

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI**  
**HAMILTON COUNTY MONITOR ANALYSIS AND RECOMMENDATION**

**NOVEMBER 25, 2014**

**I. INTRODUCTION**

The Metropolitan Sewer District of Greater Cincinnati (MSDGC) is required by the 1968 Agreement (and Amendments) between Hamilton County (County) and the City of Cincinnati (City) to submit a proposed budget to the County for review and approval by August 15, 2014. MSDGC submitted the 2015 proposed budget on August 15, 2014. There are two primary components of the Budget: the Operating Budget, which funds the operation and maintenance of the MSDGC; and the Capital Improvement Program (CIP), which funds the design and construction of new assets for the MSDGC. Of particular note, the CIP is the budget where the capital work to comply with the Consent Decree is funded. It is important to note that the Operating Budget is comprised of those funds required to operate and maintain the utility as well as the debt service associated with financing the construction of assets. Debt service comprises approximately half of the Operating Budget and is considered a fixed cost due to the legal requirement to repay bondholders. For the purposes of this document, all future references to the Operating Budget will be considered to mean the total Operating Budget less debt service unless otherwise noted.

In previous years the budget has received a general review and scrutiny; however, in 2013 (for the 2014 Budget) the Board of County Commissioners (BOCC) directed the County Monitor (Monitor) to perform an in depth review of the budget proposed by MSDGC and to provide recommendations to the BOCC in the same manner in which the budgets of other Board departments and agencies are reviewed. The result of the review and recommendations by the Monitor was that the Operating Budget was reduced by approximately \$19 million, and the CIP was reduced by approximately \$78 million. These reductions were achieved without any risk to Consent Decree performance, environmental compliance or to the operation and maintenance of the system. Recently, MSDGC agreed that, following a budget transfer that occurred in November 2014, the organization will finish the year at an expenditure level at or below the 2014 operating budget. While the 2014 operating budget reductions may have been challenging, it appears that the organization has succeeded in bringing total expenditures in at an amount consistent with that budget.

For 2015, the County Administration (Administration) directed the Monitor to develop recommendations for the budget targets for both the Operating Budget (less debt service) and the CIP. The development of the target funding levels was based on several items:

1. The documented needs of MSDGC,
2. The data provided by MSDGC to inform the Annual Information Statement and Public Offering Statement (Documents provided to the Bond Community) associated with the 2014 debt refinancing,
3. Empirical trend data indicating reasonable levels of projected future expenditures.

Based on these items, the target for the Operating Budget was set at \$105 million, and the CIP target was established at \$210 million, based on the assumption that the Valley Conveyance System (VCS) project (the largest project contained in Phase I of the WWIP), could be spread over three-four years of the CIP.

**II. PROPOSED BUDGET SUMMARY**

On August 15, 2014, MSDGC submitted its proposed budgets for 2015. The proposed Operating Budget was \$121 million, and the CIP was \$318.9 million. The proposed Operating Budget is a 2% increase over the 2014 budget request. **However, it represents approximately a 10% increase over the projected spending for 2014.** The proposed CIP includes the entire funding for the Valley Conveyance System (VCS) in 2015, which represents approximately \$90 million of future year expenditures. The CIP for the VCS is approximately \$104 million. This is further discussed in Appendix B.

The following table provides a comparison of MSDGC’s requested 2015 Operating Budget and CIP along with 2014 legislated amounts, actual expenditures and the Administration’s recommendation:

|  | <b>2015 MSD Budget Request</b> | <b>2015 County Budget Recommendation</b> | <b>2014 Approved Budget</b> | <b>2014 Amended Budget</b> | <b>2014 Forecasted Cash Spend</b> |
|--|--------------------------------|--|-----------------------------|----------------------------|-----------------------------------|
| <b>Operating Budget without Debt Service</b> | \$120,751,190                  | \$110,481,258 (4)                        | \$108,791,278               | \$113,591,277              | \$109,854,935 (2)                 |
| <b>Debt Service</b>                          | \$113,400,000                  | \$106,000,000                            | \$102,000,000               | \$99,700,000               | \$99,700,000                      |
| <b>Total Operating Budget</b>                | \$234,151,190                  | \$216,481,258                            | \$210,791,278               | \$213,291,277              | \$209,554,934                     |
| <b>CIP</b>                                   | \$318,879,216(2)               | \$290,000,000                            | \$209,052,944               |                            |                                   |

- (1) These items are further discussed in Appendix A.
- (2) Includes \$80 million that was also included in the 2014 construction request.
- (3) Forecast increased \$1.2 million for billing services provided by communities.
- (4) Includes ERIP, WC, and Jurisdiction billing costs.

**III. BUDGET ANALYSIS APPROACH**

In order to perform an in depth review of the proposed budget, the Monitor developed a listing of required information for MSDGC to provide. This information request was consistent with requests made during last year’s budget process and the standards typically used in the utility industry. Over the past several months, some of the information has been provided, but much has not. There have been

many meetings between the Monitor and MSDGC management and staff to either clarify the information provided, or to obtain the originally requested information. The ability of the Monitor to deliver a comprehensive budget recommendation to the Board has been hampered by the fact that not all of the requested information has been received.

#### **A. Operating Budget**

As a result of gaps in the information provided, and the significant difference between 2014 budget performance and the proposed budget for 2015, the Monitor performed historical trend analysis of 2011 thru 2014 spending in order to assess the 2015 proposed budget. The analysis is provided in Appendix A to this document. The results of the analysis are listed below.

The Operating Budget has five primary accounts: Personnel, Services, Supplies, Fixed, and Benefits. There are two accounts, OTEA and Vehicles which represent capital items within the operating budget. Any items "charged" against these accounts must meet County Rule 2405 for capitalizing items. The discussion provided in Appendix A will provide a brief analysis of each of the accounts. The analyses will evaluate historic spending, and incorporate any additional information provided by MSDGC to support the requested funding.

