

BL-5



PROJECT

2016 OPERATING BUDGET

IDENTIFIERS:

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI

LEGISLATIVE ACTION REQUESTED:

- DESIGN¹
 ADD'L DESIGN²
 EASEMENT APPROPRIATION³
 CONSTRUCTION⁴
 OTHER⁵: Resolution approving the 2016 MSD Operating Budget

PROJECT TYPE:

<input type="checkbox"/> PROJECT GROUNDWORK / WWIP	PG / WWIP Activity ID: _____	PG / WWIP Milestones: _____
<input type="checkbox"/> ASSET MANAGEMENT	<input type="checkbox"/> SUSTAINABLE INFRASTRUCTURE	
<input checked="" type="checkbox"/> OTHER: Annual MSD Operating Budget		

PROJECT DESCRIPTION:

Listed below is the City of Cincinnati-recommended 2016 operating budget for the Metropolitan Sewer District of Greater Cincinnati. Estimated operating revenues for the fiscal year beginning January 1, 2016 through December 31, 2016 and unappropriated funds available for use by MSD are sufficient to meet the requirements of the aforesaid operating budget.

OPERATION	2016 PERSONNEL SERVICES	2016 NON-PERSONNEL EXPENSES	2016 TOTAL BUDGET
OFFICE OF DIRECTOR	\$1,823,247.00	\$2,036,125.00	\$3,859,372.00
WASTEWATER ENGINEERING	\$6,508,938.00	\$817,579.00	\$7,326,517.00
WASTEWATER ADMINISTRATION	\$6,577,182.00	\$9,159,105.00	\$15,736,287.00
WASTEWATER TREATMENT	\$18,922,422.00	\$27,470,567	\$46,392,989.00
WASTEWATER COLLECTION	\$10,345,938.00	\$10,064,321.00	\$20,410,259.00
INDUSTRIAL WASTE	\$4,721,888.00	\$2,087,190.00	\$6,809,078.00
WATERSHED MANAGEMENT	\$941,385.00	\$10,635,986.00	\$11,577,371.00
OFFICE, TECHNICAL & OPERATING EQUIP.		\$2,137,292.00	2,137,292.00
VEHICLES		\$1,277,000.00	\$1,277,000.00
DEBT SERVICE		\$119,104,000.00	\$119,104,000.00
INDIRECT CITY OVERHEAD		\$2,900,000.00	\$2,900,000.00
DIRECT COUNTY OVERHEAD		\$295,510.00	\$295,510.00
INDIRECT COUNTY OVERHEAD		\$178,325.00	\$178,325.00
TOTAL	\$49,841,000.00	\$188,163,000.00	\$238,004,000.00

1. **Design** = 1 resolution - authorizing preparation of detailed plans, specifications, and estimate of cost and appropriating funds for the same.
2. **Add'l Design** = 1 resolution - appropriating additional funds for design.
3. **Easement Appropriation** = 3 resolutions - approving detailed plans, specifications and estimate of cost; declaring project necessity and intent to proceed with construction; appropriating easements.
4. **Construction** = 4 resolutions - approving detailed plans, specifications and estimate of cost; declaring project necessity and intent to proceed with construction; appropriating funds for construction; authorizing project advertisement & bid.
5. **Other** = Resolutions not covered above. Purpose is listed.

PROJECT DESCRIPTION (cont.)

The submitted FY 2016 operating budget reflects:

- About 50% or \$119.1M of the operating budget being allocated to pay debt service related to consent decree and other capital improvements;
- \$46.4M or 19% of the requested budget being allocated wastewater treatment operation (WWT);
- \$20.4M or 9% being allocated for wastewater collection operation (WWC);
- Funding an equivalent of 636 full time staff;
- \$2M in support of ongoing maintenance of MSD's Wet Weather SCADA system, and the achievement of crucial operational optimization capabilities needed to maximize the existing capacity of MSD's wastewater system ahead of the WWIP Phase 2 negotiations;
- \$2.2M for sludge hauling; and

The proposed operating budget *without* debt service is \$119,000,000.

