



KAREGNONDI WATER AUTHORITY
Public Board Meeting
City of Flint
(810) 732-7870

MINUTES OF MEETING
February 18, 2015

Meeting Convened 2:08 p.m.
The Pledge of Allegiance was recited.
Invocation was given by Greg Alexander.

Roll Call –

Board Members Present: Thomas Svrcek, Larry Green, Ted Henry, Tracey Tucker, Greg Alexander, Joseph Suma, Paula Zelenko, Jamie Curtis, Steve Landaal, Josh Freeman, Dayne Walling

Members Absent (Excused): Dale Kerbyson, Richard Hammel, Sheldon Neeley, Micki Hoffman

Also Present:

John F. O'Brien, Deputy CEO
Kevin K. Kilby, Corporation Counsel
Mark Hurst, Plante Moran
Crystal Simpson, Plane Moran

Minutes:

- ❖ Motion for Approval of November 19, 2014 Minutes by *Ted Henry*; Supported by *Josh Freeman*; No Discussion; Voice Vote – Motion Passed Unanimously

Reports:

- ❖ Motion to Accept Treasurer's Report by *Tracey Tucker*; Supported by *Josh Freeman*; Discussion Ensued; Voice Vote – Motion Passed Unanimously

Plante Moran produced a Draft KWA Financial Report dated September 30, 2014, and a short discussion ensued.

Communication:

CEO Jeff Wright gave a presentation on the KWA Pipeline construction progress.

Consent Agenda: None

Old Business: None

New Business: None

Public Comment:

The following questions were posed by the audience:

- Why is the County building another water treatment plant instead of using the one that is already in place?
- How many minorities are working on the pipeline?
- Will Flint receive any compensation if another municipality buys capacity in the pipeline?
- Who receives interest earned on the investment accounts?
- What happens when the KWA Board decides they no longer want to own the pipeline? Will Flint get the \$100 million back, or does it go to the KWA?
- Does Flint receive payment on future bonds?
- Will the pipeline save residents money in the long run?

- What is the environmental impact on the properties that the pipeline is crossing?
- Will City of Flint water rates decrease because of the KWA pipeline?
- Why is the pipeline going from 72" as used in Detroit to the 60" pipe the KWA will be using?
- Why aren't there any water specialists on the KWA Board?
- Have they tested Lake Huron's water and the Flint Treatment Plant water? If so, how can the public receive copies of the results?
- How does the public get a copy of the contract to show what collateral was used to obtain the bonds to finance the KWA project?
- Why is a treatment plant not being built at the source of intake?

Attorney Kevin Kilby explained that under Act 233 of 1955, multiple government jurisdictions are allowed to form an authority for a specific purpose and in this case the purpose is water. KWA was created to deliver water from Lake Huron to be used in the preparation of drinking to the various municipalities that are served. In response to the question of dissolution of the KWA, he stated that it would take a unanimous vote of the five incorporating members, which are the City of Flint, City of Lapeer, County of Genesee, County of Lapeer, and the County of Sanilac. If in fact that were to happen, then the 15 members of the Authority Board would decide how the assets would be distributed. In no case can the Authority be dissolved if it has an outstanding debt or a contract to provide water. KWA is organized under State law for a specific purpose.

CEO Jeff Wright responded to the questions posed:

