



FWICC KWA Subcommittee Status Update

April 22, 2016

KWA Subcommittee Members

- Nick A. Khouri, State Treasurer, Committee Chair
- Keith Creagh, Director, Department of Environmental Quality
- Harvey Hollins, Director, Office of Urban and Metropolitan Initiatives
- Dr. Laura Sullivan, City of Flint
- Jamie Curtis, Chairman, Genesee County Board of Commissioners
- Larry Steckelberg, Interim State Deputy Treasurer, Local Government Services

Subcommittee Tasks

- What are the updated construction costs for KWA? (have the original assumptions changed)?
- What are Flint's financial and operating commitments to KWA?
- What are the updated costs for Flint's transition to KWA and the city's ongoing operating costs (including back-up water source)?
- What is driving current water rates for Flint residents? How do they compare to other areas? What is the likely forecast for rates over the next 5 to 10 years?

Progress to Date

- Historical comparison of original and current KWA construction costs.
- Legal review of Flint's financial and operational commitments to KWA.
- Review of the financial implications of primary and back-up water options.
- A full analysis of Flint water rates is underway.

Targeting May 13th for final FWICC report

Task 1 - Updated KWA Construction Costs

- Estimated KWA construction costs and completion dates:

	October 2012	March 2014	Current
In Service Date	January 2016	May 2016	July 2016
Construction Costs*	\$245 million	\$240 million	\$247 million

*KWA construction costs exclude water intake

Task 2 - Flint's Operational and Financial Commitments to KWA

- KWA will have issued \$293 million of bonds to finance pipeline construction.
- Average annual KWA debt service is \$21 million.
- Flint has committed its full faith and credit to pay its share of KWA debt service.
 - On average, this translates for Flint to \$7 million per year for 28 years.
- If, for whatever reason, Flint is unable to meet its commitment, Genesee County is required to make Flint's payment to bondholders. Genesee County is required to take all available legal actions to recover Flint's portion of payments made by the County to bondholders.
- Under the current rate structure there is no fixed charge to Flint. In other words, if Flint did not take delivery of KWA water, the City's total commitment to KWA would only be its portion of the debt service mentioned above.
 - During the annual review by the KWA Board, the rate structure could change to include a fixed component.

Task 3 - Flint's Transition to KWA

- Flint must soon decide two related issues:
 - Primary water source
 - Back-up water source
- Options for primary water source include:
 - Flint treatment of KWA raw water;
 - Delivery of treated water from Genesee County; or
 - Delivery of treated water from GLWA.
- Back-up water options will be evaluated based on a primary water source decision.
- Financial obligations for Flint's water system fall into three areas:
 - City pipeline connection;
 - Ongoing operational costs, including operating Flint's water treatment plant; and
 - Commodity costs.

Task 4 -What is Driving Flint Water Rates?

- Treasury retained Raftelis Financial Consultants, Inc. to prepare an analysis of Flint's current water rates.
- The analysis* will include:
 - Examination of the cost drivers of current rates (capital costs and commitments, O&M, other costs);
 - Comparison of Flint Water rates and cost drivers with other jurisdictions in Genesee County and similar mid-size Michigan urban cities;
 - Projection of Flint's water rates for the next five years; and
 - Comparison of overall forecasted water rates in Flint to the rates that would have been charged by GLWA.

*This is not a rate design study but an analysis of the current cost and rate structure.

Flint Water Bill (Typical Customer)



*Increase litigated in Shears vs. City of Flint

**Decrease related to Shears vs. City of Flint Decision

***Typical water bill assumes customers have a 5/8" meter and consume 5 CCF (3,740) gallons of water per month

Typical Monthly Water Bill Comparison



*Typical water bill assumes customers have a 5/8" meter and consume 5 CCF of water per month