

Koryzno, Edward (Treasury)

From: Byrne, Randall (Treasury)
Sent: Tuesday, July 28, 2015 9:16 AM
To: Workman, Wayne (TREASURY)
Cc: Koryzno, Edward (Treasury); Cline, Richard (Treasury)
Subject: Flint Water Memeo
Attachments: Memo on Water Coalition Questions 07-27-15.docx

Wayne:

I have attached the Memo on Flint Water that Eric prepared. Please let me know if you have any suggested changes.

Thanks,
Randy



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RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

NICK A. KHOURI
STATE TREASURER

TO: Randall Byrne, State Administrative Manager, Office of Fiscal Responsibility
FROM: Eric Cline, Department Manager, Office of Fiscal Responsibility
SUBJECT: Questions Regarding City of Flint Water System
DATE: July 28, 2015

At a July 23, 2015 meeting, Deputy Treasurer Workman posed several questions regarding the City of Flint's water system. This memo is a response to those questions.

The annual cost to the City of Flint to reconnect to the DWSD system

In a March 3, 2015 memo to Deputy Treasurer Workman, Emergency Manager Ambrose noted that he had been informed by DWSD that such a reconnection would immediately levy a fixed cost on the City of \$10.1-million per year.

Actual water purchases would be in addition to the fixed cost fee and would be dependent upon actual usage, but the annual cost was estimated to be as high as \$1-million/month; making the entire total of a one year connection back to DWSD as high as \$22-million. This cost would be reduced to approximately \$19-million/year once the City's \$3-million annual expense of operating the water system itself was offset.

These calculations were outlined in a March 2015 memo from the Emergency Manager to Deputy Treasurer Workman and update cost projections provided in a February 11, 2015 memo to Chief Deputy Treasurer Tom Saxton.

The Emergency Manager also stated his concern that for the City to be able to pay these costs that water rates charged to Flint residents would need to be increased by a minimum of 30%. Water rate increases between 2010 and 2015 are illustrated in the table attached.

In addition, DWSD was requiring that the City of Flint negotiate a 30-year contract for the provision of back-up services.

The City of Flint's degree of participation in the management of the KWA system

Mayor Dayne Walling is the City's official representative to the Karegnondi Water Authority (KWA). The participation of the Mayor as the official representative for the City of Flint is established in the KWA Articles of Incorporation. Mayor Walling is the current Chair of the Board of the KWA Board of Directors.