KWA board.

Karegnondi Water Authority

Statement of Net Position September 30, 2014

Assets

Current assets:

Cash and cash equivalents (Note 2) \$ 3,587,535

Receivables:

Accrued interest receivable 32,667

Bond proceeds receivable 4,679,146

Total current assets 8,299,348

Noncurrent assets:

Restricted assets (Note 3) 176,961,787

Capital assets - Assets not subject to depreciation (Note 4) 60,169,807

Deposit with pipe supplier 33,960,593

Total noncurrent assets 271,092,187

Total assets 279,391,535

Liabilities

Current liabilities - Accounts payable 2,808

Noncurrent liabilities:

Payable from restricted assets (Note 1) 10,600,077

Long-term debt (Note 5) 266,921,693

Total noncurrent liabilities 277,521,770

Total liabilities 277,524,578

Equity

Net position:

Net investment in capital assets (1,750,437)

Unrestricted 3,617,394

Total net position \$ 1,866,957

Karegnondi Water Authority

Statement of Cash Flows Year Ended September 30, 2014

Cash Flows from Operating Activities	
Receipts from customers	\$ 4,915
Payments to suppliers	<u>(136,285)</u>
Net cash used in operating activities	(131,370)
Cash Flows from Noncapital Financing Activities - Water supply contract operating subsidy	3,714,500
Cash Flows from Capital and Related Financing Activities	
Proceeds from issuance of bonded debt	232,315,544
Deposit with pipe supplier	(33,960,593)
Purchase of capital assets	(19,779,771)
Bond issuance costs	<u>(1,717,769)</u>
Net cash provided by capital and related financing activities	176,857,411
Cash Flows from Investing Activities	
Investment income	108,781
Purchase of investment securities	<u>(163,553,205)</u>
Net cash used in investing activities	(163,444,424)
Net Increase in Cash and Cash Equivalents	16,996,117
Cash and Cash Equivalents - Beginning of year	-
Cash and Cash Equivalents - End of year	<u><u>\$ 16,996,117</u></u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and cash equivalents	3,587,535
Restricted assets	176,961,787
Less amounts classified as investments	<u>(163,553,205)</u>
Total cash and cash equivalents	<u><u>\$ 16,996,117</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (134,178)
Changes in assets and liabilities - Accounts payable	<u>2,808</u>
Net cash used in operating activities	<u><u>\$ (131,370)</u></u>

Karegnondi Water Authority

Notes to Financial Statements September 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the fund financial statements.

Restricted Assets - The Authority's bond indenture requires amounts to be set aside in a construction account and a debt service reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of Karegnondi Water Authority water lines.

Liabilities Payable from Restricted Assets - The portion of interest due within the next year will be payable from these restricted assets and therefore has been reported as a noncurrent liability. The construction accounts payable will also be liquidated from the construction account and has been reported in this category.

Capital Assets - Capital assets are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Currently, the Authority is in the process of constructing a water transmission line from Lake Huron; these costs are being reported as construction in progress during construction, after which time they will be depreciated over their estimated useful lives.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$5,029,289 of interest expense was capitalized as part of the cost of assets under construction.

Long-term Obligations - Bond premiums are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium. Bond issuance costs are expensed at the time they are incurred.

Karegnondi Water Authority

Notes to Financial Statements September 30, 2014

Note 2 - Deposits and Investments (Continued)

Michigan Compiled Laws Section 129 91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the State of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Authority's deposits and investment policies are in accordance with statutory authority.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had no bank deposits (certificates of deposit, checking and savings accounts) that were not fully insured or collateralized.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, \$120,000,000 of investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Investment Type	Carrying Value	How Held
Repurchase agreements	\$ 120,000,000	Agent

Karegnondi Water Authority

Notes to Financial Statements September 30, 2014

Note 4 - Capital Assets (Continued)

Construction Commitments - The Authority has active construction projects at year end. The project is to complete the water pipeline. At year end, the Authority's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Water pipeline	\$ 28,443,815	\$ 205,515,229

Note 5 - Long-term Debt

The Authority issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Authority.

	Description			Amount	
Business-type Activities					
General Obligations -					
2014A Water supply system bond, used to construct water pipeline,					
bearing interest from 3% to 5.25%, maturing in 2043					
				\$	220,500,000
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Bonds	\$ -	\$220,500,000	\$ -	\$220,500,000	\$ -
Plus deferred amounts -					
Issuance premiums	-	11,815,544	393,851	11,421,693	393,851
Total bonds payable	\$ -	\$232,315,544	\$ 393,851	\$231,921,693	\$ 393,851
Capital lease (Note 6)	-	35,000,000	-	35,000,000	-
Total business-type activities	\$ -	\$267,315,544	\$ 393,851	\$266,921,693	\$ 393,851

Karegnondi Water Authority

Notes to Financial Statements September 30, 2014

Note 6 - Capital Lease

Capital Leases - The Authority has entered into a lease agreement as lessee for financing the purchase of the intake pump station. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2015	\$ 2,529,423
2016	2,526,837
2017	2,527,388
2018	2,527,188
2019	2,527,588
2020-2024	12,636,337
2025-2029	12,639,975
2030-2034	12,632,175
2035-2039	12,637,343
Total minimum lease payments	63,184,254
Less amount representing interest	(28,184,254)
Present value	<u>\$ 35,000,000</u>

