WHAT HAPPENED IN FLINT: A PROVIDER’S PERSPECTIVE

Bill Wolfson
Chief Administrative and Compliance Officer
The Great Lakes Water Authority

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Agenda

• The DWSD, GLWA and Flint Relationship
• Timeline & Important Dates
• Statement of Principles & The Master Agreement
• Key Questions
THE DWSD, GLWA AND FLINT RELATIONSHIP

Understanding the key players
The DWSD, GLWA & Flint Relationship

- **DWSD** – is the City of Detroit Water and Sewerage Department. DWSD provided service to Flint from 1965 to April 2015 and from October 2015 to December 2015.

- **GLWA** – is the Great Lakes Water Authority. GLWA was created as a part of the City of Detroit’s bankruptcy and assumed regional operations formerly conducted by DWSD. GLWA serves approximately 40% of the state of Michigan for drinking water delivery and 30% for wastewater collection. GLWA has served Flint since it began operations on January 1, 2016.
Key dates and a definitive timeline that walks through Flint leaving and returning to the regional system and the approval of a Master Agreement.
Flint and Detroit sign 35-year water service contract. After the initial term the contract can be terminated by either side upon one year’s written notice.

Discussions begin about providing a service loop (redundant water supply) for Flint.

Flint and DWSD periodically engage in contract discussions.
Genesee County Drain Commission announces plans to build a $600 million water system to include a raw water pipeline, three new water treatment plants and large open reservoir. This is the Karegnondi Water Authority (KWA).

DWSD and KWA meet at least 9 times to negotiate a long-term water services contract without success.

In an effort to assist the parties, Michigan’s Treasurer commissioned an engineering report. The report is released and shows the pipeline is not economically feasible.
Timeline

March 14, 2013
Emergency Manager appointed for Detroit

April 1, 2013
Flint joins KWA.

April 11, 2013
Michigan’s State Treasurer authorizes Flint’s Emergency Manager to proceed with contract to join and receive raw water from KWA.
At the direction of the State Treasurer’s office, DWSD sends Flint a 30 year water services contract offer that includes immediate cost savings of 50% and $900 million over the term of the contract.

Flint and KWA reject DWSD’s offer. DWSD gives one-year termination notice of its contract with Flint.

The City of Detroit files for Bankruptcy protection in the largest municipal bankruptcy in United States history.
Flint’s Emergency Manager requests meeting with DWSD to discuss purchase of 72” main used by DWSD to provide water services to Flint.

February 2014

DWSD sends Flint interim rates for service from the April 17, 2014 to the June 30, 2014 end of Detroit’s fiscal year.

March 20, 2014

As a part of an Administrative Consent Order to correct a wastewater ash problem, the State of Michigan orders Flint to change water providers.
December 27, 2016
“Schuette’s office OK’d Flint Order in alleged tainted-water crimes.”

May 11, 2016
“‘Sweetheart’ bond deal aided Flint water split from Detroit.”
Flint switches its water source from DWSD to the Flint river. Public health emergency ensues.

October 2014
General Motors Flint Truck Assembly discontinues use of Flint water due to corroding engine parts.

January 9, 2015
DWSD writes to Flint, raises concerns about using Flint River as source water and offers to reconnect Flint based upon the same terms and conditions as presented in 2014 adjusted for subsequent rate increase experienced by all DWSD customers.
Timeline

January 12, 2015

Flint declines DWSD’s Offer to reconnect.

February 2015

MDEQ notes some “hiccups” in the transition.

Elevated TTHM levels reported. MDEQ states not an immediate health risk.

EPA advises MDEQ that it has found lead levels of 104ppb in Flint Home.

September 30, 2015

Flint approaches DWSD about possibility of emergency reconnection.
Timeline

October 16, 2015

DWSD Board of Directors approves emergency water services agreement for Flint and DWSD service is restored within 4 days.

January 1, 2016

GLWA begins operations of regional water supply system pursuant to a lease with DWSD.

January 5, 2016

State of Michigan joins Flint and Genesee County in declaring state of Emergency for Flint.
Flint considers change in long-term water source and approaches GLWA to provide pricing. A plan is formed.

Flint, the Department of Environmental Quality of the State of Michigan (DEQ), the Genesee County Drain Commissioner (GCDC), GLWA and KWA sign the Statement of Principles for an agreement for the Long-Term Water Delivery to the City of Flint.

The parties to the Statement of principles approve a Master Agreement including a 30-year water services contract between GLWA and Flint.
STATEMENT OF PRINCIPLES & THE MASTER AGREEMENT

The Proposal, Statement of Principles and Master Agreement and how they came about
Statement of Principles Signed April 18, 2017

City of Flint

Statement of Principles
Long Term Water Delivery to the City of Flint

Dr. Karen W. Weaver
Mayor

The below represents a statement of the streamers for a set of inter-related transactions that will comprise an overall agreement resulting in primary and backup water for the City of Flint and system improvements for all parties. The agreements are used in good faith to quality agree to the necessary legal documents (as the form of an overall master agreement with each individual agreements as additls). That master agreement, This further applies to use their best efforts to secure all authorizations or approvals required by the entity's policies, directives, and governing laws for these agreements from all governing bodies necessary in these agreements into effect as soon as is practicable.