The Board held and closed a public hearing on the MSD 2016 Operating Budget on November 18, 2015. The second public hearing was held December 9, 2015, thereby affording all interested parties the opportunity to comment. The hearing was advertised in the Enquirer on November 14, 2015 and November 28, 2015.

PRIOR PROJECT LEGISLATION: N/A

PROJECT FUNDING: N/A

REMAINING FUTURE LEGISLATION:

- Approving detailed plans, specifications, and estimate of cost
- Declaring necessity to construct/proceeding with construction
- Appropriating funds
- Advertise and bid
- Other: **NONE ANTICIPATED AT THIS TIME**

On motion of Mr. _____, seconded by Mr. _____ the resolution was adopted.

**RESOLUTION ADOPTING AN OPERATING BUDGET FOR FY 2016
THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO**

WHEREAS, the Executive Director of the Metropolitan Sewer District of Greater Cincinnati (MSD) and the City of Cincinnati Department of Sewers has submitted to the Board of County Commissioners of Hamilton County, Ohio ("Board") an operating budget for FY 2016 for the Metropolitan Sewer District; and

WHEREAS, this Board has reviewed said FY 2016 MSD Operating Budget, and held a duly noticed public hearing on November 18, 2015, December 9, 2015, and December 16, 2015 for the FY 2016 MSD Operating Budget; and

WHEREAS, this Board did, on December 16, 2015 conclude said public hearing on said FY 2016 MSD Operating Budget; and

WHEREAS, estimated operating revenues for the fiscal year beginning January 1, 2016 through December 31, 2016 and unappropriated funds available for use by MSD are sufficient to meet the requirements of the aforesaid operating budget.

NOW THEREFORE BE IT RESOLVED, by the Board of County Commissioners of Hamilton County, Ohio, that the aforesaid operating budget for fiscal year beginning January 1, 2016 through December 31, 2016, be and hereby is adopted and appropriated as follows:

Budget Department	2016 Personnel Costs	2016 Non-Personnel Costs	2016 Total Budget
Office of the Director	\$ 1,823,247	\$ 2,036,125	\$ 3,859,372
Wastewater Engineering	\$ 6,508,938	\$ 817,579	\$ 7,326,517
Wastewater Administration	\$ 6,577,182	\$ 9,159,105	\$ 15,736,287
Wastewater Treatment	\$ 18,922,422	\$ 27,470,567	\$ 46,392,989
Wastewater Collection	\$ 10,345,938	\$ 10,064,321	\$ 20,410,259
Industrial Waste Management	\$ 4,721,888	\$ 2,087,190	\$ 6,809,078
Watershed Management	\$ 941,385	\$ 10,635,986	\$ 11,577,371
Office, Technical and Operating Equipment		\$ 2,137,292	\$ 2,137,292
Vehicles		\$ 1,277,000	\$ 1,277,000
Indirect City Overhead		\$ 2,900,000	\$ 2,900,000
Direct County Overhead		\$ 295,510	\$ 295,510
Indirect County Overhead		\$ 178,325	\$ 178,325
Operating Budget without Debt Service	\$ 49,841,000	\$ 69,059,000	\$ 118,900,000
Debt Service		\$ 119,104,000	\$ 119,104,000
Total 2016 Operating Budget	\$ 49,841,000	\$ 188,163,000	\$ 238,004,000

BE IT FURTHER RESOLVED, by the Board of County Commissioners of Hamilton County, Ohio, that the 2016 authorized operating budget will be allocated as provided by MSD, and shown below. The monthly budget performance reporting as described in Section 8 below will follow this format.

