



## Flint City hitched to Karegnondi Water Authority for now July 14, 2015

Regulations put in place before the exit of Emergency Manager Jerry Ambrose will keep **Flint** with the Karegnondi Water Authority (KWA) for the foreseeable future, said City Council Vice-President Wantwaz Davis.

Ambrose left an order saying that the city could not alter any of his actions until one year after the termination of receivership, Davis said. Since then residents have been petitioning to return to the **Detroit Water and Sewerage Department** (DWSD) system amid water quality concerns.

“By then it’s projected that we’ll already have the KWA pipeline up and running,” Davis said.

The city is still subject to oversight by the Receivership Transition Advisory Board. Members, including David McGhee, officer with the Skillman Foundation; Robert McMahan, president of Kettering University; and Beverly Walker-Griffea, president of Mott Community College; did not respond to requests for comment.

The issue has not come before the board, and is not expected to in the near-term, said Brian Larkin, director at Flint and Genesee County Chamber of Commerce, and Terry Stanton, spokesperson for the Michigan State Treasury, who spoke on behalf of Frederick Headen, legal advisor to the state treasurer.

“The City of Flint will be able to connect next year (2016) in the summer,” said Kevin Sylvester, communications director for the Genesee County Drain Commission, speaking for Jeff Wright, Genesee County Drain Commissioner and KWA chairman. The remainder of Genesee County will be able to connect in spring of 2017, after completion of a plant, Sylvester said.

“The advantage of going with KWA was always for the next 20 or 25 years we’ve got a flat rate that we’re going to pay for water,” said city council president Josh Freeman. This way the city does not have to pass on as much of the rate increase to customers, as the city’s revenue as a whole continues to decline, Freeman said.

The city’s long-term costs are expected to be USD 80m. Plant improvements, to clean the water being taken from Lake Huron, are expected to cost USD 6m to USD 7m, paid for by money saved from not renewing the city’s contract with DWSD, Freeman said.

A consultant’s report in the spring suggested that it would cost the city USD 837,000 per month to reconnect with DWSD (approximately USD 10m annually), which has been open to the suggestion, Davis said. The Emergency Manager [had projected USD 12m per year](#), about 16% more.

The concern in the interim has been water quality.

The city has been under a string of boil notices due to high levels of trihalomethanes, a chemical used in solvents and refrigerants. Levels tested over the past year- 21 May 2014, 21 August 2014 and 20 November - were at times more than double the acceptable level; however, the tests in February and May of 2015 were well below safe water standards, according to a [report](#) from the city. Those notices are based on an average of tests, and recent ones have been better. However, the early tests were so high that the average is still higher than safely allowed, said Freeman.

“It wouldn’t be financially prudent to go back to DWSD unless we have some major failure in the way that we’re treating water now,” Freeman said.

The city council voted to reconnect to the DWSD system, although Ambrose [prevented that move](#). Activist residents filed an injunction to force the city to return to DWSD; however, the motion was [denied](#) by Judge Stephen Murphy in the US District Court for the Eastern District of Michigan.

“I think that we should have been connected back to Detroit yesterday due to the quality of water that we’re experiencing,” said Davis. “We’re buying bottled water and cooking with bottled water.”

Mayor Dayne Walling and the remainder of the city council did not respond to requests for comment.

A USD 56.59m tranche of Series 2014A KWA bonds, which mature in 2040 and are partially backed by Genesee, Lapeer and Sanilac Counties, last traded in round lots on 28 May at 109.2 yielding 3.95%, according to *Electronic Municipal Market Access (EMMA)*. The bonds were last rated A2 by Moody’s Investors Service in March 2014 and A by Standard & Poor’s in March 2014. The KWA has USD 220.5m of bonds outstanding.

A USD 292.9m tranche of Series 2011-C DWSD senior water supply system revenue refunding bonds which mature in 2041 last traded in round lots on 12 June at 103.0 yielding 4.4%, according to *EMMA*. The bonds were last rated Ba2 by Moody’s in August 2014 and BBB+ by S&P in August 2014. DWSD has USD 2.5bn of water revenue bonds outstanding and USD 2.8bn of sewer revenue bonds outstanding according to its FY14 financials, the most recent data available.

*by Maryellen Tighe*