

EM SUBMISSION NO.: 2013EM041

PRESENTED: 3-28-13

ADOPTED: 3-29-13

**BY THE EMERGENCY MANAGER:**

**RESOLUTION TO PURCHASE CAPACITY FROM  
KAREGNONDI WATER AUTHORITY**

The Karegnondi Water Authority (KWA) is a governmental consortium of cities and counties in southeastern Michigan that was created to build a water pipeline that will provide water from Lake Huron to interested communities in Sanilac, Lapeer, and Genesee counties. The incorporating bodies that created the KWA are Sanilac County, Lapeer County, Genesee County, the City of Flint, and the City of Lapeer.

The City of Flint is currently in a year to year contract with the City of Detroit for the purchase of water. A study was conducted that projected that staying with Detroit will cost the region \$2.1 billion over the next 25 years. In contrast, if the region builds its own pipeline, the projected costs are \$1.9 billion over the same period. After the initial 25 year period, the projected costs would be less then 25% of the projected water costs from Detroit.

In order to build the pipeline, the KWA needs commitment from its members regarding the capacity that each member will purchase in the pipeline. The KWA is allowed to withdraw 85 million gallons of water per day. Capacity is available to members in increments of 1 million gallons per day known as units. For each unit of capacity that a member purchases, the buyer shall pay to the KWA a one time fee of \$32,300.00. Additionally, the buyer shall pay to the KWA not less then \$32,300.00 per unit per year until such time as water is made available to the buyer. After water is made available, the buyer shall pay to the KWA an estimated amount not to exceed \$355.300.00 per unit per year until such time that the bonds are paid in full. If it is determined that the costs per unit will exceed \$355,300.00 the buyer has a right to cancel the contract.

The purchase of capacity along with the payment of other costs necessary to operate the pipeline gives the member a right to water for sale to its customers. The buyer has a right to resell capacity and water rights. Each party entering into a capacity contract shall also be entitled to appoint additional board members equal to the party's percentage share of the total capacity under contract.

It is in the long term best interests of the City of Flint to enter into a contract with the KWA to purchase up to eighteen (18) units of capacity.

**IT IS RESOLVED** that City officials are authorized to enter into a contract with KWA to purchase up to eighteen (18) units of capacity.

**IT IS FURTHER RESOLVED** that the City Administrator is authorized to provide KWA information needed to administer the contract and, with approval of the Chief Legal Officer, to make minor (non-material) modifications to the contract.

**APPROVED AS TO FORM:**

**APPROVED AS TO FINANCE:**

  
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Peter M. Bade, City Attorney

  
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For Gerald Ambrose, Finance Director

**EM DISPOSITION:**

ENACT  FAIL \_\_\_\_\_

DATED 3-29-13

  
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Edward L. Kurtz, Emergency Manager