- Genesee County is building its own Water Treatment Plant (WTP) at its own expense. The City of Flint does not have the physical capacity to produce enough water to supply both Flint and Genesee County, and the Flint River does not have enough capacity to supply Flint and Genesee County with water even if the WTP did have the capacity. One of the main reasons for bringing untreated water to the City of Flint was so that the City could utilize its existing WTP that had \$50 million put into it over the last 15 to 20 years. One economic advantage to Flint is that it could have the ability to sell untreated raw water at 10% of the cost of treated water. Many water customers, whether it is manufacturing, food processing, et cetera, prefer untreated water because the customers have to remove the chlorine and fluoride from the water to use it, which drives up their cost. Economic development is then encouraged in the area because of the availability of untreated water.
- With regard to how a contractor ends up with the project, any contractor that is licensed and can get the bonding and the insurance coverage to perform this type of work, has the legal opportunity to bid the project. There were several sealed bids. Those bids were kept sealed until the day they were opened in front of all contractors. The contractor awarded the project was the responsive lowest bidder for that project. It is totally up to the contractor on who they hire. Most of them hire out of the building trades. Prevailing wage clauses are contained in the contracts as well as a bonus for the hiring of local people. As far as how many minorities work on the project, there is no legal reason to monitor how many minorities and/or women are working on these sites, but there is a very diverse work force, and KWA is pleased with the diversity that is employed on this project.
- If another municipality wanted to buy capacity in the system, then that municipality would buy the capacity from whoever owns capacity in the system currently. At this time only two communities own capacity in the system – City of Flint and Genesee County. If another city wanted to buy capacity, it would have to purchase from a community with capacity. The KWA has 60 million gallon worth of capacity in two contracts - 18 million the City of Flint purchased and 42 million Genesee County purchased. Genesee County is paying 70% for the total cost of the project, and Flint is paying the remaining 30%.
- Jeff Wright deferred to Karl Kramer for an explanation of what happens to interest earned. Accountant Karl Kramer explained that interest earned is rolled into the Debt Reserve Investment Account. The Debt Reserve Investment Account is a \$15 million account that is a requirement of the bond sale and will remain in place for 30 years. The account is there to insure that a year of debt service is not missed. It currently earns 2.5%, and any interest earned is invested into that account. Any interest earned on all accounts stays in the KWA funds and is used solely for the purpose of the KWA.

- Tens of thousands of dollars and many months were spent satisfying the requirements of the EPA and the DEQ. Specialists were required to perform research on the environment for the protection of clams, birds, foliage, trees, plants, flowers, et cetera. Public meetings were held in each municipality along the route. 99% of the pipeline is going to impact only the road right-of-way, so private property didn't have to be acquired. Genesee County did purchase an 80-acre parcel for its WTP.
- One of the bases for the Flint City Councils' decision to join the KWA was a study conducted and a subsequent report prepared by Rowe Professional Services, a Flint engineering firm, that showed that Flint would realize a minimum of \$99 million savings over a 30-year period with the KWA. At the time, the City of Detroit was promising a 4% annual rate increase. Just recently Detroit announced an 11.2% rate increase for the people in the suburbs still on Detroit's system. The main factor to get off the Detroit system in the first place was the cost, and the fact that double digit rate increases were occurring annually for 10 years in a row. In 2001, Flint and Genesee County paid Detroit \$8 million annually to purchase water. In 2014, Flint and Genesee County paid \$25 million for the same volume of water. Detroit's own estimates indicate that the \$25 million will increase to \$50 million in the next 7 to 8 years at the current rate of increase. Also, Detroit's pipeline is close to 50 years old. At one point, Flint and Genesee County were cut off water for three days. So reliability was also becoming a problem, and Detroit planned on building a second pipeline and then charging the City of Flint and Genesee County for the pipeline as renters. In this case, there are huge saving potentials thereby making the savings to the people substantial. KWA does give those savings to the City of Flint. The City of Flint can use those dollars to rebuild its infrastructure and save even more money because millions of gallons of water are being lost daily due to leaking pipes, which in turn costs the City of Flint money. The more leaking pipes you can correct, the more money you can save. There is a potential savings of \$2 to \$5 million dollars a year being saved by the City of Flint by purchasing water from the KWA versus Detroit.
- The water source that KWA will be using is the exact same water source that Detroit uses. It will be less expensive. Lake water is easier and less expensive to treat than river water. The reality is that the treatment plant that Flint has currently is fully capable of treating lake water and/or river water to a safe point and is in compliance with EPA and DEQ standards.
- Running water through a pipe over to a treatment plant where it is in a confined space and not exposed to sunlight and bacteria does not make the water dirtier. It is still lake water. The reservoir being discussed is for Genesee County and has nothing to do with the City of Flint. The reservoir that the County currently uses is for backup. The pipeline will be used directly to supply Genesee County and City of Flint customers. The reservoir could have the potential to pick up organics, but as far as the organics in the pipeline, they do not increase from the lake water being piped over to the City of Flint and Genesee County facilities.
- The reason the KWA is only using 60" pipe versus the 72" Detroit pipeline is Detroit not only fed Flint and Genesee County, but it has a stub that goes south into Oakland and Macomb County. The 60" pipe from the KWA is only designed to service Flint, Genesee County, parts of Lapeer, and Sanilac County, so the 72" diameter is not necessary and would be more costly.