For purposes of identifying the trends in spending, cash expenditures for 2011 were used. For the years 2012 thru 2013, actual expenditures were used. For 2014, projected expenditures on a cash basis were used.

The recommended Operating Budget is \$110.5 million which includes \$2.2 million for OTEA and \$1.3 million for Vehicles. The Operating Budget recommendation is further broken down in Appendix C.

Where the Monitor's budget recommendation differs from MSDGC's request, it is typically due to either significant and unexplained variances of the request from trend data or lack of supporting information accompanying the request.

#### **B. CIP**

For the CIP, the first priority was to support all Consent Decree (CD) and Wet Weather Improvement Projects (WWIP). (For clarity any project that is part of the Consent Decree or the WWIP will be referred to as a CD project.). The second priority was to ensure proper funding of Allowance accounts for CD related activities such as Trenchless Sewer (rehabilitation), Trenchless Manhole (rehabilitation), and Home Sewer Treatment System. The third priority was to ensure adequate funding levels for Asset Management (AM) projects which serve to maintain current assets in good condition. The detailed analysis of the CIP is provided in Appendix B.

The proposed CIP budget requests \$318.9 million. This is a significant increase compared to prior years' expenditures (to date the highest historic annual cash flow use for the CIP is approximately \$156 million) and to the information contained in the Annual Information Statement (AIS) and the Public Offering

Statement (POS). However, there is one large project, the Valley Conveyance System, which is part of the Lick Run project that will have construction (and thus cash flow) spanning over four years.

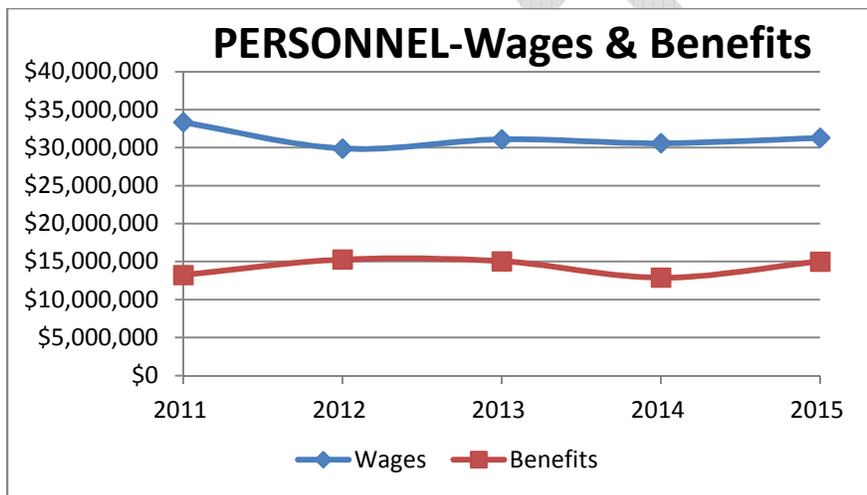
The recommended CIP for 2015 is \$290 million. Again, this CIP is higher than typical for MSDGC, but the VCS project in its entirety is included in the 2015 CIP. When the cash flow for this project is evaluated, with the changes to the CIP, the cash flow falls in line with the values included in the AIS and POS, and higher than historic cash flow. The cash flow for 2015 is estimated to be approximately \$180 million.

DRAFT

**APPENDIX A  
OPERATING BUDGET ANALYSIS**

**i. Personnel (Wages “7100” and Benefits “7500”)**

The costs included in this item are the salaries and benefits or portion of the salaries and benefits of the MSDGC personnel when not working on capital projects. For the time spent on a capital project, the salary is charged to the specific capital project. Historically, MSDGC has experienced approximately 85% of total salary cost as being non-capital related. The graph below shows the personnel accounts trends for the past several years. It is important to note that wages and benefits have been relatively constant over the past 4 years and is projected to continue in 2015.



It is important to note that while MSDGC provided a requested total for wages, they did not provide a breakout of benefits. The projections for 2015 are based on the historic split of benefits to wages.

The current level of employees at MSDGC is 563 (as of July 1, 2014). The Budget as submitted by MSDGC calls for 718 positions (filled and planned/budgeted) for 2015. This mirrors the projections MSDGC has presented over the past four years, which have yet to be realized. It does not seem reasonable or realistic for MSDGC to be able to effectively add 155 positions to the organization during the next year. Based on follow-up discussions with MSDGC during the budget review process, it appears that a range of 15 to 20 positions is warranted.

MSDGC is currently projected to be more than \$4.5 million under the personnel budget as originally requested for 2014.

The requested budget for personnel (\$46.3 million) is approximately \$2.1 million less than the prior year's budget (\$48.4 million). In comparison, MSD is currently trending at \$43.9 million for 2014 thus the budget request represents an increase of approximately 5.5%. The City has noted that they do not

believe hospitalization costs will increase (one of the largest benefit costs); therefore, only a modest increase is deemed necessary. The retirement costs for the City have not been provided to the Monitor; therefore, we have used historic ratios to evaluate the retirement needs.

