

Date: February 28, 2017

FOR YOUR INFORMATION MEMO

To: Mayor and Members of City Council
From: Harry Black, City Manager **HB**
Subject: MSD Ohio State Auditor Performance Audit Release

Over a year ago, the Auditor of the State of Ohio started a comprehensive audit of MSD. This "Level 1" audit was accompanied by a performance audit to assess MSDGC efficiency and effectiveness.

The Performance Audit was released today. MSDGC and my office were briefed on preliminary results prior to release and afforded the opportunity to respond.

Overall, the audit confirms the progress the City has made under new MSDGC leadership is resulting in improved outcomes. The attached memo from MSDGC Director Gerald Checco provides an in-depth analysis and response to the report. They are committed to implementing the recommendations and have begun work on several already.

The Level 1 audit is expected to be complete in early April.

Attachment

Date: February 28, 2017

To: Harry Black, City Manager

From: Gérald Checco, Director of Sewers 

Copy: Sheila Hill Christian, Assistant City Manager, MSD Staff

Subject: MSD Performance Audit Analysis & Response

On February 4, 2016 the State of Ohio Auditor's office initiated a special audit of the Metropolitan Sewer District of Greater Cincinnati (MSDGC.) This "Level 1" audit was accompanied by a Performance Audit aimed at providing an assessment of MSDGC efficiency and effectiveness.

MSDGC is grateful for the opportunity to participate in the Performance Audit and the Special Audit. MSDGC has received the Performance Audit and reviewed the findings. The Ohio Performance Team (OPT) must be commended for their intensive research and efforts to understand this very complicated organization.

MSDGC is satisfied with, and supports the findings of the Performance Audit. The audit was thorough and reflects well on the management of the District. MSDGC strives to meet the principles that guide an efficient and effective organization while providing ratepayers an excellent return on investment.

The Performance Audit includes eight recommendations totaling roughly \$2 million in potential savings of the \$100+ million operating budget. MSDGC welcomes the recommendations, has already implemented several changes and will continue to look for more opportunities to find efficiencies.

PERFORMANCE AUDIT ANALYSIS & RESPONSE

As City of Cincinnati's top administrator, you unequivocally requested total transparency and cooperation from MSDGC, a message delivered several times to all staff at all levels, encouraging employees to meet privately with auditors as they found it necessary. Additionally, MSDGC put in place a "rapid response team" to ensure requests for information were promptly answered.

Many employees took advantage of this request and spoke to the Auditor's teams. MSDGC appreciates the Auditor's note (page 2) expressing "their appreciation to the elected officials, management and employees of the MSDGC for their cooperation and assistance throughout the audit." MSDGC viewed the auditor's team as a group of professionals assessing operation practices with "fresh eyes".

MSDGC HAS REVIEWED THE PERFORMANCE AUDIT AND OFFERS THE FOLLOWING:

1. MSDGC has done exemplary work in containing operating expenses. Table 7 shows that in the last 10 years, the operating expenses of the utility have only increased by 1% compounded annually. This increase compares very favorably with Columbus (increase of 1.25%) and NEORS (increased by 3.46 %.) This minimal increase in Operating expenses saved over \$10 million (compared to Columbus) or over \$100 million (Compared to NEORS) to MSDGC ratepayers over the last 10 years.
2. Billing costs (service provided by GCWW) are less than any comparable agencies, and notably, a third of what Columbus pays (Appendix A) for similar service, or a savings of about \$8 million annually compared to Columbus or \$3.75 million compared to NEORS.
3. Fleet has already been reduced to a level below the recommended level of the Performance Audit Recommendation R.7 (Table 15,) or a savings of about \$70,000 annually. MSDGC exceeded the Auditor's recommendation by 4 vehicles, and are still assessing per the MSDGC plan provided in January 2016.
4. Supplemental or contractual employees have been reduced, and with the hiring of City staff, have seen savings both in Operating and Capital funds (Page 2) or a savings of about \$3.4 million annually.
5. MSDGC cost per gallon of sewage treated (Chart 8) is much less than Columbus and slightly less than NEORS (adjusted for local sewers issue as indicated below.)
6. MSDGC employees take care of 22% more underground pipe lines per employee (Chart 15) than colleagues in Columbus. NEORS is not comparable because they do not maintain local sewers as indicated below.
7. The average annual customer cost (Chart 4) is less for MSDGC than Columbus and NOERS (adjusted for local sewers issue as indicated below.)
8. Time off taken by MSDGC employees, though higher than the BLS is on par with peer agencies as well as Hamilton County and the State of Ohio.