Board Comments:

- Dayne Walling indicated that every financial estimate that was done and presented to the City Council back in the winter and spring of 2013 did affirm that there was approximately a \$100 million savings to the City of Flint over a 30-year period, keeping in mind that that was compared with what was projected to be spent if the City of Flint stayed with Detroit. It was not \$100 million compared with the actual cost of what is being paid today. It was a projected savings against what was expected to happen with Detroit. What has always been said from the City of Flint's perspective is that the KWA and the cost savings that come from a lower cost supply would stabilize the rate in the City of Flint because more investments would have to be made in the infrastructure. The other scenario would be paying an escalated rate for the same water from Detroit with no ability to increase the City of Flint investment into the local infrastructure which would only further increase costs as the system reaches its expected age. Dayne Walling reiterated that the City of Flint maintains a commitment to water that is 100% safe without exception or without question.
- Dayne Walling acknowledged that a question was asked about who sits on the KWA Board further commenting that each participating community, based on the amount of percentage of water that

they purchase, has the ability to appoint members. Dayne Walling stated the he sits on the Board as Mayor for the City, and Jeff Wright sits on the Board as Drain Commissioner for Genesee County. Also on the Board are City Council President Josh Freeman, City Councilman and now State Representative Sheldon Neeley, representing the business community is Steve Landaal. All appointees will be revisited on a periodic basis, so if anyone would like to serve on the Authority Board, Dayne Walling invited them to contact him. He also indicated that a Water Advisory Board was being formed and invitations have already been sent to approximately 40 entities for their continued participation. The Water Advisory Board would be operated in an open fashion, and Dayne Walling encouraged anyone to contact him as it relates to City of Flint issues and participation on the Authority.

- Tom Svrcek reported that the City of Lapeer had decided in a three to two vote to stay with the Detroit water system. Their stated reason for voting at the time was the fact that the City of Detroit had promised no more than a 4% annual rate increase in the next 10 years. A week after they voted, Detroit stated that the City of Lapeer would have a minimum rate increase of 11.2% the first year. This issue may possibly be revisited by the City of Lapeer in the future.
- Joseph Suma reported that the Lapeer County and other entities in Lapeer County that use treated water decided to stay with Detroit. Jeff Wright indicated that Lapeer’s water volume is very minimal.
- Greg Alexander, Sanilac County Drain Commissioner, spoke to the public about the two water withdrawals in that area that currently pull water out of the lake. He stated it is extremely clean water. Sanilac County has a small part in the pipeline, as an incorporating municipality. As such it has an opportunity to tie into the pipeline. He understands that the treated water from Detroit comes with a lot of chemicals that Sanilac County would not be interested in. They would be interested in tying into a raw water situation. Sanilac County’s needs for raw water are much greater than treated water.
- Dayne Walling thanked everyone for their attendance. He stated that the KWA is an amazing project for our region, and at the peak construction point there will be over 1000 people employed, which is a significant investment for the future. He explained that one can look at a budget and talk about how much is spent each year, but the question to be asked is what do you have as a result of that spending. Our communities have been customers, so that only thing the City has had at the end of the year is the ability to be a customer for another year and spend money that is invested in other communities. In this project, it’s not just simply paying a bill. There is a common interest to be able to invest in something that is not owned individually, but the purpose is to recognize that the money spent is adding to our community and adding an important responsibility by insuring that the water is treated and used to benefit the entire community.

❖ Motion for Adjournment of Meeting by *Larry Green*; Supported by *Ted Henry*; No Discussion; Voice Vote - Motion Passed Unanimously

Meeting Adjourned 3:43 p.m.

STATE OF MICHIGAN)
) ss:
COUNTY OF GENESSEE)

I, Janis M. Wells, Deputy Secretary of the Karegnondi Water Authority Board, do hereby certify the foregoing is a true and complete copy of the Minutes of Meeting of February 18, 2015, adopted by the Karegnondi Water Authority Board, acting in the City of Flint, at a meeting held on May 20, 2015, and that public notice of said meeting was given pursuant to Act 267 of the Michigan Public Acts of 1976, as amended, including in the case of a special or rescheduled meeting, notice by publication or posting at least eighteen (18) hours prior to the time set for the meeting.

IN WITNESS WHEREOF, I have affixed my official signature on this 20th day of May, 2015.



 JANIS M. WELLS, Deputy Secretary