

Byrne, Randall (Treasury)

From: Darnell Earley <dearley@cityofflint.com>
Sent: Wednesday, May 28, 2014 4:09 PM
To: Byrne, Randall (Treasury)
Cc: Koryzno, Edward (Treasury); Workman, Wayne (TREASURY); Gerald Ambrose; Peter Bade; Howard Croft; Daugherty Johnson
Subject: Asset Sale Proceeds
Attachments: Pipeline Proceeds.pdf

Good Afternoon Randy:

As discussed. Please contact me with any questions.



Darnell Earley, ICMA-CM, MPA
Emergency Manager
Flint, MI



CITY OF FLINT
OFFICE OF THE EMERGENCY MANAGER



Darnell Earley, ICMA-CM, MPA
Emergency Manager

MEMORANDUM

TO: Randall Byrne, State Administrative Manager
FROM: Darnell Earley, Emergency Manager
RE: Proceeds From the Sale of the City of Flint Water Main
Date: May 28, 2014
CC: Gerald Ambrose, Daugherty Johnson, Howard Croft, Peter Bade

During our regular meeting this morning you mentioned that there was an inquiry regarding the possible use of a portion of the \$3.9 million proceeds that the City of Flint will receive from Genesee County, to supplement the cost for maintaining sworn positions in the Flint Police Department. As you know, in order to produce a balanced biennial budget as required by PA 436, my proposed budget eliminates 36 sworn officer positions for fiscal years 2014/15 and 2015/16.

I have discussed this matter with staff, and as a practical matter will not be recommending the use of these proceeds for any purpose other than reinvestment into the City's water system for the following reasons:

1. The pipeline is clearly part of the infrastructure of the water and sewer system, paid for with water and sewer fees. Thus, the proceeds should in normal circumstances be returned to the water and sewer system.
2. In addition, the current state of the water and sewer infrastructure clearly demonstrates that significant reinvestment in that infrastructure is needed, in the amount of approximately \$15 million annually. The recent analysis by the Raftelis Group substantiates this need, as does the number of repairs necessary to the infrastructure this past winter, and the demonstrated increase in the amount of unbilled water. By focusing the proceeds on the systems water loss issues such as metering and infrastructure, the City stands to receive a quick return on the reinvestment through the capture of lost revenue.
3. The City of Flint Water Reliability Study commissioned in 2013 projects that increased accuracy in metering and reducing the number of main breaks through infrastructure repairs could result in recovering as much as \$3 million