9. The Audit points out MSDGC has less staff than peer agencies for treatment and collection (#5, #6) and overtime is used as a way to deal with peak work demands without the staff redundancy that other agencies have. As a result, Overtime is higher than BLS benchmark (Table 13.) Overtime use analysis and justification is a critical component of this year's goals for the Treatment Division. MSDGC continues to monitor these costs to insure continuity in service and as a budget monitoring item. Additionally, a lot of overtime in the Collection Department is due to MSDGC need to respond to sewer backups, a program that does not exist in other peer agencies.

10. MSDGC is in agreement with the recommendation to standardize the timekeeping process. MSDGC has used Kronos for many years as a timekeeping system, but only in one division. About 25% of today's MSDGC payroll is done through this platform. In 2017, MSDGC already budgeted to include the Treatment Division in the Kronos platform. If funding allows, MSDGC plans to add Engineering and RCS Divisions to the platform bringing the total to 80% of the all MSDGC employees using Kronos timekeeping. Other divisions will be integrated in 2018, if funding allows.

11. MSDGC is in agreement with recommendation R.4, to increase the Capital Labor Rate, with a minor modification as outlined in Appendix C.

12. On the issue of IT and Service Dispatching, MSDGC has used different benchmarks. For example, IT uses the Gartner Report as a benchmark. Going forward MSDGC will include the State's benchmarking and continue to monitor both sets of benchmarks and further assess performance. MSDGC analysis can be found in Appendix A (IT) and Appendix B (Service Dispatching.)

13. Recommendation R.1 deals with the monitor and specifically finds that the lack of performance metrics for the day to day operations of the monitor have led to inefficiencies resulting in a significant loss in productivity for the MSDGC overall. The State Auditor underscores the bureaucratic processes (Chart 11) has lead to loss of float in project delivery (Chart 13.) The State Auditor concludes from this analysis (Page 24) that it is reasonable to infer that as the monitoring process has unnecessarily expanded, it has had a negative impact on project length. MSDGC agrees with the State's findings and further, with its assessment (Page 24) that savings claimed by the County monitor are "a duty already inherent" of the County (i.e. to de-legislate savings created by MSDGC) and not actual, tangible savings. Further analysis is found in Appendix D.

BENCHMARKING METHODOLOGY

MSDGC recognizes the difficulties of comparing performance with some peer agencies and national data. Throughout the performance document, MSDGC is mainly benchmarked against the Bureau of Labor Statistics and two other agencies similar in size and located in Ohio.

Bureau of Labor Statistics (BLS): The Service Industries which includes the Utility sector includes other industries that are very different from the work of MSDGC. MSDGC is unsure of the appropriateness of such comparison, since the industries that are parts of this sector vary in size, duty and labor environment. A case in point is for the issue of paid leave. Compared to the peer agencies (Columbus and NEORSD,) as well as Hamilton County and even State employees, MSDGC is either at or below the amount of time earned both as vacation and as sick time, but compared to the BLS, MSD is higher than the benchmark.

Peer Agencies: All peer agencies have local circumstances that should be considered when comparing data. As an example, the Northeast Ohio Regional Sewer District (NEORSD) is only responsible for interceptors and treatment processes, which means the costs of operation and maintaining local sewers is not included in its budget and consequently, in its cost of services. In comparison, MSDGC spends 39.7% of its budget on operating and maintaining over 3000 miles of "local" sewer including pump stations.

CONCLUSION

The timing of the Audit is excellent as the City of Cincinnati and Hamilton County are in discussion about the future status of MSDGC. Such in-depth analysis is essential for putting the "new" (post 1968 Agreement) MSDGC on the right track.

The Performance Audit provided by the State of Ohio is thorough and the time taken in carefully providing an objective assessment is appreciated. The findings confirm MSDGC is a solid performing organization, providing competitive return on investment to ratepayers, with strong leadership within the context of a strong City Administration. MSDGC looks forward to, and will keep you abreast of the forthcoming Level 1 special audit results.

