

Proposal

Wednesday, February 13, 2013 8:48 AM

Subject	FW: Proposal to Address Short Term Funding Issues Associated with KWA
From	Fraser, Roger (Treasury)
To	Koryzno, Edward (Treasury); Byrne, Randall (TREASURY); Cline, Richard (Treasury)
Sent	Monday, February 04, 2013 11:04 AM
Attachments	 Proposal to Address S...

Please review and share your thoughts with me.

Thanks!

From: Maxine Murray [mailto:mmurray@cityofflint.com]
Sent: Friday, February 01, 2013 2:51 PM
To: Fraser, Roger (Treasury)
Cc: Ed Kurtz; Dempkowski, Angela (Treasury); Michael Brown
Subject: Proposal to Address Short Term Funding Issues Associated with KWA

Good afternoon Mr. Fraser:

Per Ed Kurtz, please find attached the City of Flint's proposal to address the short term funding issues associated with choosing KWA as the city's water source.

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Edward J. Kurtz
Emergency Financial Manager



Dayne Walling
Mayor

**Proposal to Address Short-Term Funding Issues
Associated With Choosing KWA as the
City of Flint's Water Source**

Flint officials have spent numerous hours considering the options of securing quality water at an affordable price for city residents and businesses. There have been many discussions with KWA and County officials, state officials, and representatives of the Detroit Water and Sewer System. Our conclusion is that participation in the KWA project will be in the best interests of the City of Flint, both in financial terms and in the future development of the region. Over the next 30 years, we project that participation in KWA will be less costly than continued participation with DWDS by at least \$58 million and as much as \$293 million.

The one issue of concern is the short term costs associated with joining KWA while continuing as a customer of DWSD who is paying a 15% penalty for failure to enter into a 30 year contract with DWSD. The issue is significant financially:

1. The up front cost of KWA during the 3 year construction period is projected to be \$2,325,600.
2. The costs associated with continuing to pay DWSD an approximate 15% premium for not signing a 30 year model contract is projected to be \$5,504,524, assuming an annual rate increase of 4.4% for each of the three years.

I am pleased that we have identified a strategy which will mitigate this concern:

1. With respect to the up front costs of KWA, the City and the Genesee County Water and Waste Services (GCWWS) have agreed in principal that the City's six miles of 72" pipeline located in Genesee County will be transferred to GCWWS in lieu of the projected \$2.3 million up front payment. While this is subject to documentation of value, we believe that the value of the pipeline to GCWWS is at least \$2.3 million. It would be our intent to lease that pipeline to the GCWWS for three years for \$2.3 million and then deed it to GCWWS for one dollar when the pipeline is completed and KWA is delivering water to Flint. Once the City is part of KWA, the pipeline has no value to the City.