

Stanton, Terry A. (Treasury)

From: Stanton, Terry A. (Treasury)
Sent: Friday, October 16, 2015 12:35 PM
To: Egan, Paul
Subject: RE: EM law
Attachments: GenCo DrComm release.pdf; Kurtz KWA.pdf; DWSD Termination Ltr.pdf

Apologies for that. See the attached.

This morning, you asked if there was anything we wanted to add, etc. I would only add...as I mentioned in my Thursday e-mail...that Flint's is not a situation where the Mayor and Council wanted to utilize one system with the EM completely reversing course. Everyone involved in the decision-making process agreed KWA was the best long-term option for the City of Flint.

From: Egan, Paul [mailto:pegan@freepress.com]
Sent: Friday, October 16, 2015 11:21 AM
To: Stanton, Terry A. (Treasury) <StantonT@michigan.gov>
Subject: RE: EM law

Thanks again for setting up the interview, Terry. I can't find the letters you said were attached (one from DWSD and one from Kurtz). Can you please send if you have?
Paul

From: Stanton, Terry A. (Treasury) [mailto:StantonT@michigan.gov]
Sent: Thursday, October 15, 2015 2:57 PM
To: Egan, Paul
Subject: RE: EM law

Paul—

I understand you recently chatted with Sara W on this issue and she asked me to reach out as well.

I can work toward setting up a phone conversation between you, Wayne Workman (Deputy Treasurer for Local Government), and me tomorrow morning, around 10 or 10:30...if that works for you.

I'm not sure how much background info you have on the issue, so wanted to get you the following, most of which I have previously shared with Nancy Kaffer or John Wisely. I apologize in advance, for the length of the information, but believe it all pertinent to your inquiry.

To your first question...the unfortunate situation in Flint is in no way an indictment (your term) of Public Act 436, The Local Financial Stability and Choice Act. It's my understanding that discussions about the possible development of a Flint-area/Genesee County water system had been on-going since the early 2000's and that the City of Flint had been in discussions about the possibility of joining KWA for much of that time, certainly prior to the appointment of an emergency manager in December 2011. The following M-Live articles show the city was looking at a possible move to KWA, which Genesee County strongly supported, well before a manager was appointed.

http://www.mlive.com/news/flint/index.ssf/2010/02/detroit_tells_genesee_county_w.html
http://www.mlive.com/news/flint/index.ssf/2011/01/water_pipeline_vs_flint_river.html

http://www.mlive.com/news/flint/index.ssf/2011/04/city_of_flint_still_mulling_wa.html
http://www.mlive.com/news/flint/index.ssf/2011/09/flint_officials_to_be_presente.html
http://www.mlive.com/news/flint/index.ssf/2011/12/so_far_so_good_genesee_county_1.html

Additionally, The Flint Journal supported the move to KWA in an editorial in Sept. 2011, again, prior to the appointment of a manager.

http://www.mlive.com/opinion/flint/index.ssf/2011/09/our_voice_its_decision_time_fo.html

Prior to the decision to move to KWA, which the Mayor and City Council fully supported (March 2013 Flint Journal story cites 7-1 City Council vote to join KWA); http://blog.mlive.com/newsnow_impact/print.html?entry=/2013/03/flint_city_council_approves_re.html the city's emergency manager (Mike Brown in June 2012; Ed Kurtz in Sept. 2012) twice requested permission from DWSD to blend river water with DWSD water to ensure high quality, safe drinking water for residents, while saving the city an estimated \$2-3 million annually (DWSD was proposing a 5x rate increase for the City of Flint).

It is also important to note that the Genesee County Drain Commissioner, who had been heading up the KWA project, **required** that Flint's elected leaders approve of and sign-off on the transition to KWA as he believed it was important to have the city's elected officials make the decision and not an emergency manager (see attached).

Under PA 436, an emergency manager's approval is required for transactions of \$50,000 or more, and thus Ed Kurtz did approve the eventual move to KWA, again with full support and urging from the Mayor and City Council. Kurtz's letter, detailing that decision after consideration of DWSD's "last, best offer" is attached.

I also believe it's important to note that this **is not** a situation where the Mayor and Council wanted to utilize one system with the EM reversing course. All involved in the decision-making process agreed KWA was the best long-term option for the City of Flint.

With Flint's decision to go with KWA, DWSD chose to terminate Flint's contract, effective April 17, 2014 (letter attached). Given that termination, Flint had two "options:"

- sign a long-term (30 year) agreement with DWSD, which was not economically feasible given the city's decision to go with KWA
- Use Flint River as an interim source (it had long been the city's backup) until KWA was on-line

http://www.mlive.com/news/flint/index.ssf/2014/03/flint_drinking_water_to_come_f.html

It is also important to note that the current situation in Flint has been exacerbated by years of neglect and a lack of maintenance to the decades-old system.

All that said, the most important issue now is moving things forward, through the collaborative State, City, and Foundation effort to ensure safe drinking water for the residents of Flint.

As for the "broader picture" of PA 436...as recently as August of 2013, six emergency managers were in place in municipalities experiencing a financial emergency. Today, only one remains; Brad Coulter in the City of Lincoln Park.

While Receivership Transition Advisory Boards (RTABS) are in place in Pontiac, Benton Harbor, Allen Park, Hamtramck, and Flint and the Financial Review Commission is in place in the City of Detroit, local control has been restored in each of those municipalities.

Going forward, elected leaders in those communities will likely face difficult decisions on how best to maintain the financial footing they have today, and to balance revenues with expenditures, but clearly the toolbox available under PA