



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
LANSING



C. HEIDI GRETHUR  
DIRECTOR

July 25, 2018

VIA E-MAIL

Mr. Hughey Newsome  
Chief Financial Officer  
City of Flint  
1101 South Saginaw Street  
Flint, Michigan 48502

Dear Mr. Newsome:

As you are aware, the President signed the Water Infrastructure Improvements for the Nation (WIIN) Act in December 2016. WIIN provides \$100 million of federal funding to address water infrastructure issues in the city of Flint (City). Additionally, \$20 million of state funding was required as a state match to the federal dollars. In March 2017, the Concerned Pastors et al. settlement agreement was executed. The settlement agreement requires the state allocate \$87 million towards service line replacement (SLR) work, including \$20 million of WIIN funds, \$20 million state match, and \$47 million of 'other' funds. An additional \$10 million of WIIN funds is available if costs exceed \$87 million. As illustrated on the enclosure, to date the City has drawn \$27.2 million or 17% of the available \$167 million of funds. Now, at 18 months after the authorization of the WIIN funds, the Michigan Department of Environmental Quality (MDEQ) continues to remain concerned by the slow rate of reimbursement requests.

In addition, it is important to note the City received a \$5 million advance from the state in October 2016 for SLR work related to Phases II and III. To date, \$1.26 million of that funding remains unsupported by proper documentation.

Recently the state was notified that the City is issuing partial contracts to SLR contractors under the premise that the state is withholding funds from the City. This is not accurate. As mentioned above, the state is obligated by the settlement agreement to reimburse funds up to the \$97 million for SLR work. It is difficult for the MDEQ to enter into additional grant agreements with the City while such a large amount of available funding remains unrequested by the City.

As you recall, the state facilitated SLR process discussion workshops with the City, the City's program manager (AECOM), and the MDEQ in January and February 2018. One outcome of the workshops was that AECOM would assist the City with the reimbursement process and requests for reimbursement would be sent to the MDEQ on a bi-monthly basis. The MDEQ remains committed to bi-monthly payment of funds upon receipt of proper reimbursement documentation. To date, no reimbursement requests for work completed this year have been received.

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Also, the settlement agreement states, "Reimbursements will not exceed \$5,000 per address at which a service line is replaced without prior authorization by the MDEQ..." The "cost per address shall be the average cost of the service line replacements in the payment request submitted by the City . . . ." Although we have had some discussions on this issue, it was not apparent that the City had included all costs, such as AECOM, in its calculations. The MDEQ suggests the City's program manager review all SLR costs, including construction, restoration, and oversight on a per address basis to assist the City in assuring the replacement, restoration, and management and oversight does not exceed this \$5,000 average cap.

At this time, the MDEQ is requesting that reimbursements for all work completed prior to June 2018 be submitted by August 10, 2018. In addition, please provide an updated detailed timeline for when work is anticipated to be completed for each of the project categories identified on the attached document.

The protection of public health, enhancements to the City's water infrastructure, and assuring the City can effectively utilize available funding remains priorities for the state. I appreciate your leadership on assuring these shared goals are met. Thank you for your prompt attention to this matter. If you have questions, please contact me at 517-284-5002 or epkeya@michigan.gov.

Sincerely,



Amy Epkey  
Administration Deputy Director

Enclosure

cc/enc: Ms. Linda Holst, Director, Water Division, U.S. EPA, Region 5  
Mr. Tom Poy, Chief, Ground Water and Drinking Water Branch, U.S. EPA,  
Region 5  
Mr. Steve Marquardt, U.S. EPA, Region 5  
Mr. Richard Kuhl, Michigan Department of Attorney General  
Mr. Eric Oswald, MDEQ  
Ms. Sonya Butler, MDEQ  
Ms. Kelly Green, MDEQ

**Flint Water Infrastructure Funding**  
**July 25, 2018**

<b>Category*</b>	<b>Budget</b>	<b>Amount Requested by City for Reimbursement</b>	<b>Balance</b>	<b>Percent Requested for Reimbursement</b>
Service Line (WIIN + State Match)	\$40,000,000	\$22,700,000	\$17,300,000	57%
Meters	\$18,460,000	0	\$18,460,000	0%
Storage and Pump Stations	\$10,120,000	0	\$10,120,000	0%
Backup Line	\$9,160,000	0	\$9,160,000	0%
NW Transmission Main	\$12,290,000	0	\$12,290,000	0%
Chemical Feed Bldg	\$3,400,000	0	\$3,400,000	0%
Distribution Water Quality Monitoring	\$610,000	0	\$610,000	0%
Water Mains**	\$14,520,000	0	\$14,520,000	0%
Service Line Contingency	\$10,000,000	0	\$10,000,000	0%
Set-Aside/Arcadis	\$1,500,000	\$760,000	\$740,000	51%
'Other' Funding per Settlement Agreement	\$47,000,000	\$4,520,000	\$42,480,000	10%
<b>Total</b>	<b>\$167,000,000</b>	<b>\$27,980,000</b>	<b>\$139,020,000</b>	<b>17%</b>
*Categories are based on draft project plan submitted by the City in April 2018.				
**Requested water main amount is \$58,800,000; this amount exceeds available funds. This project amount will be adjusted based on funds available if other projects are deemed ineligible.				