Respectfully Submitted



Gérald Checco

APPENDIX A- MSDGC IT ANALYSIS

MSDGC's IT division currently consists of 18 FTEs, of which we have 5 FTEs on the service desk (SD), 6 FTEs providing Business Application services, 4 FTEs providing Infrastructure services and 3 IT Managers. The audit included all 18 IT FTEs performing incident management functions when in reality only 5 FTEs are responsible for ticket resolution. There are occasions when tickets will be escalated to either the Business Application services team or the Infrastructure services team however this is very rare. Only about 5% of the tickets are escalated to these teams. As stated earlier, MSD IT consists of multiple teams serving the business needs of our customers. The Infrastructure services and Business Application services teams are responsible for implementing projects, automating workflows, developing applications and integrating systems without the use of external resources which can be extremely costly to the organization. These essential functions result in extensive cost avoidances of several millions per year for the organization.

Another area needing adjustment is the amount of tickets being reported in the audit. At the time of the audit, MSDGC IT was in the process of decoupling from GCWW's IT Services Management (ITSM) tool and implementing our own ITSM tool. As a result of this transition the accuracy of the ticket count is skewed because technicians were not tracking issues in either system. We have since been able to produce an accurate count of tickets being submitted since the "go-live" date of MSDGC IT ITSM tool. This resulted in the ticket count increasing from 1846 to 2800 tickets per year. Another item to note, there are times when a single ticket is submitted however it could affect hundreds of devices. An example would be the Office 2010 upgrade. Over 500 machines required this upgrade however only 1 ticket would be recorded in the ITSM tool. Entering 500 separate tickets for these types of requests would be unreasonable.

The following is MSDGC's counter-analysis of the MSDGC IT performance audit with the aforementioned updates. The cost per ticket drops dramatically from \$1,198.98 per ticket to \$153.57 per ticket and the tickets/month/FTE increases from 7.9 to 46.67 for the service desk analysis. Also, the number of customers MSDGC's IT division serves is higher than the reported 540 users in the auditor report. The actual number should be 769 customers which would update the users IT FTE ratio from 26 to 42.7 which is above the auditor's benchmark of 42.

The final adjustments to MSDGC IT staffing levels would result in a zero reduction of IT FTEs.

Last item, IT professionals rely on *Gartner Reports* for comparing many different aspects of IT. Gartner is the world's leading IT research and advisory company. Utilizing Gartner's comparison of IT FTEs to number of users for Government-State/Local and Utility industries, the staffing levels should be between 3.6% and 5.8% respectively of the total amount of supported users. MSD IT supports 769 users which equates to 28 to 45 IT FTE's.

We currently have 18 IT FTE's which is noticeably lower than Gartner's expert findings in the industry.

APPENDIX B- MSDGC – SERVICE DISPATCHING

The State suggests that we outsource our Customer Service Dispatch operation in our Wastewater Collection Division. This recommendation is based upon a comparison of the costs to answer telephone calls from MSDGC's customers, but does not acknowledge the additional work completed by MSDGC employees who perform additional business critical tasks beyond answering customer calls. The MSDGC Dispatchers not only answer customer calls during standard operating hours, but also manage work generated from MSDGC's web-based customer portal, monitor real-time alarms from MSDGC's many overflow structures, create planned and reactive collection system maintenance work orders completed by customer service field crews between customer service requests, prioritize all work, schedule work orders, dispatch work orders to field crews using their GPS locations to minimize travel times and maximize working hours, and provide office support to field crews as they complete their assignments. This work must be completed during standard Customer Service office hours seven days per week – independent of who may take initial customer calls. It would not be efficient to completely outsource the dispatch operation based on the audit's apples to oranges comparison. During standard Customer Service office hours there is still a need for these additional business critical functions to be completed by MSDGC employees. We will however, look further into any opportunities to improve efficiency in the dispatch office and see how, maybe in the context of a region-wide "311" system, calls can be more efficiently handled.

