

Koryzno, Edward (Treasury)

From: Koryzno, Edward (Treasury)
Sent: Friday, January 04, 2013 4:41 PM
To: Cline, Richard (Treasury); Fraser, Roger (Treasury)
Cc: Byrne, Randall (TREASURY)
Subject: RE: Questions Regarding the City of Flint's Decision about KWA vs. DWSD

See Comments below



Edward B. Koryzno, Jr. | Administrator - Office of Fiscal Responsibility
State of Michigan | 430 W. Allegan Street, 1st Floor | Lansing, MI 48922
(517) 373-4415 | (517) 373-0633 (fax)
KoryznoE@michigan.gov



Think Green! Don't print this e-mail unless you need to.

***CONFIDENTIALITY NOTICE:** This e-mail, and any attachments, is for the sole use of the intended recipient(s) and may contain information that is confidential and protected from disclosure under the law. Any unauthorized review, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail, and delete/destroy all copies of the original message and attachments.*

Thank you

From: Cline, Richard (Treasury)
Sent: Friday, January 04, 2013 2:28 PM
To: Koryzno, Edward (Treasury); Fraser, Roger (Treasury)
Cc: Byrne, Randall (TREASURY)
Subject: Questions Regarding the City of Flint's Decision about KWA vs. DWSD
Importance: High

Ed/Roger,

Per your request, here are some questions regarding the proposals by both KWA and DWSD that our review of the information provided in the preliminary report from TYJT has raised. I believe it beneficial for the EFM team in Flint to review these questions prior to our January 10 meeting. We are also trying to organize an internal meeting on Monday to discuss this entire issue before we meeting with Flint.

- What is the current rate Flint is paying to DWSD for water? How many MGD is Flint currently purchasing? What is the current cost for water that Flint is currently paying?
- Is there an estimated amount that the Flint water system is currently losing? How is this loss impacting current or future purchases from either DWSD or KWA? My recollection from our meeting with Flint officials and TYJT, the estimated loss is 25%
- Is there a plan to address water loss? Is there a projected cost for these repairs? From the same meeting I recall Flint officials stating that they have replaced 3,000+ of a total 4,000+ water meters.
- What is the City's current repair/maintenance budget for the water system?

- How old is the Flint Water Plant? What is its projected lifespan?
- How large is the current staff at the Water Plant? What staffing level would be required to run the plant at full capacity?
- Does the City's Water Fund have a budget surplus? Are any funds available for additional repairs, staffing, capital improvements, etc.?
- What is the current maximum production capability of the Flint Water Plant? What is the current annual cost to run the plant?
- Given the current financial situation, does the City have the ability to sell the bonds necessary to make the improvements being proposed for the Water Plant?
- It appears that the overall expenditures required to cover any of the outlined options are going to require water rates to rise almost annually. Has there been any analysis on what rates might look like and/or what the capacity of the public to pay these rates might be?
- The December 21st letter from DWSD to Flint outlines some different options for Flint than what was presented by TYJT. Is the EFM team aware of these changes? What are the potential impacts?
- Is the projected cost to acquire the 72" Line from DWSD \$4.7-million? The December 21st Letter discusses a "lease" of this line. Is this a true lease or a lease-to-own situation?
- What is the projected lifespan of this line? What is the annual maintenance cost? What is the replacement cost? Does Flint have the capability to maintain this line?
- Has any consideration been given to if any of the options can provide Flint with water above the current projections in the event that the City experiences unexpected growth? Do we know the maximum MGD DWSD can provide? Do we know the maximum MGD KWA can provide?
- Has any consideration been given to the operational or financial impacts if decline continues in Flint and what this will do to water purchases and debt payments?
- Given the very high O&M costs for the Flint Water Plant, could the City "mothball" the Water Plant and have DWSD provide 100% finished water?
- Could the City partner with KWA to increase the size of their water plant and purchase 100% of water from them? Could the City use DWSD as a backup? Could KWA purchase or lease Flint's water plant for redundancy?
- Has any consideration been given by Flint to negotiate better terms with either KWA or DWSD?

If there are any additional questions or you wish to discuss this further, please let me know.

Eric Cline | Unit Operations Specialist - Office of Fiscal Responsibility
 State of Michigan | Michigan Department of Treasury
 430 W. Allegan Street, 3rd Floor | Lansing, MI 48922
 (517) 335-2078 | cliner1@michigan.gov