Note 7 - Water Supply Contract Operating Subsidy

Understanding that the goal of the Authority is to provide water to both the City of Flint and Genesee County Drain Commission (local units), the local units have agreed to pay the Authority a good faith payment equal to \$32,300 per unit of water that the local unit has contractually agreed to purchase once the pipeline is fully operational. The City of Flint and Genesee County Drain Commission have contractually agreed to purchase 18 and 42 units, respectively, on a yearly basis. The yearly good faith payment will be paid through monthly installments and is expected to bring cash flows of \$1,938,000 to the Authority. When the pipeline becomes fully operational, the monthly payments will be suspended and the contract with the local units indicates that a credit will be given on their monthly bills to return the funds contributed to the Authority. The terms of the repayment will be decided by the Board of Directors at the time that the pipeline is operational; however, the funds must be repaid within a maximum of 40 years.

March 17, 2015

To the Board of Directors
Karegnondi Water Authority

We have audited the financial statements of Karegnondi Water Authority (KWA or the "Authority") as of and for the year ended September 30, 2014 and have issued our report thereon dated March 17, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 5, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Karegnondi Water Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on November 14, 2014.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Karegnondi Water Authority are described in Note 1 to the financial statements.

To the Board of Directors
Karegnondi Water Authority

March 17, 2015

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 2015.

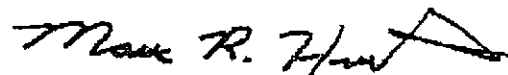
Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Authority's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated.

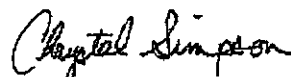
This information is intended solely for the use of the Board of Directors and management of Karegnondi Water Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Mark R. Hurst, CPA
Partner



Chrystal Simpson, CPA
Manager

City of Flint
Revenue and Expenditure Report
For Year to Date ending September 30, 2014

8 of 10

GL NUMBER	2014-15	YTD BALANCE	% BDDT
	AMENDED BUDGET	09/30/2014	USED
Fund 301 - General Debt Serv(Voted Bonds)			
Revenues			
Transfers In	726,953.00	0.00	0.00
TOTAL Revenues	726,953.00	0.00	0.00
Expenditures			
Debt services - Interest	260,000.00	0.00	0.00
Debt services - principal	466,953.00	0.00	0.00
TOTAL Expenditures	726,953.00	0.00	0.00
Fund 301 - General Debt Serv(Voted Bonds);			
TOTAL REVENUES	726,953.00	0.00	0.00
TOTAL EXPENDITURES	726,953.00	0.00	0.00
NET OF REVENUES & EXPENDITURES	0.00	0.00	0.00
Fund 402 - Public Improvement Fund			
Revenues			
General government	2,083,000.00	1,595,223.34	76.58
Unclassified	767,957.00	0.00	0.00
TOTAL Revenues	2,850,957.00	1,595,223.34	55.95
Expenditures			
General government	721,900.00	0.00	0.00
Transfers out	726,953.00	0.00	0.00
Debt services - Interest	407,104.00	0.00	0.00
Debt services - principal	195,000.00	0.00	0.00
Public works	800,000.00	200,000.01	25.00
TOTAL Expenditures	2,850,957.00	200,000.01	7.02
Fund 402 - Public Improvement Fund:			
TOTAL REVENUES	2,850,957.00	1,595,223.34	55.95
TOTAL EXPENDITURES	2,850,957.00	200,000.01	7.02
NET OF REVENUES & EXPENDITURES	0.00	1,395,223.33	100.00

City of Flint
Revenue and Expenditure Report
For Year to Date ending September 30, 2014

10 of 10

GL NUMBER	2014-15 AMENDED BUDGET	YTD BALANCE 09/30/2014	% BDGT USED
Fund 591 - Water Fund			
Revenues			
General government	3,150,000.00	8,251.60	0.26
Utilities	37,888,000.00	6,217,326.13	16.41
TOTAL Revenues	41,038,000.00	6,225,577.73	15.17
Expenditures			
General government	5,762,876.00	1,435,671.33	24.91
Transfers out	3,768,071.00	282,500.01	7.50
Public works	3,190,000.00	0.00	0.00
Utilities	24,932,583.15	2,268,352.43	9.10
TOTAL Expenditures	37,653,530.15	3,986,523.77	10.59
Fund 591 - Water Fund:			
TOTAL REVENUES	41,038,000.00	6,225,577.73	15.17
TOTAL EXPENDITURES	37,653,530.15	3,986,523.77	10.59
NET OF REVENUES & EXPENDITURES	3,384,469.85	2,239,053.96	66.20
TOTAL REVENUES - ALL FUNDS			
	180,036,408.69	42,465,584.32	23.59
TOTAL EXPENDITURES - ALL FUNDS			
	176,808,862.96	28,950,184.86	16.36
NET OF REVENUES & EXPENDITURES	3,127,545.73	13,515,399.46	