1. The Great Lakes Water Authority (GLWA) will provide long-term wholesale finished water services to Flint, with pricing for the services that treats Flint similarly to all other GLWA wholesale model-contract customers, including access to Water Residential Assistance Program funds to assist low-income customers. (GLWA) will receive the right that Flint has to purchase new water through the Kalamazoo Water Authority (KWA) as part of the debt pool during the contract period.

2. Certain trust arrangements will be put in place for ease of flow of funds from Flint to GLWA and from KWA to Flint. Additionally, the costs for Flint are not fully paid-in obligation to the KWA, the Genesee County Drain Commission (GCDC), and GLWA, and additional fees will come in operation. That trust will cause all Flint customer collections and maintain a flow of funds to meet obligations to the KWA, GCDC, and GLWA. Additionally, Flint will have a consumer security deposit of $354M with GLWA, for 10 years at least two years will be greater than six years (as long as timely payments are made and agreed upon performance objectives met). KWA has a conditional right to remove the consumer security deposit under certain circumstances.

3. GLWA will provide long-term wholesale finished water services to the GCDC until the GCDC water treatment plant is operational and servicing GCDC's customers, with pricing for the services that treat GCDC similarly to all other GLWA wholesale model-contract customers.

4. GLWA and the GCDC will provide one another with reciprocal backup water services. The price for backup water services will be established through an agreed upon detailed pricing methodology in the contract and it will be the same for both parties.

5. The State of Michigan (State), through its Department of Environmental Quality (DEQ), will provide a grant in the amount of $7.5M to the GCDC for installing a 75-inch transmission main parallel to the existing 75-inch transmission main that currently supplies treated water from the GLWA to GCDC customers and Flint. This will allow GCDC to supply treated water from its new water treatment plant to its customers on or after October 2017. The 75-inch transmission line will be retained by Flint's ownership.

6. The State will provide assistance, in compliance with all existing laws, to GCDC, Flint, and the KWA, in obtaining financing of the 2017 KWA bond issue and in completing the approval process for the GCDC to use its water treatment plant.

Note: This is preliminary information subject to change and reflects the opinion only of the GLWA.
The Proposal: A Regional Water Network Provides Mutual Water Service Backup with Minimal Capital Requirement

Opportunity to Re-program Investment to Flint Distribution

To GCDC Customers

GCD C WTP

10 Days GCDC RW Storage

KWA Int. PS

60°

66°

GLWA Customers & Backed Up by GCDC

GCDC – GLWA Reciprocal Backup

72° Primary Service to Flint from GLWA

To GLWA’s Customers

96°

Color Key:
Blue = Finished Water
Yellow = Raw Water

Acronyms
PS = pump station
RW = raw water
Int. = intermediate
LH = Lake Huron
WTP = water treatment plant

Note: This is preliminary information subject to change and reflects the opinion only of the GLWA.
Flint, GLWA, GCDC & KWA Customers

Flint
- Stabilize source of treated quality water
- 30-year known water supply solution from GLWA (up to 5% blended water from GCDC) based on model contract
- GLWA model contract cost savings in year 1+ (approximately $1.8 million)
- GLWA credit of approx. $7 million annually of KWA debt service for raw water rights at end of first 30-year contract
- Focused capital outlay for Flint local system
- Back-up service supply
- Flint participation in WRAP
- Ownership of 72" water main returned

GLWA
- Flint becomes a contract customer for first time in 17+ years
- 30-year Flint contract customer relationship (FY 2018 net revenue of $4.1 million) benefits all customer communities
- Interim treated water service model contract with GCDC
- 30-year reciprocal back-up water supply with GCDC
- No write-off of decommissioned assets and avoided cost of new chlorination facilities
- Defined payment terms
- Licensed use of KWA raw water previously purchased by Flint
- Guaranteed use of 72" water main to service Flint AND emergency back-up to other GLWA customers

KWA
- Preserves existing debt security
- Add Trust account for debt payments
- Ongoing source of payments
- Operating cost recovery preserved with GCDC/KWA*

GCDC
- Contract customer pricing for interim GLWA service retroactive to 1/1/2017
- Short-term GLWA full service water supply cost reduction of $4 million on an annual basis
- Proceeds from sale of 72" water main for capital costs
- Debt payments via Trust account
- Mutually established equivalent provider/supplier back-up water service changes for GCDC/GLWA when either is provider or supplier
- Operating cost recovery preserved (*GCDC/KWA FY 2018 approx. $1.1 million)

Genesee County
- Preserves existing debt security
- Add Trust account for debt payments
- Ongoing source of payments

State of Michigan
Master Agreement: Regional Cooperation = Regional Benefit

Master Agreement encompassing coordinated agreements among the partners:

1. Flint & GLWA: 30-Year Water Services Agreement
2. GCDC & GLWA: 30-Year Reciprocal Back-Up Services Contract
3. GLWA, KWA, & Flint: Payments Trust
4. Flint, KWA, & GLWA: Addendum to KWA – Flint Raw Water Contract
5. State, Flint, & GCDC: 72” Main Transfer
6. State & GCDC: 42” Main Agreement
7. State & Flint: GCDC North 36” Main Agreement
KEY QUESTIONS AND TAKEAWAYS

Things to consider
Key Questions and Takeaways

• Was the Flint Water Crisis caused by pipes or people?

• Does customer service count?
  ➤ How important were perceptions formed over 40 years to Flint’s decision to change water sources?

• How important is regional planning in preventing another Flint?

• Can Flint be repeated?
THANK YOU

Questions?