	Object Code Grouping	2016 Original Request	2016 Budget		
			Personnel Costs	Non-Personnel Costs	Total
Office of the Director		6,566,972	1,823,247	2,036,125	3,859,372
	7100	1,335,299	1,370,329		
	7200	4,139,845		1,397,215	
	7300	27,510		27,510	
	7400	611,400		611,400	
	7500	452,918	452,918		
Wastewater Engineering		9,376,778	6,508,938	817,579	7,326,517
	7100	5,701,718	4,701,718		
	7200	1,505,290		472,872	
	7300	116,030		99,487	
	7400	246,520		245,220	
	7500	1,807,220	1,807,220		
Wastewater Administration		16,872,134	6,577,182	9,159,105	15,736,287
	7100	4,833,604	4,857,346		
	7200	7,270,813		6,347,661	
	7300	237,131		237,131	
	7400	2,810,750		2,574,313	
	7500	1,719,836	1,719,836		
Wastewater Treatment		48,302,130	18,922,422	27,470,567	46,392,989
	7100	13,649,906	13,649,906		
	7200	19,667,780		17,758,639	
	7300	8,816,210		8,816,210	
	7400	895,718		895,718	
	7500	5,272,516	5,272,516		
Wastewater Collection		24,977,418	10,345,938	10,064,321	20,410,259
	7100	7,528,180	7,528,180		
	7200	12,620,360		8,053,201	
	7300	1,885,370		1,885,370	
	7400	125,750		125,750	
	7500	2,817,758	2,817,758		
Industrial Waste		7,063,758	4,721,888	2,087,190	6,809,078
	7100	3,306,660	3,306,660		
	7200	1,672,390		1,417,710	
	7300	651,400		651,400	
	7400	18,080		18,080	
	7500	1,415,228	1,415,228		
Watershed Management		11,824,345	941,385	10,635,986	11,577,371
	7100	687,343	687,343		
	7200	9,584,660		9,337,686	
	7300	382,000		382,000	
	7400	916,300		916,300	
	7500	254,042	254,042		
OTEA	7629	3,637,292		2,137,292	2,137,292
Vehicles	7615	1,727,000		1,277,000	1,277,000
Debt Service	7700	111,226,790		119,104,000	119,104,000
Indirect City Overhead	7200	2,900,000		2,900,000	2,900,000
Direct County Overhead	7200	295,510		295,510	295,510
Indirect County Overhead	7200	178,325		178,325	178,325
TOTAL		244,948,452	49,841,000	188,163,000	238,004,000
Less Debt		(111,226,790)			(119,104,000)
Adjusted Operating Budget		133,721,662			118,900,000

BE IT FURTHER RESOLVED, by the Board of County Commissioners of Hamilton County, Ohio, that the following terms, conditions, and restrictions apply to all public monies legislated for the operating budget of MSD. These measures are required as a result of MSD's continuing non-compliance with MSDGC Rules and Regulations, and not operating in a transparent and business-like manner:

1. MSD shall provide the County unfettered access to all operating budget contracts, task orders, master services agreements, accounts payable records, invoices, ID bills, memorandums of understanding (MOUs) and any other similar documents that explain the use of operating budget funds.
2. The approved Operating Budget recognizes the services and activities that MSD conducts to participate in and enhance the communities it serves. This budget considers that all of the services and activities that MSD has performed and participated in during 2015 will be continued during 2016. The approved Operating Budget does not approve any contributions to organizations where there is not a direct link to rate payer benefits or for professional development for MSD staff.
3. MSD is to provide an accounting of the full time equivalent employees (FTE's) existing within its organization, to the County on a quarterly basis. Information will be reported for each employee by position, title, department, and salary. By the end of January 2016, MSD shall provide copies of, or access to, the W-2s, or equivalent information, for all employees in order to allow for an audit of existing personnel to be conducted by the County.
4. MSD is expected to manage its activities within the budget provided. No additional funding will be entertained by the Board except for an extraordinary circumstance or where justified by a comprehensive business case analysis. In the case of an extraordinary circumstance, MSD will be expected to fully explain and justify why the circumstance could not have been reasonably anticipated, and what measures MSD took to manage the situation within current resources.
5. MSD is expected to internally manage its budget such that critical and high priority activities are fully funded within the approved budget, and that lesser priorities can be delayed or cancelled should the need arise.
6. **Budget Management**
 - a. MSD is to provide the Board with a monthly budget within two weeks of the annual budget being approved by the Board of County Commissioners. The monthly budget is to be prepared at the department and object code level. MSD will track its monthly expenditures against monthly budgets at this detail level. MSD shall provide a monthly status report no later than 20 days after the end of each month in a format acceptable to the County. Any deviations by more than 10%, or \$50,000, whichever is greater from the budget for object codes shall have an explanation for the deviation.
 - b. Each quarter, MSD will meet with the County to discuss its actual spending for the quarter compared to budget, and the projected spending, by month, for the remaining part of the year. Should certain budget trends forecast an over budget condition by year end, MSD is expected to decide how that over budget condition will be recovered by curtailing that unit

