

Headen, Frederick (Treasury)

From: Matthew Schenk <schenk@dwsd.org>
Sent: Friday, April 26, 2013 10:25 AM
To: ekurtz; hcroft@cityofflint.com
Cc: orrk; Dillon, Andy (Treasury); jfausone; Nicolette Bateson; Sue McCormick; Scott, Allison (GOV); William Wolfson; Stibitz, Brom (Treasury)
Subject: Fwd: DWSD's responses to Flint's Questions
Attachments: DWSD KWA Background.pdf

Mr. Croft and Mr. Kurtz,

Attached is the back-up data that we believe is responsive to your request below. Please keep in mind that the information provided was developed in order to provide Flint with an "apples to apples" comparison of rates between the DWSD and KWA scenarios based upon current rate assumptions under the contract in place through April 2014.

As always, please feel free to call with any questions.

Matt

From: "Howard Croft" <hcroft@cityofflint.com>
To: "Sue McCormick" <mccormick@dwsd.org>
Cc: "Ed Kurtz" <ekurtz@cityofflint.com>
Sent: Thursday, April 25, 2013 2:24:32 PM
Subject: DWSD's responses to Flint's Questions

Good Afternoon Ms. McCormick,

We appreciate your response to our additional questions, Mr. Kurtz would like to know if you could provide a quick summary to the following inquiry.

On page two, in paragraph one, it is stated that "the total Water Utility Costs through 2042 are only \$3,215.04 million, or \$908.85 million less than the KWA scenario."

We are curious what formula DWSD used to calculate the \$908.85 million dollars less than KWA?

We are meeting this afternoon to review your responses and any additional information on this issue would be greatly appreciated.

Thank you,

--

DWSD / KWA Executive Summary Outline

Premise and Approach

- Review most recent audited financial statements to establish baseline water revenues from Flint and Genesee County (GCDC), and how such revenues are applied.
- Estimate how baseline will be impacted under two scenarios
 - Continued purchase of treated water from DWSD
 - Construction of new KWA raw water supply system and treated water supply system for Genesee County and construction of modifications to Flint Water Treatment Plant
- Compare estimated short, mid, and long term financial projections for each scenario

Assumptions – common to both scenarios

- Current application of revenues is most accurately depicted by published audited financial statements for most recently fiscal years
 - FY ended December 31, 2011 for Genesee County Drain Commission (GCDC)
 - FY ended June 30, 2012 for City of Flint
- Most recently audited figures for Flint / Genesee County operating expenses, capital expenses, etc. are representative – inflate at 4.51%, ***consistent with TYJT report***

Assumptions – DWSD Scenario

- DWSD water rate schedule
 - DWSD rate structure to Flint / Genesee County is amended to reflect 4/24/2013 DWSD proposal, adjusted to reflect immediate reservation of 60 mgd capacity
 - DWSD rate escalation (for commodity and standby elements) at 4.7%, ***consistent with TYJT Report***

Assumptions – KWA Scenario

- KWA scenario begins in FY 2017, at which time purchased water from DWSD would cease
- Other than normal rate adjustments DWSD does not amend rate structure to Flint / GCDC
- KWA scenario costs
 - KWA Raw Water Pipeline and Appurtenances Construction = \$357.58 million, ***consistent with TYJT report***
 - Flint Water Treatment Plant Construction Improvements = \$7.1 million, ***consistent with TYJT report***
 - GCDC Water Treatment Plant Construction Improvements = \$110 million, ***consistent with 2009 KWA Preliminary Engineering Report***
 - All construction costs are financed in terms set forth in the TYJT Report
 - 3 years of capitalized interest
 - Fully funded bond reserve account
 - Bond issuance expenses at 2.25%
 - In addition, revenues are assumed to need to generate 1.20x coverage of annual debt service
 - Flint Water Treatment Plant Operating costs = \$8.27 million starting in 2017, ***consistent with TYJT report***
 - GCDC Water Treatment Plant Operating costs = \$1.82 million starting in 2017, ***consistent with unit costs from the 2009 KWA Preliminary Engineering Report***