

WHAT HAPPENED IN FLINT: A PROVIDER'S PERSPECTIVE

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The Great Lakes Water Authority

October X, 2019

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.

TIMELINE & IMPORTANT DATES

Key dates and a definitive timeline that walks through Flint leaving and returning to the regional system and the approval of a Master Agreement.

Timeline

December 20, 1965

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

1970s

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

2001-2011

Flint and DWSD periodically engage in contract discussions.

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Timeline

June 25, 2009

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).

2011-2012

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

February 2013

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.

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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.

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Timeline

April 15, 2013

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.

April 16, 2013

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

July 18, 2013

The City of Detroit files for Bankruptcy protection in the largest municipal bankruptcy in United States history.

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Timeline

August 2013

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

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The Detroit News

A grayscale photograph of the Detroit skyline, featuring the Spirit of Detroit tower and other skyscrapers, with the Detroit River in the foreground. Two large magenta circles are overlaid on the image, containing text.

May 11, 2016

“Sweetheart’ bond deal aided Flint water split from Detroit.”

December 27, 2016

“Schuette’s office OK’d Flint Order in alleged tainted-water crimes.”

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Timeline

April 25, 2014

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.

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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.

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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.

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Timeline

February-March 2017

Flint considers change in long-term water source and approaches GLWA to provide pricing. A plan is formed

April 18, 2017

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

October 2017


The parties to the Statement of principles approve a Master Agreement including a 30-year water services contract between GLWA and Flint.

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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 structure 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 signatories agree to work in good faith to speedily agree to the necessary legal documents (in the form of an overall master agreement with each individual agreement as an exhibit to that master agreement). They further agree to use their best efforts to secure all authorization or approvals required by the entity's policies, ordinances, and governing law for those agreements from all governing bodies necessary to put 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 raw water through the Karegnondi Water Authority (KWA) and credit Flint in like amount to the debt paid during the contract period.
2. Certain trust arrangements will be put in place for ease of flow of funds from Flint to GLWA and the KWA in normal operation. Additionally, in the event Flint does not fully meet its obligations to the KWA, the Genesee County Drain Commission (GCDC), and GLWA, an alternative trust will come into operation. That trust would receive all Flint customer collections and ensure a flow of funds to meet obligations to the KWA, GCDC, and GLWA. Additionally, Flint will provide a customer security deposit of \$3.75M with GLWA, for no less than two years and no greater than six years (as long as timely payments are made and agreed upon performance objectives met). KWA has a conditional right to access the customer security deposit under certain circumstances.
3. GLWA will provide short-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 treats 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 an amount of \$7.5M to the GCDC for installing a 42-inch transmission main parallel to the existing 72-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 72-inch transmission line will be returned to Flint's ownership.
6. The State will provide assistance, in compliance with all existing laws, to GCDC, Flint and the KWA in obtaining refinancing of the 2016 KWA bond issue and in completing the approval process for the GCDC to use its water treatment plant.


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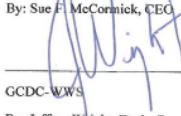
7. Flint will build a new supply connection from the end of the GCDC service system north of Flint to the Flint water system to provide a backup water supply. Flint intends to utilize WIIN funding to complete this project.

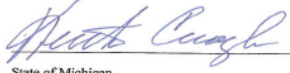
Signed by:


City of Flint
By: Dr. Karen W. Weaver, Mayor


KWA
By: John O'Brien, Deputy CEO


GLWA
By: Sue F. McCormick, CEO


GCDC-WWS
By: Jeffrey Wright, Drain Commissioner

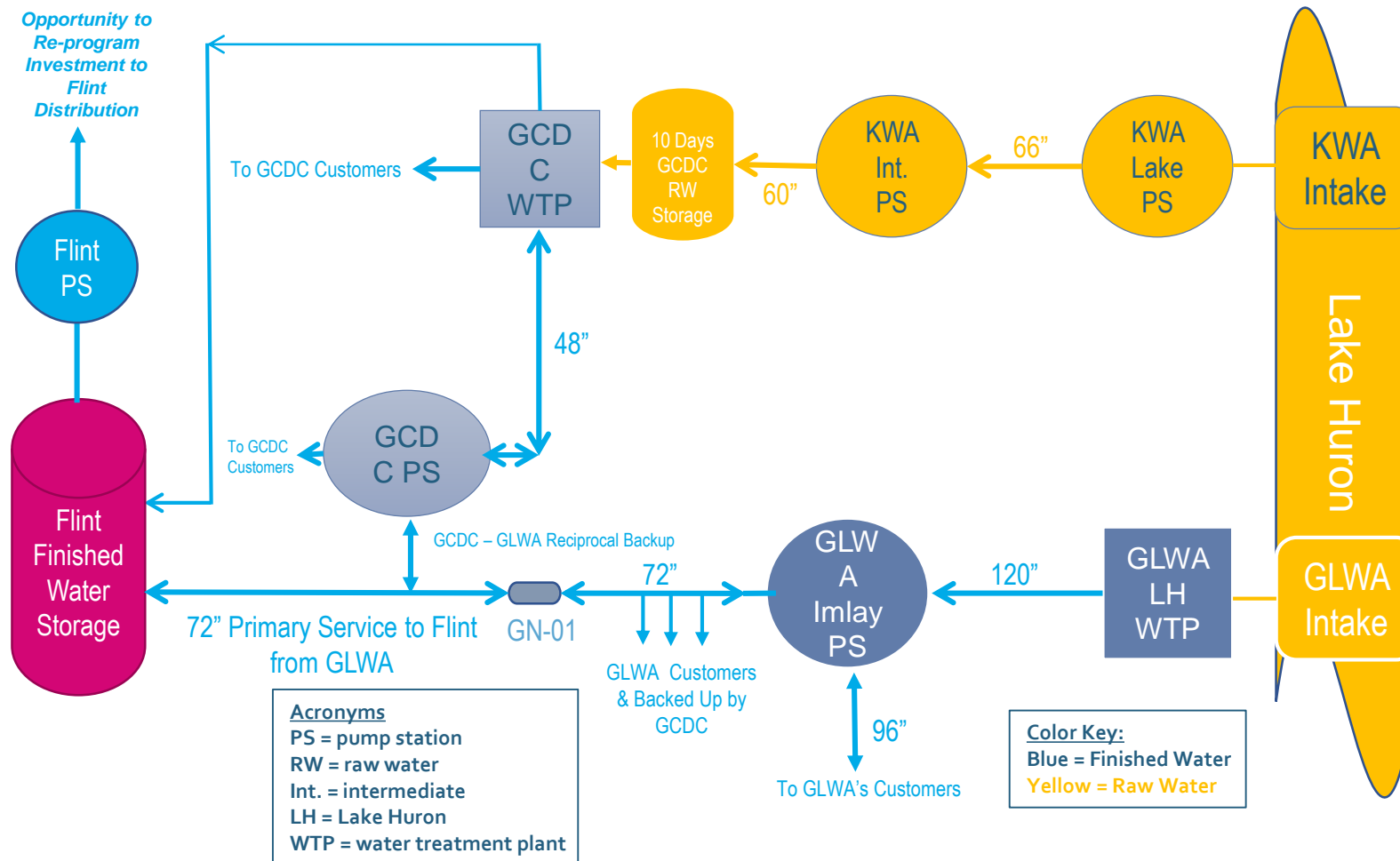

State of Michigan
By: Keith Creagh, Director

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Note: This is preliminary information subject to change and reflects the opinion only of the GLWA.

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The Proposal: A Regional Water Network Provides Mutual Water Service Backup with Minimal Capital Requirement



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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

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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?

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