Byrne, Randall (Treasury)

From: Gerald Ambrose <gambrose@cityofflint.com>
Sent: Tuesday, March 18, 2014 5:22 PM
To: Workman, Wayne (TREASURY); Koryzno, Edward (Treasury)
Cc: Darnell Earley; Cline, Richard (Treasury)
Subject: Fwd: order for Flint

Wayne and Ed,

We greatly appreciate the call made after our last meeting to DEQ by Eric Cline regarding the pending ACO. It has moved along, but still in process.

Any additional assistance you an give would be greatly appreciated. As you can see from Dave Massaron's email, formal approval of the ACO is required in order for the bond sale to proceed.

Thanks and see you tomorrow.

Jerry

---------- Forwarded message ----------
From: **Massaron, David P.** <Massaron@millercanfield.com>
Date: Tue, Mar 18, 2014 at 2:53 PM
Subject: RE: order for Flint
To: Gerald Ambrose <gambrose@cityofflint.com>
Cc: Darnell Earley <dearley@cityofflint.com>, Elizabeth Murphy <emurphy@cityofflint.com>, "Robinson Michael" <MRobinson@wnj.com>

Jerry,

As you know the KWA is far along in the process of issuing the first series of bonds (approximately $220,000,000) for the construction of the pipeline. It has received Treasury Approval, engaged an underwriter, and begun the rating process. Paul Stauder, as financial advisor to KWA, and TJ Whitehouse, as KWA's investment banker at JPMorgan, are working hard on the rating agencies now in hopes of having a rating by the end of the week.

The next step is to post investor disclosure after receipt of ratings. Once that investor disclosure, or preliminary official statement, is posted, KWA can close on its bond issue within two weeks according to its banker and financial advisor.

However, we cannot take that step until the DEQ Administrative Consent Order ("ACO") is effective. The DEQ order is necessary for two reasons: 1) There is extensive disclosure on the water treatment plant, ACO and Flint's ability to use that plant in the POS and 2) More importantly, if the KWA project is done to comply with an ACO, the debt associated with the project would not "count" towards the City's debt limit. As you know, the City of Flint has lived through a dramatic decline in property values and state revenue sharing. These declines have dramatically reduced its debt capacity under the Home Rule City Act. In order to ensure that the entire project can be financed (1st and 2nd series of bonds) and that the City will have some debt capacity in the future, the ACO is a condition precedent to proceeding with transaction. Put another way, we will cannot continue with the transaction without the ACO. If there is much more of a delay, the KWA will have expended its initial resources and be forced to stop construction and the project will be delayed for at least one construction cycle. Assuming the ratings come in as planned, the City needs the ACO in place by the end of this week,

By way of background, it is my understanding that there is not disagreement at DEQ about what is being ordered in the ACO. In fact, what is being ordered is exactly why Flint is moving forward with KWA. The ACO simply states that after Detroit cancelled the contract and Flint decided to use its water treatment plant, the City has two options under current DEQ standards. It can either undertake the KWA improvement project or it will need to undertake other public improvement projects to use the Flint River as a water source. Flint, in consultation with its engineers, has decided that improvements needed to use the river are more costly than the KWA project.

Hope this helps,

-Dave

David P. Massaron | Attorney and Counselor at Law

Miller Canfield
Detroit 1.313.496.7523 | **Lansing** 1.517.483.4912 |

Mobile 1.313.319.0659 | **Fax** 1.313.496.8451 |

massaron@millercanfield.com | View Profile + VCard