APPENDIX C- MSDGC – INCREASE CAPITAL LABOR RATE

The Division of Engineering that is the target of this recommendation has 20% of its staff NOT working on Capital projects. The MSDGC Development group is part of the Engineering Division, and represents about 10% of the "engineering" workforce. This group reviews permits and coordinates mostly with private developers; therefore, their time cannot be charged to specific Capital projects, unless the Board of County Commissioners agrees to create a "Capital Allowance" for this purpose. In addition, the Document Control Group (function required under Consent Decree) is also part of the Engineering Division, and represents another 10% of the "engineering" workforce. This group catalogs and maintains archives of the construction and design projects. Their time is also not charged to Capital projects (often working on projects that have been de-legislated, i.e. projects whose funding has been eliminated,) and should be removed from the statistics. Other utility agencies have similar functions but are not necessarily performed in the Engineering groups.

When considering this reduction of staff that cannot charge hours to a capital project, the 60.8% "benchmark" goal should be reduced to **48.6%** if we remove from the data from the two functions described above. This number is 7.9% above the actual MSDGC utilization.

As recognized under Recommendation R.1, achieving better "capital" utilization will require that issues discussed in R.1 are addressed, including circuitous requests for information from the County monitor, function that does not exist in peer agencies.

APPENDIX D – MSDGC MONITOR REVIEW

The State Performance recommendation supports the continued claims of MSDGC that the process of the monitoring function is inefficient and not in the best interest of our rate payers. The monitoring function has not proven to be an effective expenditure of ratepayer’s resources. For example, the report states (page 25) that the current governance structure resulted in a cost of \$49.37 per customer for administrative type costs in 2015, and that 27.8% of that total was for the County Monitoring function. The Auditor states that “Due to the significance of these costs, it is imperative that goals and measurements agreed upon by MSDGC and the County is put into place to assess effectiveness.”

In addition, the report gives in the Performance Report under Appendix C a table provided by the County monitor describing “savings” realized due to the monitor’s presence. It is worth emphasizing that most of these County stated savings totaling almost \$1,000,000,000 (\$1 billion) since 2012 – or 4 years, are unfounded and grossly exaggerated. The Performance Audit also states (page 24): “For its part, the County has stated the process has identified over \$693 million in realized savings since 2012; however, \$504.5 million, or 72.8 percent, of this total is identified as savings from budget reductions or funding ‘de-legislation’; a duty already inherent to the County as the approver of the budget.”

When a project is proposed, MSDGC will make sure that the cost estimate covers what the project costs are anticipated to be - based on best available information. It is the goal, and often the case, that the actual bids come lower than estimated. The funds that were set aside for the project but not used due to a lower bid will be de-legislated. These are not “savings” to be claimed by the monitor. In addition much claims of savings or increases come from the natural progression of a project, from a rough concept (hence a rough large cost estimate) to a refined plan with a more updated cost estimate; again these are not “savings” but rather refinements from detailed design and more accurate information as the project gets closer to bid. Overall, MSD is managing the capital program very effectively and for the Phase 1 of the Wet Weather Improvement Program (WWIP), it remains under the original WWIP estimate of \$1.4B. Given the conceptual nature of Phase 1 when the WWIP costs were derived, this is indeed a great accomplishment at the point of the Phase 1 program.

A well-documented clarification to the County monitor’s assertions showing that little to no savings can be attributed to the County monitor’s presence is given below.

Risk/Issue Category	County’s Assertion of Realized Savings	MSDGC’s (MSD) Clarification to County monitor’s Assertions
Project Revisions	Identified that the Spring 2012 OOD plan for the LMCPR alternative solution exceeded \$300 million v. WWIP budget of \$244.3 million. Performed conceptual	MSD developed the LMCPR for \$300M to reduce overflows by 2 billion gallons. This was in lieu of constructing the WWIP tunnel for \$500M. The County requested the project be reduced to meet the initial estimate developed for the tunnel \$244.3M. MSD successfully negotiated with the Regulators to reduce the scope from removing 2 BG to 1.78 BG for \$244.3M.