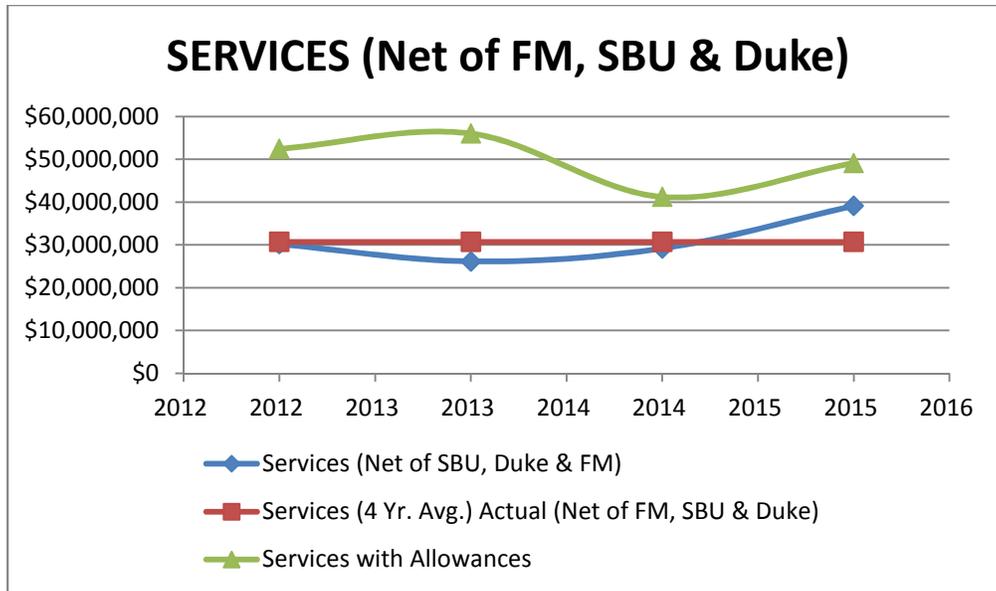
MSDGC has in the past had approximately 85% of the personnel cost attributed to the Operating Budget, while the remaining 15% is allocated to capital projects within the CIP. It is anticipated that the amount of personnel costs attributed to capital will remain consistent.

Based on the above analysis, and a lack of detail regarding the personnel components, the recommended funding level for personnel costs is \$45.4 million. This amount allows for the phasing in of a reasonable number of employees through the year. If MSDGC is able to add more personnel, it is anticipated that it will reduce dual effort consulting staffing and thus provide savings to the district. The consulting funds saved could then be transferred from the respective accounts to fund the additional personnel.

The recommendation represents 98% of the MSDGC request. It is unclear from the information provided by MSDGC as to whether the ERIP, and Workers compensation costs have been included in the personnel request as was directed in 2014.

**ii. Services (7200)**

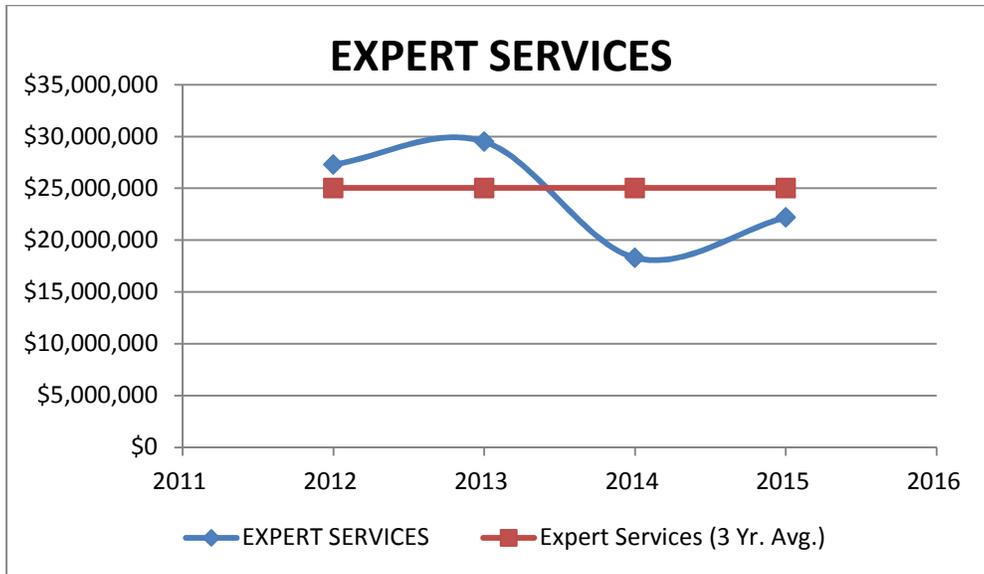
The services account includes expert services, utilities, customer billing, and sundry contracts. MSDGC is proposing a 17% increase in funding for this account as compared to the spending in 2014 (\$41.9 million versus \$49.1 million). See the graph below for historic spending and requested funding. When the proposed increase in services is considered in light of a proposed reduction in flow monitoring costs of \$1.7 million, the requested budget increase is closer to a 22% increase. Our recommendation for services is a budget of \$43.4 million. Major components of the budget are as follows: utilities (\$8.9M), billing (\$6.1 million), sundry contracts (\$3 million), SBU (\$3 million), flow monitoring (\$2 million), Duke Energy Coordination (\$5 million), expert services (\$6.9 million) and other undefined services (\$8.5 million). See below for additional discussion of these items. In the graph below 2012 and 2013 represent audited figures, 2014 is projected, and 2015 is MSDGC requested.



2014 projected expenditures = \$41.9 million  
 2015 MSDGC budget Request = \$49.1 million  
 2015 Recommended Budget = \$40.9 million

**a. Expert Services**

Expert services are a component of Services. When MSDGC hires consultants to perform functions funded out of the operating budget (non-capital items), they are charged to this account. Over the past several years expert services have fluctuated between \$18 and \$30 million when including services for the Duke Energy program, flow monitoring and SBU. The proposed increase in the expert services account is approximately 21% or \$3.9 million over the current year forecast. Of the current budget request, MSDGC has identified approximately \$4.1 million as “upcoming initiatives”. No support or other information was provided as to what the initiatives might be. In the graph below 2012 and 2013 represent audited figures, 2014 is projected, and 2015 is MSDGC requested.

