



GENESEE COUNTY DRAIN COMMISSIONER'S OFFICE

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COMMISSIONER

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To All Interested Parties:

As announced earlier this week by Governor Snyder's office, the City of Flint confirmed in a press conference today that they are rejecting the final offer submitted by DWSD, and are moving forward as a partner with KWA.

The decision for Flint to receive its' drinking water from KWA has now been vetted by the Department of Treasury, Department of Agriculture, and Department of Environmental Quality (DEQ).

Attached are documents relating to the decision, providing reasoning to why KWA is the best financial option for both Flint and Genesee County. Construction is expected to begin in late May or early June.

If you have any questions pertaining to this issue, please feel free to contact me at ksylvester@gcdcwws.com or 810-701-6514.

Regards,

A handwritten signature in black ink that reads "Kevin A. Sylvester". The signature is written in a cursive style with a long, sweeping underline.

Kevin A. Sylvester
Communications Director
Genesee County Drain Commissioner's Office



KWA vs. DWSD Facts & Figures

- The Karegnondi Water Authority (KWA) is regional water authority that would provide raw water to Flint and Genesee County via a direct pipeline.
- This offer has more risk involved than previous proposals. KWA would be responsible for between 20% and 100% of the repair costs on the pipeline and related assets from Port Huron
- The numbers in the offer do not make sense. DWSD indicates savings of over \$900 million while KWA's total cost over 30 years is less than \$650 million.
- Offer is based on very little capital improvements, no repairs and a 4.7% annual increase over the life of the contract.
- There are no rate guarantees after the first year for capital, O & M or consumption.
- KWA would be responsible for redundancy at a cost of \$94.68 million per DWSD's estimate.
- Does not guarantee a rate structure if system regionalizes or DWSD regionalizes, or Detroit enters bankruptcy.
- Flint and Genesee County could have a connected waste/water system that serves all or part of five counties.
- The potential for further consolidation of services between the city and the county i.e...water, wastewater, 911, etc,
- This partnership will give Flint ownership of the city's own water supply system with real representation on its board of directors, making all treatment and delivery system decisions.
- Flint's participation allows the city to utilize its own water treatment facility that it has invested \$50 million into and only currently exercises four weeks per year.
- The investment gives Flint and Genesee County a new pipeline with a life expectancy of 75 years, as well as a 2nd product, untreated water. Under DWSD we would have no ownership after the end of the contract, and a new pipeline would still need to be built.



EM Press Briefing For Week of 5/01/2013



- A 30 year contract with DWSD keeps Flint and Genesee County on a system that is 48 years old with a design life of 75 years. There will be necessary major investments or replacement costs that are not accounted for in this DWSD proposal.
- KWA guarantees its capitol rate for 25 years. The capitol rate is 90 % of the total costs.
- The commodity charge of \$1.30 per MCF is mainly driven by energy costs. The whole operation will employ 5-7 people.
- A thirty year contract with DWSD will lock Flint into hundreds of employees, labor costs and legacy costs.
- The combination of low financing, labor and material make this the optimal time for this investment. At our meeting with the governor on April 19th Detroit acknowledged a second pipeline had to be built.
- KWA could be used as a backup emergency supply for the existing 48 year old pipeline.
- It brings a total economic package to our community i.e. We have the I-69 corridor, I-75 interchange, the rail system connected to Port Huron, and one of the busiest airports in the state. Owning our own water supply completes that package and keeps \$25 million in our community.
- Mr. Fausone's continued insistence on a 12 month timeline to calculate the termination fees leaves a question mark on the costs.



Construction Costs

- **Rowe/AECOM/J & H** **\$272,000,000**
- **TYJT** **\$357,000,000**

Include: 10% bond coverage (dispelled)

30% additional engineering (dispelled)

Back-up power (dispelled)

- **DWSD Starts at: \$357,000,000 and adds:**

\$134,360,000 for bond sizing

\$11,074,500 for bond sale cost

For a total of \$503,274,500

Plus need to collect \$6,984,000 per year extra for bond coverage 20%)

Now KWA needs:

20% bond coverage

30% additional engineering

38% bond sizing

The KWA dispelled TYJT's numbers; now DWSD starts with those numbers and adds more. They add the same costs to Flint and GCDC construction costs (baseline figures and assumptions – KWA).

Baseline Figures and Assumptions - KWA Scenario

<u>DWSD Water Rate Structure</u>	
<u>Fixed</u>	<u>Standby Commodity</u>

2014 738,006 #N/A 13.01 Service ceases after 2016

Total Water Service Costs for Flint / Genesee County Drain Commission
Costs of Current Facilities / Operations

Same as DWSD scenario

Costs of Future Facilities / Operations

Financing Costs for New Projects

	Flint WTP Improvements	GCDC WTP and Other	KWA System (a)
Project Cost	7,100,000	110,038,554	357,578,060
Bond Sizing Factor	37.65%	37.65%	37.65%
Additional Bond Proceeds Needed	2,670,000	41,430,000	134,630,000
Bond Sale Size	9,800,000	151,500,000	492,200,000
Bond Issuance Expenses - %	2.25%	2.25%	2.25%
Bond Issuance Expenses	220,500	3,408,800	11,074,500
Finance Rate	5.00%	5.00%	5.00%
Finance Term	25	25	25
Bond Reserve Size - %	10.00%	10.00%	10.00%
Bond Reserve Size	980,000	15,150,000	49,220,000
Capitalized Interest term - years	3	3	3
Capitalized Interest	1,470,000	22,725,000	73,830,000
Net Bond Proceeds	7,129,500	110,216,200	358,075,500
Annual Debt Service Payment	695,300	10,749,300	34,922,800
Debt Service Coverage Requirement	120.00%	120.00%	120.00%
Annual Debt Service Coverage Replacement?	139,100	2,149,900	6,984,600
Total Capital Financing Revenue Req't	144,900	2,251,600	(b)
Operating Cost Estimate Starting in FY 2017	979,300	15,150,800	41,907,400
	8,270,000	1,819,900	(c)

- (a) excludes raw water reservoir
- (b) assume no annual replacement required for pipeline
- (c) \$1.30 per Mcf inflated to 2017

KWA Construction

Cost Comparison

Description	KWA Estimate	TYJT Estimate
Intake/Crib	\$ 27,596,063	\$ 27,596,063
Pump Stations	\$ 30,772,600	\$ 71,042,808
Transmission Mains	\$ 207,752,895	\$ 217,645,389
Power	\$ 4,000,000	\$ 4,000,000
Redundant Power for PS		\$ 1,273,200
Land for LHPS	\$ 2,300,000	\$ 2,300,000
Design Engineering/PS and Transmission		\$ 16,939,581
Construction Management		\$ 14,434,410
Administration		\$ 349,440
Legal/Easement/Contract Documents		\$ 831,000
Easements		\$ 1,166,170
Total	\$ 272,421,558	\$ 357,578,060
Flint Share @30%	\$81,726,467	\$107,273,418