Risk/Issue Category	County's Assertion of Realized Savings	MSDGC's (MSD) Clarification to County monitor's Assertions
	<p>analysis that could yield \$60-\$70 million in reduced costs to MSD's current LM CPR plan.</p> <p>Additional design, construction and other cost savings MSD will realize by not relocating the fire station currently within the expanded LM CPR footprint.</p> <p>Reached tentative agreement with Regulators to not have to "make-up" Lick Run short fall in overflow volume.</p>	<p>This was a joint effort to successfully reduce project cost.</p> <p>The County failed to deliver any cost reduction opportunities. In August 2014, the Regulators requested the County's concepts for reducing cost by \$60M. The County indicated the costs were derived as a ratio of reducing the scope to remove less overflow. The Regulators clarified the County misunderstood the proper method to apply the hydraulic model. This information is detailed in the August 28, 2014 meeting minutes in a workshop with MSD, County, and Regulators. There is no "tentative agreement" rather the Regulators provided clarification for the County's questions. Nothing changed for the LM CPR resulting from the County's 2014 discussions with the Regulators.</p> <p>The City informed MSD of its desire to maintain operation of the existing fire station for level of service considerations. These savings were not derived from a County initiative.</p>
	<p>During 2012-2014, identified that MSD's plan to eliminate SSO 700 was greater than \$100M more than the Final WWIP budget.... Monitor team proposed IWAP approach to identify alternatives that could be performed within the WWIP budget and provide superior community benefits and water quality improvement for the County and 14 political jurisdictions.</p> <p>County further stated: Capital cost savings achieved related to the SSO 700 default during the planning and negotiations phases.</p>	<p>The County was in agreement with submitting the SSO 700 Final Remedy Plan to the Regulators in December 2012 as required by the Consent Decree. The Plan outlined regional options for mitigating overflows on a long-term basis that included several CSOs as well as SSO 700. One option was to advance construction of an addition storage tank and more detailed watershed planning.</p> <p>The County dictated a watershed planning approach not endorsed by the Regulators – as noted in the January 2014 meeting minutes. To-date using the County-centered IWAP process, MSD has spent \$3 million on a plan that has yet to produce any alternatives. It is not reasonable to suggest costs savings were realized when no plan currently exists to address SSO 700. Since then, MSD, not the County has identified a \$22M storage default that has been accepted by the Regulators for elimination at SSO700 - even lower cost measures to meet the Consent Decree requirements of SSO 700 and lower than any potential solutions suggested by the ongoing IWAP.</p>

Risk/Issue Category	County's Assertion of Realized Savings	MSDGC's (MSD) Clarification to County monitor's Assertions
	<p>Identified that MSD's planned approach to the Werk & Westbourne WIP project was projected at \$73 million (over twice the WWIP final budget). Monitor recommended a \$51 million alternative accepted by the Regulators in January 2015.</p>	<p>MSD designed a project to meet the requirements of the Consent Decree. The County was aware of changes discovered during the project design phase including bedrock, stream coordination, revised water quality constraints, etc. Prior to formally proposing an approvable alternative, the County directed MSD to stop all work on this viable option.</p> <p>Concurrently, The County developed a Muddy Creek Alternative approach that was rejected by the Regulators and would have been more costly. The Regulators ultimately agreed the co-defendants could build a smaller facility if an acceptable proposal were submitted. The County proposal was to spend more than \$50 M on an existing Muddy and Westbourne facility that would have achieved zero additional CSO volume control. MSD developed the plan to reduce the Werk and Westbourne project from a 106 MGD facility to 35 MGD, with the remaining treatment facility deferred to Phase 2 of the Consent Decree, if needed.</p>
	<p>Capital and cost savings achieved related to CSOs 194, 195, 525 during the planning and negotiation phases.</p>	<p>The County has not authored any approaches to reduce project costs. During design MSD updated the hydraulic model and discovered the Consent Decree requirements for overflow reductions have already been achieved with the first portion of work completed for CSO 525. The Regulators required work to be completed at each CSO. MSD developed abbreviated scopes of work – which the County delayed more than 18 months. These projects are currently at risk of missing the Consent Decree deadlines and incurring penalties due to County imposed delays; MSD is taking numerous measures to expedite construction of these projects to avoid missing the deadlines.</p>
	<p>Identified that MSD's planned approach to the Upper Duck Creek WWIP projects was projected at \$45 million over the WWIP budget.</p>	<p>This statement is misleading. During detailed engineering and planning of the Upper Duck bundle projects, MSD discovered key components of the work were missing from the scope of work included in the Final WWIP. It would cost \$93.5M vs. \$30.5M to construct the WWIP defined scope of work – including missed components. As such, MSD developed a revised project scope to reduce cost and satisfy Consent Decree requirements. This revised bundle cost is \$74.5M which is \$19M less than the cost to construct the revised scope of the WWIP project. Although the bundle cost is more than the initial WWIP estimate. It is</p>