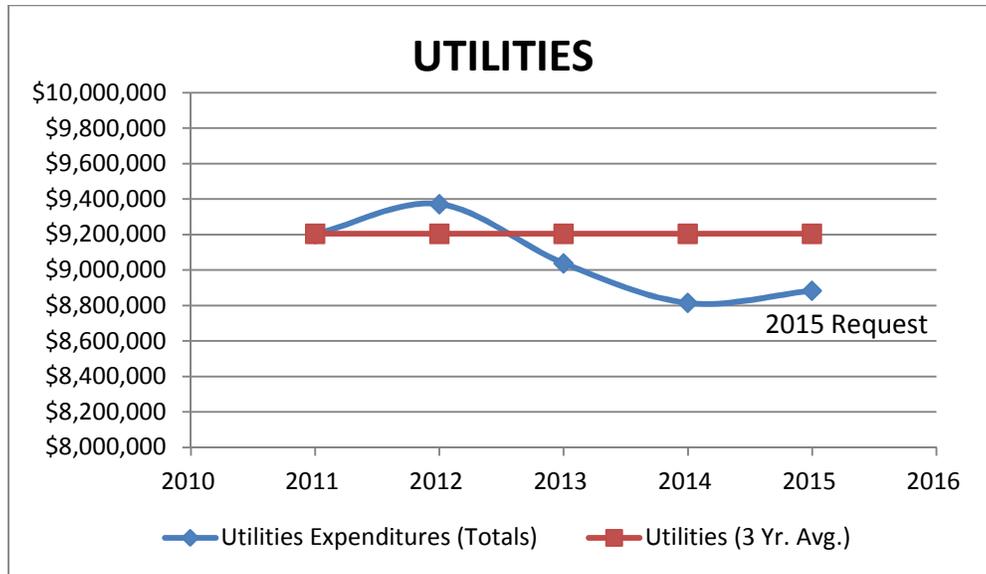


Expert services are a necessary expenditure for a utility such as MSDGC as they are needed to bring specific expertise to bear on various issues and projects and to supplement staff for short term engagements, to address peak workload. There is a risk, however, in over engaging expert services which can result in excessive expenditure for expertise that could be more cost effectively acquired through permanent employees of the utility. Without better information being provided, it is recommended that expert services be budgeted at \$6.9 million in addition to services for the following programs: SBU (\$3 million), Flow Monitoring (\$2 million) and Duke Energy Coordination (\$5 million).

2014 projected expenditures = \$6.5 million  
 2015 MSDGC budget Request = \$12.2 million  
 2015 Recommended Budget = \$6.9 million

**b. Utilities**

There has been an increased focus on reducing energy dependence/use in this country and in the utility industry. The graph below provides information regarding the spending for electricity (power), natural gas and sewerage. As illustrated below, utility costs have decreased by approximately 4% over the four year period from 2011 to 2014. This could be the result of a reduction in unit rates as MSD has initiated the process of purchasing utilities on the spot market. Or it could be the result of more efficient operations. Regardless, it appears MSD has done an admirable job of procuring for and managing energy usage at its facilities. The recommendation is for the utility account to be funded as requested, \$8.9 million which is very close to the forecasted actual spend for 2014, and is the requested amount.



2014 projected expenditures = \$8.8 million  
 2015 MSDGC budget Request = \$8.9 million  
 2015 Recommended Budget = \$8.9 million

**c. Billing (Billing Charges from GCWW and Local Communities)**

The Billing charges from the GCWW were established in 1999 with the City identifying the costs for services and the split for the various work items required for the billing. The information provided regarding the analysis suggests the consultant did not use an incremental cost approach, but rather as cost sharing between equal participants. It is the Monitor’s opinion that an incremental cost approach should have been used, which would have supported a focused effort on controlling costs. The annual charge for GCWW’s billing services has been as high as \$5.2 million and as low as \$4.9 million. In addition to billing services performed by GCWW, certain communities also perform their own billing services adding an additional \$1.2 million in costs. In 2013, total billing services cost MSD rate payers \$6.2 million. Costs are trending at \$6.3 million for 2014. MSDGC has identified a budget request for \$4.9 million. Billing services provided by other communities were not included in their request. (\$1.2 million)

The Monitor has been requesting detailed information regarding the allocation of costs for billing services for the past several years. A simple calculation appears to indicate that the \$4.9 million paid to GCWW for billing services (including customer service for billing) would support between 50 and 60 full time equivalents. A review of the information provided by MSDGC in their budget request identifies the cost sharing for the billing services. It appears to indicate that MSDGC is paying for more than the incremental costs for GCWW to perform the billing. It is recommended that \$4.9 million be budgeted this year for GCWW billing services and \$1.2 million for other communities doing their own billing. It is important to point out that both of these costs appear to greatly exceed the industry norm. Costs for similar services in the industry suggest this area should be reviewed over the coming year. This will require MSDGC to provide the detail information regarding the billing cost allocation. The Monitor is

concerned about the costs being allocated to MSD for billing services and whether these costs are, in fact, subsidizing costs more appropriately borne by Water Works or outside communities which are providing billing services. Work to address this apparent discrepancy is being undertaken in anticipation of reaching resolution early in 2015 more in line with industry averages.

