

Lamphier, Wendy (Treasury)

From: Koryzno, Edward (Treasury)
Sent: Wednesday, January 09, 2013 10:09 AM
To: Dillon, Andy (Treasury); Fraser, Roger (Treasury); Stibitz, Brom (Treasury); Byrne, Randall (TREASURY); Cline, Richard (Treasury)
Subject: FW: Attached Document
Attachments: Scan314.PDF

Follow Up Flag: Follow up
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A document for discussion at this afternoon's meeting from Ed Kurtz regarding Flint water system options.



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Thank you

From: Maxine Murray [mailto:mmurray@cityofflint.com]
Sent: Wednesday, January 09, 2013 10:05 AM
To: Koryzno, Edward (Treasury)
Cc: Ed Kurtz
Subject: Attached Document

Good morning Mr. Koryzno:

Ed Kurtz asked me to send you the attached document which will be presented at today's meeting. He wanted you to have it prior to the meeting.

Thank you.

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Maxine Murray
Executive Assistant to
Mayor Dayne Walling
Edward J. Kurtz, Emergency Financial Manager
Michael K. Brown, City Administrator
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Flint, MI 48502

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

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

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