Risk/Issue Category	County's Assertion of Realized Savings	MSDGC's (MSD) Clarification to County monitor's Assertions
		not reasonable to claim cost savings in that the project has not yet been authorized for design and changes have not been subject to Adaptive Management. The scope of work requires discussion with the Regulators. The County has not provided a clear project that can be constructed for \$30.5M and meet the Consent Decree requirements.
Project Revisions	Identified that MSD's proposed \$5 million renovation of an Administration building was significantly above industry average.	The County refused to legislate design or construction. MSD requested funds to update a portion of the existing Mill Creek WWTP Administration Building – not currently in use by staff. The building was constructed in 1953 and does not meet current code requirements. MSD has no other location to store the documents and records required to be retained under the Consent Decree. Currently MSD staff are subject to unreasonable working conditions and records are not properly protected from the environment. The project cost was not above industry standard for work of this nature and age. The project proposed by MSD was less expensive than constructing a new storage facility.
Accounting Procedures	<p>In 2012, identified over \$61 million in authorized, but unspent, spending authority for de-legislation.</p> <p>In 2013, identified \$15 million in authorized, but unspent, spending authority for de-legislation.</p> <p>In 2014, identified unspent and unneeded appropriated budget amounts within the CIP of \$114 million for de-legislation.</p> <p>In 2015, identified unspent and unneeded appropriated budget amounts within the CIP of \$64 million for de-legislation.</p>	<p>These savings do not represent reduced costs. De-legislation is a paper exercise that removes the authority to spend previously authorized budget. It represents the difference between the cost estimate which was budgeted (legislated) and the actual cost to do the work. This process is a reconciliation of authority and does not affect the amount of costs incurred for projects.</p>
Accounting Procedures	<p>In 2015, identified unspent and unneeded appropriated budget amounts within the CIP Contingency of \$7 million for de-legislation.</p> <p>In 2015, identified unspent and unneeded appropriated</p>	<p>These savings do not represent reduced costs. De-legislation is a paper exercise that removes the authority to spend previously authorized budget. It represents the difference between the cost estimate which was budgeted (legislated) and the actual cost to do the work. This process is a reconciliation of authority and does not affect the amount of costs incurred for projects.</p>

Risk/Issue Category	County's Assertion of Realized Savings	MSDGC's (MSD) Clarification to County monitor's Assertions
	<p>budget amounts within the CIP Allowances of \$3 million for de-legislation.</p> <p>In 2015, identified \$80 million in CIP budget amounts for de-legislation compared to the \$20 million identified by MSD.</p>	<p>Whether de-legislated or not, the costs amounts would not have been spent by MSD.</p>
Project Deferrals	<p>Identified \$78.5 million in budget reduction opportunities during the 2014 MSD capital improvement budget review.</p>	<p>MSD and the County jointly discussed CIP reductions and it is not accurate for the County to claim that this was an actual cost savings – the projects are still needed, just deferred.</p>
	<p>Identified \$33 million in project savings in the 2015 capital improvement budget proposed by MSD (\$330M proposed vs. \$297M actual).</p>	<p>The referenced \$33M was comprised of reducing allowances by \$8M – which simply defers when sewers are replaced and other necessary asset management. \$22M of projects were deferred to a future CIP in lieu of including them in the 2015 CIP. Deferring these projects <u>will likely incur higher costs</u> when they are implemented. \$2.1M were costs MSD recommended be deferred based upon updated information learned after the draft budget was submitted in August. The allowance costs were savings although this will require a longer time frame for all assets to be improved.</p>
	<p>Identified \$38.5 million in budget reduction opportunities during the 2016 MSD capital improvement budget review.</p>	<p>The referenced \$38.5M was comprised of \$30.7M of projects deferred to a future CIP year. The projects are still necessary for MSD and so represent \$0 in cost savings. The balance of \$7.8M were cuts to allowances. MSD's program management allowance was reduced even though the County oversight budget was increased.</p>
	<p>Identified \$TBD million in budget reduction opportunities during the 2017 MSD capital improvement budget review.</p>	<p>The County monitor has placed holds on various priority projects or programs; MSD has presented a need for reinstatement of the requests for consideration in March 2017 to the BOCC.</p>
	<p>Identified \$2 million in efficiencies and improvements for consent decree projects during review of MSD's Post Construction Monitoring Plan.</p>	<p>There were no actual savings here that is attributed to the County monitor. The County did not identify any efficiencies or improvements, rather they did not agree with consolidating water quality sampling with the timing of the Post Construction Monitoring Plan. After negotiations, the Regulators proposed a completely different approach for Post Construction Monitoring that defers most efforts until all projects have been completed within a basin, inclusive of Phase 2 projects. No cost savings were realized from the County's review comments of the Plan.</p>
Operating	<p>In 2013, identified \$4 million of</p>	<p>MSD was working with Duke Energy on a partnership to</p>