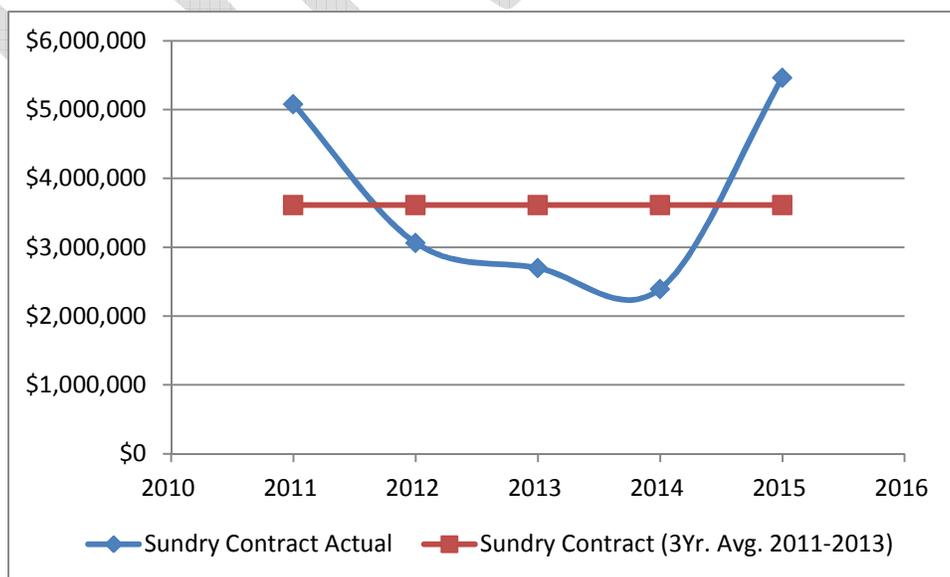
The current recommendation is to include the \$6.1 (\$4.9 + \$1.2) million within the recommended operating budget, but to continue to work to bring the billing costs to an amount more reflective of industry norms.

2014 projected expenditures = \$6.3 million  
 2015 MSDGC budget Request = \$4.9 million  
 2015 Recommended Budget = \$6.1 million

**d. Sundry Contracts (7299)**

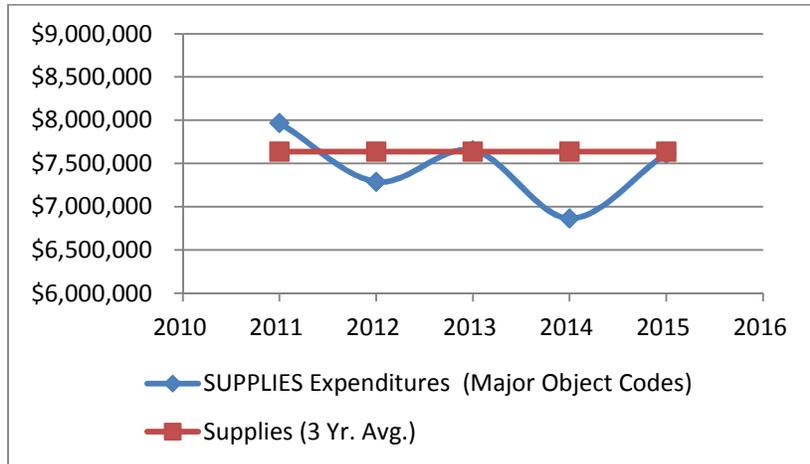
The largest item in the Sundry Contract is waste disposal with Rumpke. The amount spent on Sundry Contracts decreased from more than \$5 million in 2011 to a low of just over \$2 million in 2014. The proposed budget by MSDGC includes an increase in Sundry Contracts of more than 125% over projected 2014 spending. It also represents an increase of 83% over an average of the spending for 2011 thru 2013. There was no discussion of the Sundry Contracts in the information provided by MSDGC to the County Monitor. The recommendation is for \$3 million in this accounting object code. This represents the average spending for the period of 2012 thru 2014.

2014 projected expenditures = \$2.4 million  
 2015 MSDGC budget Request = \$5.5 million  
 2015 Recommended Budget = \$3 million



iii. **Supplies (7300)**

MSDGC is requesting an 11% increase in supplies over the 2014 operating budget. This account includes items such as petroleum, chemicals, mechanical and plant supplies, technical equipment parts, and plumbing and electrical machinery. These items make up approximately 70% of the total costs in the supplies object code. The graph below shows that the trend for the past four years is a cyclic downward pattern.



With the trend moving downward and the above graph accounting for 70% of the costs included in the object code, it may be possible to dampen the cyclic nature of spending on supplies. No additional data was provided for the supplies. Chemical costs were projected to be 130% of the 2014 expenditures and 115% of the highest expenditures for chemicals in the past four years. The preliminary rate study identified that chemical costs were considered to be increasing at a rate of 4%. The recommended budget for supplies is \$10.5 million, which represents between a 4% and 5% increase over 2014. This recommendation is intended to significantly fund the WWC and WWT departments for supplies.

2014 projected expenditures = \$9.9 million  
2015 MSDGC budget Request = \$11.1 million  
2015 Recommended Budget = \$10.5 million

iv. **Fixed (7400)**

MSDGC is requesting a 16% increase in fixed costs over the 2014 operating budget. This account includes items such as office machines, software and licenses, and subscriptions and memberships. Detail supporting approximately \$4 million of the requested \$5.9 million budget was provided. Projected spending for 2014 is approximately \$5 million. The recommended budget for Fixed Charges is \$5.25 million, which represents a 3% increase.

2014 projected expenditures = \$4.9 million

2015 MSDGC budget Request = \$5.9 million  
2015 Recommended Budget = \$5.3 million

**v. Benefits**

See Section i. above for budget recommendations. The Benefits account is comprised primarily of two items: retirement contributions and traditional employee benefits such as hospitalization. The Monitor received some information as this document was being prepared. They are still waiting for the supporting information to further define the anticipated benefits and retirement costs for 2015. It is anticipated that the Benefits object code will be funded at approximately \$13.1 million. This is the amount of benefits attributable to the operating budget. The benefits associated with capital project activity will be included in the respective projects. No funds should be released from the account until the City provides the documentation of the costs to be allocated to MSDGC rate payers.