code's activities, or by rebalancing budgets within the enterprise. The Board's expectation is that MSD will operate the entire year within its approved budget.

7. Monthly, any expenditures made without advance approval by the County as described in the Board of County Commissioners approved Rules and Regulations (for example construction costs or capital acquisitions expected to exceed \$25,000 and payments to the City) will require the Director of MSDGC to provide a written explanation of the oversight and a plan to avoid future occurrences. Repeated occurrences may result in the requirement for offsetting reductions in the Budget at the County Administration's discretion. The MSD Director will be expected to provide an explanation of the oversight to the Board of County Commissioners within 30 days of any payments made.

8. MSD is to ensure that Budget Fiscal Year (BFY) data is properly recorded for all operating expenses in the MSD's accounting system of record, "CFS". BFY transactions recorded in the current year for a prior calendar year are to be reconciled to year end accrued payable journal entries prior to the annual audit of its financial statements. The only exception to this rule would be for capital items purchased under the OTEA and Vehicles categories.

9. OTEA and the Vehicle operating budget requests will not be released until the prior year's items are reconciled between the MSD budget request, actual items purchased and items that have an open purchase order placed but which will not be received and/or paid prior to the end of the year. The reconciliation is due by January 15, 2016.

10. All Office and Technical Equipment Account (OTEA) and Vehicle purchases exceeding \$25,000 are to be reported to the County on a monthly basis with a complete description of the item purchased, the vendor and the amount. For all purchases of \$100,000 or more, MSD will present to the County a justification memorandum for the expenditure.

11. For the Vehicle account, MSDGC is to provide by December 31, 2015 an inventory of all vehicles. The inventory is to identify the make and model, year, VIN identification number, Ohio license plate number, total mileage and 2015 mileage for each on-road vehicle. For all other vehicles, the make and model, and year shall be provided.

12. For the vehicle account, no passenger vehicles (Cars, Pick-up Trucks, SUVs and Vans) shall be purchased until a Vehicle Utilization Study has been performed and reviewed and approved by the County. The Vehicle Utilization Study is to provide recommendations for the purchase of vehicles.

13. The OTEA is to be used primarily for office and supporting equipment. Wastewater Treatment Plant operations equipment should be purchased through the WWT Asset Renewal Allowance account.

14. For the OTEA and Vehicle Accounts, MSD shall provide a quarterly report indicating purchased items and cost as compared to budgeted items and cost identified in the 2016 Budget submittals.

15. In order to address the potential that the Little Miami WWTP Incinerator may not have a permit to operate, \$1.2 Million has been added to the Operating Budget for hauling sludge to a landfill. These funds are to be held for this purpose and this purpose only. For every month that the facility has a permit to operate or for which EPA allows the Incinerator to operate, the budgeted \$1.2 million for hauling sludge (in the event of the City is not permitted to operate the incinerator) shall be decreased by \$100,000 per month.

