

CITY OF DETROIT

News Release

Water and Sewerage Department

Dave Bing, Mayor

FOR IMMEDIATE RELEASE

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WATER WAR UNDERMINES FLINT-DWSD RELATIONS

Statement prepared by Bill Johnson for DWSD

The Flint City Council's approval of the Genesee County Drain Commission-backed idea to link Flint and a proposed multi-county connector effectively launched the greatest water war in Michigan's history. The action ignores a credible state-sponsored study that came out against the ill-advised Karegnondi Water Authority (KWA) project. And the vote makes no connection to Flint's fiscal reality.

All things considered, the City of Flint is best served by the Detroit Water and Sewerage Department (DWSD).

At issue is the reckless push for Flint to purchase untreated Lake Huron water through a new multi-million dollar intake pipeline and treat it at the city's treatment plant before distributing it to Flint customers. Theoretically, the KWA pipeline would replace Flint's reliance on treated water from the city of Detroit. But any claim that it would save the cash-strapped city money is specious.

Flint's financial flexibility – already precarious – will be impaired far into the future by disconnecting from DWSD. Tucker, Young, Jackson & Tull Inc., a prestigious engineering consulting firm hired by the state Treasurer's office, produced *The City of Flint Water Supply Assessment*, which pegged the cost of the KWA pipeline at more than \$375 million. That's 24 percent more than originally projected, and the assessment didn't take into account unforeseen contingencies like cost overruns and "delays in completion, startup, and debugging of the entire pumping system" that will negatively impact Flint's bottom line.

Once additional costs and risks are factored in, the rates paid by Flint's water customers will be substantially higher than current rates with the DWSD system. More importantly, because Flint is under an emergency manager, the city can't afford the added millions of dollars required to terminate the relationship with DWSD.

For DWSD, the estimated immediate net revenue shortfall from Flint's separation from the Detroit system is approximately \$22 million, or 6 percent of total DWSD water revenue. The cost of that revenue loss will have to be spread across the remaining 3 million customers. Additionally, undetermined costs would be incurred by required modifications to the Lake Huron Plant to resolve water quality issues for Lapeer, Mayfield and Imlay City. The Imlay Booster Station will have to be altered at a cost estimated in the \$1 million range. The 25-mile water line servicing Flint, with a book value at \$5 million or more, would be abandoned; three pumps at the station would be idled.

Last year, DWSD shelled out \$44 million for improvements at the station that primarily serves Flint and Genesee County.

Since 2001, DWSD has attempted to negotiate a new contract that would address Flint's concerns. Flint could have literally saved millions by considering any of the alternatives. Officials adamantly refused to do so.

Five new options are on the table that offers even more savings, including a DWSD offer to sell KWA untreated water from the existing intake on Lake Huron. That alone would make a separate intake pipe unnecessary. The new, more flexible model also allows for Flint to reduce or increase their customer capacity obligations as needed.

And under the new Detroit Board of Water Commissioners (BOWC) concept, Genesee County could have a vote on future rate increases. The caveat: Flint would need to enter into a new 30-year contract with DWSD to make proposed improvements cost-effective.

In a historic ruling last week, Federal District Judge Sean Cox released DWSD from 35 years of court oversight. The judge indicated that DWSD had made "substantial" progress in addressing violations of the Clean Water Act, and the overall operations of the department. It was an exceptional vote of confidence.

The insistence of Flint officials to pursue construction of the KWA pipeline can only be attributed to a "political" objective that has nothing to do with the delivery – or the price – of water. Flint's fiscal integrity is stake. And the State of Michigan has an obligation to prevent the distressed city from dragging DWSD and the region into a deeper financial quagmire.

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