2014 projected expenditures = \$13.8 million  
2015 MSDGC budget Request = \$11.2 million  
2015 Recommended Budget = \$13.1 million

The recommendation includes the requested \$11.2 million plus \$1.3 million for the City's Early Retirement Incentive Program and \$0.6 million for workers compensation.

**vi. OTEA**

The OTEA account is Office and Technical Equipment Account. The requested funding for 2015 for the OTEA account is \$3.4 million, which represents a reduction of approximately 17% from 2014. The 2014 budget includes approximately \$1.5 million for flow monitors. Given this extraordinary expenditure, the typical or normal expenditures would have been approximately \$2.5 million. However, when considering the expenditures for the past four years and adjusting for the extraordinary expense in 2014, it appears that a more normal budget for OTEA would be approximately \$2.16 million. Therefore, the recommendation for the OTEA budget is \$2.16 million.

2014 projected expenditures = \$4.1 million  
2015 MSDGC budget Request = \$3.4 million  
2015 Recommended Budget = \$2.16 million

**vii. Vehicles**

The request for vehicle funding is approximately \$2 million. This request is more than the budget for 2014 by 10%. The bulk of the vehicles being replaced are approximately 8-10 years old. Clearly this is the time frame when utility vehicles should be replaced. However, in reviewing the mileage that the vehicles are reported to have, many do not have mileage exceeding 5,000 miles per year. Granted that it would be expected that mileage would be low for in district driving, but this raises the question as to whether

the vehicles are necessary. If a vehicle was used for a 10 mile trip (20 mile round trip) once per day, that would result in 5,000 miles per year. This usage would have the vehicle in use an hour or two per day. This would suggest that the number of vehicles should be reduced and the usage scheduled to minimize costs. With that thought in mind, the recommended budget for vehicles is \$1.25 million.

2014 projected expenditures = \$1.8 million  
2015 MSDGC budget Request = \$2.0 million  
2015 Recommended Budget = \$1.25 million

**viii. Indirect City Overhead**

The City has not provided any detail information supporting the city overhead, therefore the recommended budget will remain the same as in 2014 at \$2.5 million.

2014 projected expenditures = \$2.9 million  
2015 MSDGC budget Request = \$2.5 million  
2015 Recommended Budget = \$2.5 million

It is important to note that the City is projected to be over the 2014 budget by approximately \$400,000.

**ix. Direct County Overhead**

The direct county overhead remains the same as in 2014 at \$290,000.

**x. Indirect County Overhead.**

The county indirect overhead amount remains the same as in 2014 at \$175,000.

**xi. Budget Risks**

As with any operating budget, there are risks which could impact the ability of MSDGC to implement this budget on or below the amount set by the Board. These risks include but are not limited to:

- A. Unforeseen maintenance/repair needs
- B. Utility costs
- C. Chemical costs
- D. Environmental or Health and Safety Issues
- E. Weather conditions
- F. Unforeseen changes in or new regulations

**APPENDIX B  
CIP ANALYSIS**

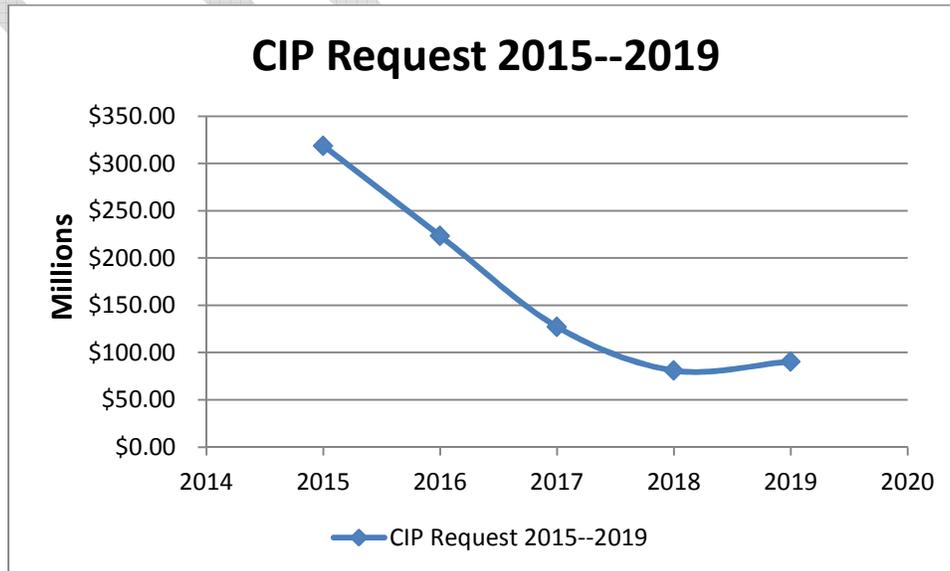
The following chart breaks down the classifications of the CIP request put forward by MSDGC for 2015:

| <b>CIP CATEGORY</b>                | <b>FUNDING REQUEST</b> | <b>PERCENTAGE OF TOTAL</b> |
|------------------------------------|------------------------|----------------------------|
| <b>WWIP Projects</b>               | <b>\$210,257,166</b>   | <b>65.94%</b>              |
| <b>WWIP Allowances</b>             | <b>\$16,400,000</b>    | <b>5.14%</b>               |
| <b>Locals and Laterals</b>         | <b>\$4,077,800</b>     | <b>1.28%</b>               |
| <b>Asset Management</b>            | <b>\$54,382,250</b>    | <b>17.05%</b>              |
| <b>Asset Management Allowances</b> | <b>\$23,750,000</b>    | <b>7.45%</b>               |
| <b>Programmatic Contingency</b>    | <b>\$10,000,000</b>    | <b>3.14%</b>               |
| <b>Total</b>                       | <b>\$318,867,216</b>   | <b>100.00%</b>             |