16. The Board recognizes the potential value of integrated planning and watershed monitoring and operations. This is especially critical in providing information for the planning and scheduling for Phase 2. MSD has agreed to prepare a plan for the prioritization for the installation of monitors to provide critical information for the planning and scheduling process. The plan will address the purpose for the monitors, the projected quantifiable benefit, and the schedule for the installation. The plan shall identify the schedule for analyses of the data, and timeframe for developing conceptual design for projects. For the development of the plan, \$300,000 is hereby released for use. The remaining \$1.7 million will not be available for use until the plan has been approved by the County. MSD shall provide written progress reports that identify progress against the plan on a quarterly basis. The reports are due 5 days following the end of the quarter. Deviations from the plan are to be identified, and the rationale for the deviation presented along with a corrective action plan to bring the work in line with the plan. The first report due by April 5, 2016.

17. Asset Management is critical to the maintenance of the Assets of the County Sewer District, in order to prevent unnecessary emergency repairs and to ensure the assets are viable well into the future. The Board has authorized \$3 million of additional funds for the inspection of collection system assets in addition to the \$1.9 million, estimated to be in the 2015 budget, in the budget. The collection system is comprised of mainline sewers and laterals (services to residences and businesses). MSD has requested consideration for the proactive inspection of laterals. The County recognizes the potential value of inspecting laterals; however, no rationale or split of lateral versus mainline inspection has been provided. Additionally, no policy or rule is in place to authorize or support the proactive lateral inspection. MSD is directed to provide a Business Case Evaluation (BCE) for its recommended approach relating to the inspection of laterals. The BCE shall address the operational risks associated with deferring funds from mainline inspection and the off-setting risks avoided with the inspection of laterals. The evaluation shall identify the recommended allocation of inspection funds based on quantifiable risks and/or historical data and evidence. Additionally, the study shall identify whether and which Board policies and/or Rules need to be changed to provide for the inclusion of lateral inspections and a plan to ensure the change does not create additional liabilities for rate payers.

MSD is not authorized to spend funds on the inspection of laterals not owned by the County, unless specifically granted as in the SBU program, until rules and or policies are in place to provide authorization and guidance. The BCE shall be provided to the County no later than March 31, 2016.

18. No later than January 31, 2016, MSD will report to the County its planned annual expert services program. The report will include the scope of services required, the reason the services are needed, the firm that will provide the services, if known, and the likely cost of the services. To maintain compliance with MSD Rule 2405-8, MSD will not commit any funds to procure expert services until the County provides written approval to MSD for each expert services request exceeding \$300,000.

19. Capital project asset impairment is not included in the operating budget; however, a projection of 2016 amounts shall be provided to the Board of County Commissioners by December 31, 2015. Said projection is to be based on specific project knowledge or a projection based on historic performance. If it is determined during the budget year that impairment has occurred, MSD will submit to the County Administration notification of such impairment and if so directed by the County Administration prepare a budget request to account for the write off within the operating budget.

20. Legal services and associated fees that are incurred in the operation of the MSD shall be paid for by the funds covered by the City Overhead account. Special legal services and associated fees for projects shall be charged directly to the projects. Legal services and fees in support of the SBU program shall be charged to that program. Legal services and associated fees in support of the Consent Decree shall be either charged to the specific project or to the PMC Allowance. The City of Cincinnati, agent, shall not use any MSD funds to advance legal positions contrary to that of the Board of County Commissioners, its principal. Any legal services which have been funded by MSD dollars are the property of the Board of County Commissioners. The City shall make all work product of legal services purchased with MSD funds available to the County immediately upon request. Attorney-Client privilege cannot be utilized by the agent to bar the principal from reviewing legal services purchased with MSD funds. Any violation of this provision will be pursued against the City's general fund and examined for breach of the 1968 operating agreement.