Risk/Issue Category	County's Assertion of Realized Savings	MSDGC's (MSD) Clarification to County monitor's Assertions
Budget	unbilled Duke Energy reimbursable costs due to MSD.	identify existing building sewers. The reimbursable schedule used by MSD and Duke was not satisfactory to the County. MSD would have received the reimbursement in due time without County intervention. The County also discontinued the Duke partnership significantly affecting the information available to MSD staff.
	In August 2014, identified opportunity for MSD to reallocate \$6.3 million in funds rather than have the BOCC legislate this amount.	In 2014 the County refused to process procurement of construction projects until September 2014. As such, the MSD staff that work on capital construction projects did not have budget to charge their time from January – September 2014. These staff were forced to charge their time to the operating budget. MSD notified the County of this situation and the County required MSD to find the money from other accounts within the operating budget to cover these unbudgeted labor costs. The County caused the need to reallocate funds.
	Identified \$19.2 million in budget reduction opportunities during the 2014 MSD operating budget review.	It is not accurate for the County to claim that this was an actual cost savings – the reduction resulted in MSD re-prioritizing needs or deferring work as well as making supplemental requests in late 2014 .
	Identified \$14 million in savings in the 2015 operating budget proposed by MSD (net of debt) (\$110.6M v. \$124.6M) while still preserving critical operations.	County reductions to the 2015 operating budget included \$2.1M from personnel costs, \$5.3M reduction of expert services, \$2.5M in sundry contracts, \$0.6M supplies, \$0.6M reduction for fixed operating costs, \$1.2M from office and technical equipment, and \$0.75M from vehicles, and other changes. These reductions required MSD to defer innovative approaches for mitigating future sewer overflows at a lower cost. The long term impact of some of these decisions is unknown.
	In June 2015 Monitor focus on GCWW customer services billings charged to MSD resulted in MSD performing an analysis and discovering a fiscal year 2012 credit due to MSD.	Identification of a credit from GCWW was an outcome of the anticipated true-up that is performed for billing services.
Other Items	Reduced ratepayer debt when drafted a Program Contingency policy which minimized the amount of project contingency required to support the CIP.	The policy is cumbersome and requires long times for approval of dollars. An unreasonable amount of staff time is required to comply with the review process mandated by the County. MSD believes that there are additional improvements that it would like to explore with the County in the update and review of Program Contingency.

Risk/Issue Category	County's Assertion of Realized Savings	MSDGC's (MSD) Clarification to County monitor's Assertions
	<p>In 2014 MSD presented a \$1 million Stout Avenue project. The Monitor identified that the model used for design was not calibrated or validated and requested that MSD finalize the model prior to bringing legislation forward and starting the project. After proper model calibration and validation, MSD determined that the project would not solve the issue and withdrew the project.</p>	<p>The residents along Stout Avenue were experiencing basement backups and MSD worked jointly with the County and Community to install sewer prevention devices for impacted homes. MSD must maintain these devices for in perpetuity. The life-cycle costs for this approach have not been calculated.</p>

Source: MSDGC