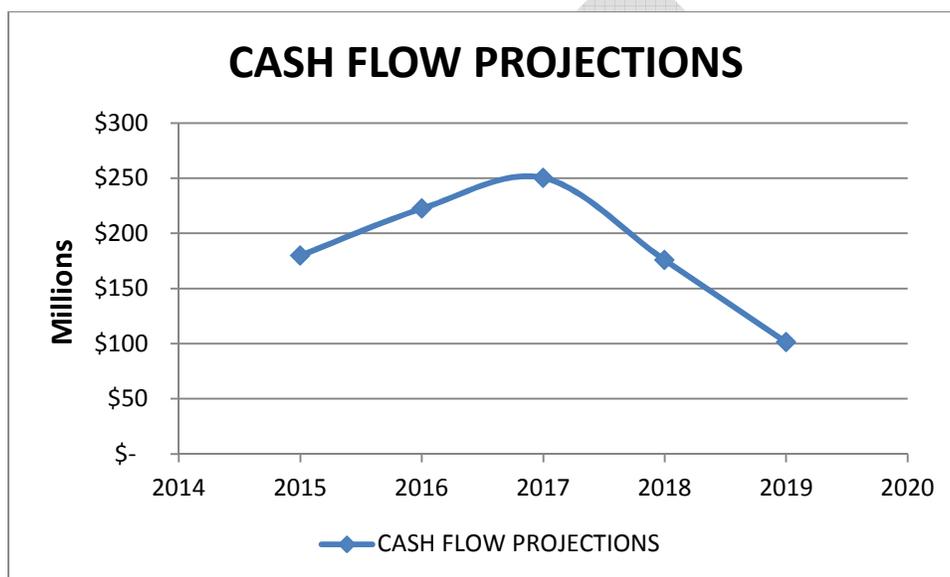
The following chart breaks down the classifications of the CIP recommendation for 2015 by the County Monitor:

| <b>CIP CATEGORY</b>                | <b>FUNDING REQUEST</b> | <b>PERCENTAGE OF TOTAL</b> |
|------------------------------------|------------------------|----------------------------|
| <b>WWIP Projects</b>               | <b>\$192,235,466</b>   | <b>66.25%</b>              |
| <b>WWIP Allowances</b>             | <b>\$14,400,000</b>    | <b>4.96%</b>               |
| <b>Locals and Laterals</b>         | <b>\$4,077,800</b>     | <b>1.41%</b>               |
| <b>Asset Management</b>            | <b>\$47,939,950</b>    | <b>16.52%</b>              |
| <b>Asset Management Allowances</b> | <b>\$18,000,000</b>    | <b>6.20%</b>               |
| <b>Programmatic Contingency</b>    | <b>\$13,500,000</b>    | <b>4.65%</b>               |
| <b>Total</b>                       | <b>\$290,153,216</b>   | <b>100.00%</b>             |

The projected annual CIP for the next five years has a high of approximately \$319 million in 2015, and has a proposed low of approximately \$81 million in 2018.



It should be noted, as anticipated and appropriate, that cash flow does not mimic funding requests when they vary as greatly as the above. The adjusted CIP cash flow projection for the proposed budget for 2015 is, generally, in line with the projections provided in the AIS and POS. The cash flow projections are identified below. The cash flow projections could be adjusted to more closely reflect the projections in the AIS and POS by managing the timing of the Valley Conveyance and if approved by the BOCC the Great Miami WWTP projects. This could be done without any impact to the WWIP deadlines. There is some merit to leveling the cash flow in that it helps avoid spikes in rate increases and serves as a measure of the planning effort for the Utility. The County has been working with MSDGC to improve the out year projections for capital projects.



Projects within the CIP are classified as planning, design, easement (PDE) or construction projects. Those projects that are proposed for PDE are required to have business case evaluations (BCE) that assess the problem, identify alternatives including the do nothing alternative, and provide a recommendation based on the business evaluation of the information. Projects that are brought forward without BCEs are deemed not ready for advancing to the PDE stage. Construction projects are brought forward after the design has been completed in conformance with the BCE recommendation. Each construction project is reviewed at the time the construction funding legislation is requested.

Allowances are also included in the CIP, and are reserved for capital items. For the past few years MSDGC has used some of the capital funds for non-capital purposes. This has required the Board of County Commissioners to legislate funds to increase the Operating Budget to accommodate the MSDGC expenditures. For this reason, the Monitor will be working with MSD to ensure that they adhere to the capitalization requirements in the MSDGC Rules to better control allowance expenditures for 2015 and beyond.

The Capital Improvement Plan (CIP) is made up of the WWIP projects, WWIP allowances, local and lateral projects, asset management projects, and asset management allowances. Each project category in the CIP will be discussed below with selected projects discussed within each category.

#### **I. WWIP Projects**

The BOCC has committed to ensuring that all projects associated with the WWIP are performed in order to ensure that the County remains in compliance with the Consent Decree requirements. Three primary projects comprise the bulk of the proposed WWIP expenditures in 2015: The Werk & Westbourne EHRT (EHRT), the Valley Conveyance System (VCS) and associated projects, and the Muddy Creek Interceptor projects.