21. The funds included in Services in the operating budget for billing amount to \$6.3 Million; \$1.3 Million for jurisdiction reimbursement for billing services, and \$5.0 million for GCWW billing services. Since the MSD has identified that the jurisdictional billing is effectively double the GCWW billing cost per bill, MSD shall take the appropriate action to evaluate the appropriateness of the costs and bring these costs in line with the industry averages for similar ownership structures for 2016. Additionally, since there is no supporting documentation for the GCWW billing, MSD shall work with GCWW to develop a cost for billing based on an incremental costs basis. The work shall be completed in the first quarter of 2016. Only \$1.575Million for the first quarter of 2016 are released. Funding for the remainder of the year will be released after the billing methodology and documentation have been developed and approved by the Board.

22. Over the past three years, MSD has budgeted for positions well in excess of the existing staffing, and only achieved very minor increases in staff. For 2016, MSD is once again requesting funds for a significant increase in staff. MSD shall provide a staffing plan that identifies the positions planned to be filled, the timing for filling the positions, the projected salary and benefits cost and the resulting savings. This information shall be updated quarterly to reflect the progress on implementing the staffing plan, and a report provided to the County documenting the status of the plan.

23. MSD is to provide an estimate of non-cash expenses that are not included in the operating budget but which can have a significant impact on operating expenses reported in the financial statements. At a minimum, anticipated bad debt expense, potential impairments of capital assets, depreciation and amortization, and any changes to the long term net pension obligation and OPEB obligation for 2016 are to be provided to the County, along with supporting documentation by January 1, 2016. Any other significant expenses not included in the operating budget shall also be presented. Within 10 days of each quarter close, MSD is to report on any changes to these estimates and is also to provide an aging of outstanding receivables.

BE IT FURTHER RESOLVED, that the Clerk of this Board be and hereby is directed to certify copies of this resolution to Christian Sigman, Hamilton County Administrator; John Cranley, Mayor, City of Cincinnati; the Council of the City of Cincinnati in care of the Clerk of Council; the Cincinnati City Manager; and Gerald Checco, Executive Director of the Metropolitan Sewer District of Greater Cincinnati.

BE IT FURTHER RESOLVED, that this Board of County Commissioners hereby finds and determines that all formal actions relative to the adoption of this Resolution were taken in an open meeting of the Board of County Commissioners, and that all deliberations of this Board of County Commissioners and of its committees, if any, which resulted in formal action were taken in meetings open to the public, in full compliance with applicable legal requirements, including Section 121.22 of the Ohio Revised Code.

BE IT FURTHER RESOLVED that this Board finds and determines that all formal actions relative to the adoption of this Resolution were taken in an open meeting of the Board, and that all deliberations of the Board and its committees, if any, that resulted in formal action, were also taken in meetings open to the public, in full compliance with applicable requirements, including section 121.22 of the Ohio Revised Code.

ADOPTED at a regularly adjourned meeting of the Board of County Commissioners of Hamilton County, Ohio, this 16th day of December, 2015.

Mr. Monzel YES

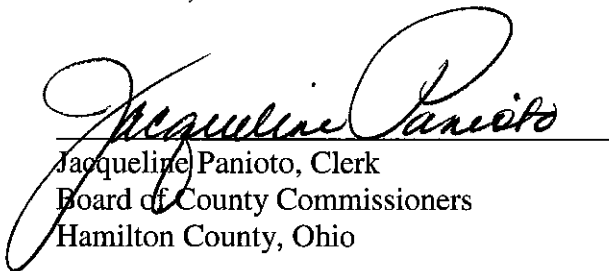
Mr. Hartmann YES

Mr. Portune YES

CERTIFICATE OF CLERK

IT IS HEREBY CERTIFIED that the foregoing is a true and correct transcript of a resolution adopted by the Board of County Commissioners in session this 16th day of December, 2015.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of the Office of the Board of County Commissioners of Hamilton County, Ohio, this 16th day of December, 2015.



Jacqueline Panioto, Clerk
Board of County Commissioners
Hamilton County, Ohio