

Workman, Wayne (TREASURY)

From: Steckelberg, Larry (TREASURY)
Sent: Friday, January 08, 2016 4:33 PM
To: Workman, Wayne (TREASURY)
Cc: Koryzno, Edward (Treasury)
Subject: Searching for the \$30 million figure
Attachments: Assistance Request from Mich Treasury.PDF

Follow Up Flag: Flag for follow up
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Another likely suspect from Suzanne. Also, I spoke with Fred and Randy. Fred recalls the \$30 million figure being spoken by the city in a phone call in August or September of last year. He doesn't recall that being memorialized in any official communication. We will keep searching.

From: Schafer, Suzanne K. (Treasury)
Sent: Friday, January 08, 2016 4:13 PM
To: Steckelberg, Larry (TREASURY)
Subject:

Larry,

I think this gets close to the \$30M.

Suzanne



CITY OF FLINT

Dr. Karen W. Weaver
Mayor

Natasha L. Henderson
City Administrator

December 10, 2015

Treasurer Nick A. Khouri,
Michigan Department of Treasury
Lansing, Michigan 48922

Re: *Larry Shears v. City of Flint*

Dear Treasurer Khouri:

We are writing to respectfully request financial assistance from the State of Michigan with the cost of defending the above-reference lawsuit. This is a class action that challenges water/sewer rates set by the City. The rates were established, in part, by Emergency Manager Michael K. Brown in 2011. The plaintiffs seek a 35% reduction in rates, as well as repayment of charges that were allegedly illegal. If successful, the financial impact would be catastrophic.

Due to the gravity of the situation, and at the urging of Treasury officials, the City retained the law firm of Miller Canfield to handle its defense. Miller Canfield has an outstanding reputation and is well-suited to litigate this matter. However, a firm of this caliber is well beyond the financial means of the City of Flint. We are at a crossroads that requires careful consideration. We cannot afford to continue paying Miller Canfield, but equally cannot risk failure in this lawsuit.

The lawsuit has already caused devastating financial harm to the City due to rulings by the court. In August, the court issued a preliminary injunction order that is striking in its breadth. Among other things, it compelled the City to reduce water rates by 35% pending the outcome of litigation, and prevented readiness to serve charges.

Under the injunction, the City has been unable to collect past due water bills, leaving \$11.6 million dollars of uncollected revenue. The City is losing over \$600,000.00 per month, with many customers taking a wait-and-see approach to paying their bills.

In a Hobbesian choice, the City was forced to abandon desperately needed capital improvements. This will further escalate costs and exacerbate infrastructure needs.

In addition, Genesee County Circuit Court Judge Archie Hayman sue sponte ordered the City to repay \$15.7 million dollars from its general fund to the water and sewer fund, on the perception that the money was wrongfully transferred. The court's ruling have consistently been pro-plaintiff. Much of the legal work is focused on appellate review.