The following discussion highlights issues with specific projects included within the CIP that could have significant implication for the ongoing capital program:

- For the Werk & Westbourne Facility, the WWIP cost in 2014 dollars is \$30-\$31 million. Any funding beyond the WWIP costs will need to be identified by MSDGC as offsets to other projects. The rationale behind this recommendation is that MSDGC has identified that all of the project costs contained in the WWIP had the appropriate contingency to address changes in scope.
- The current VCS budget is approximately \$104.7 million. This cost is expected to be reduced as amenities are removed as directed by the BOCC. The resolution addressing this issue was enacted approximately two years ago. During the interviews for the Construction Manager At Risk (CMAR) contractor, the proposers identified that it may be possible to accelerate the project. The decision to accept the acceleration of the project needs to be weighed against the cost to accelerate the project and the impact on the cash flow and anticipated bond financing. One key aspect is that accelerating the project does not appear to provide the CSO reduction any faster unless the other projects in the Lick Run suite of projects are accelerated as well. This will likely not be funded so as to maintain the cash flow within acceptable limits for the rate payers.
- There are several problems with the projects associated with the Valley Conveyance System. Due to utility conflicts, the costs for these projects appear to have increased by approximately 12-13%. Discussions with the utility have indicated that MSD has not adhered to the requirements of Duke Energy for separation from utilities. Some projects may require re-design to avoid these unnecessary costs. However, every effort will be made by the County to assist MSDGC in maintaining the schedule. Earlier this year, MSD indicated that these projects maintain sufficient float to be able to meet the WWIP deadlines.
- The Muddy Creek Interceptor Replacement projects are identified as phase 2 projects, but are proposed for Phase 1. MSDGC has indicated that recent information suggests that the interceptors need to be addressed sooner than anticipated. To date the supporting information has not been provided by MSDGC. The complicating factor is that the hydraulic

model used to size these interceptor replacement projects is not validated, meaning that it has more than industry standard error. This creates concern regarding the ability to accurately size the replacement pipe. These projects have been removed from the 2015 budget pending model calibration and validation.

- The Dry Weather Channel (DWC) construction was proposed to improve the dry weather flow in conveyance above CSO 522 to reduce solids deposition in the conveyance. This improvement had been associated with the proposed EHRT at Werk & Westbourne. Recently (11/18/14), MSDGC, in response to pilot testing validity issues raised by the Monitor, proposed to remove the DWC to facilitate the pilot testing of the EHRT. The regulators indicated their acceptance to the elimination of the DWC. The DWC was eliminated from the 2015 CIP for this reason. MSDGC has indicated that the DWC will not be rescheduled until after the pilot testing of the EHRT, in 2020.

The Monitor is recommending that the cost for this project be included in the Contingency fund. The funds will be released upon MSDGC providing definitive information that the DWC will not impact the testing of the pilot facility and the portability of the results.

## **II. WWIP ALLOWANCES**

There are three capital WWIP allowances for which MSDGC has requested funding: Trenchless Sewer (rehabilitation), Trenchless Manhole (rehabilitation), and Home Sewer Treatment System. A fourth allowance, while not specifically addressed in the Consent Decree provides for Program Management Consulting (PMC) for both WWIP projects and asset management projects. Each allowance, with exception of the PMC allowance, is recommended to be funded consistent with the 2014 Budget, and the 2015 Budget request, conditioned upon MSDGC providing a list of projects and manholes for the Trenchless sewer and manhole rehabilitation.

For the PMC, MSDGC requested additional funding for 2014. A review of PMC expenditures for 2014, to date, identified expenditures that were not consistent with the PMC and should have been identified as operating expenses. Additionally, there were MSDGC employees that charged their time to the PMC and not to the specific projects that they worked on. MSDGC was provided a preliminary screening of the charges in late October, and has not yet provided their assessment. Based on the Monitor's review, no additional funding is required for 2014, and as much as \$3 million was identified as either employee time that should have been charged directly to projects or expenses that should be transferred to the Operating Budget. The recommended budget for PMC for 2015 is \$5.3 million.

The charges for the Monitor team were included in the PMC allowance. Since MSDGC has applied the PMC funds to items not originally budgeted, there was not a sufficient amount of funds to pay the County invoices. To resolve this issue for 2015, the Monitor team's budget will be set up under a separate project ID number.

## **III. Locals and Laterals**

The local and lateral projects address un-sewered areas of Hamilton County. The projects listed have undergone County review and are recommended for funding.

#### **IV. Asset Management**

There are several projects in the asset management listing of projects where appropriate information has not been provided to the Monitor for review. These include the design for the Mill Creek WWTP Two-Bay Solids Receiving Facility and the Mill Creek WWTP Solids Handling Improvements Phase I. As it relates to the Solids Receiving Facility, questions have been raised by the Monitor which have yet to be answered by MSDGC with a BCE. Until those questions are answered, the design for the Solids Receiving station cannot be recommended for advancement. For the Mill Creek WWTP Solid Handling Improvements Phase 1 similar questions exists. However, this project will be included in the CIP, with the condition that an appropriate, global solids handling analysis be performed and provided prior to the release of any funds for this project.

MSDGC has proposed the remodeling of the Old Administration Building for a limited amount of storage. The proposed design cost is \$313,000. This project has been removed from the CIP with the direction for MSDGC to bring forward a BCE to address storage needs.

The Great Miami WWTP design was included in the budget request although MSDGC has yet to provide an update to the BOCC as required by resolution. This project is being left in the CIP; however no spending can take place until the project is presented to the BOCC and MSDGC is authorized to proceed with the project.

#### **V. Asset Management Allowances**

The asset management allowances serve as funds to deal generally with smaller capital items. However, these funds have not been consistently applied to individual allowance categories over the past two years, with one allowance experiencing 48% of the funds being expended on non-capital items. For this reason, the Monitor will work with MSDGC during 2015 to develop a more effective way of ensuring that expenditures against Allowance categories are consistent and appropriate .

The allowances, for which MSDGC has requested funding, are: CIP Planning, WWT System Asset Renewal, Hydraulic Modeling, Emergency Sewer Repairs, System Wide Sensor Installation, High Risk Asset Renewal, and Water Quality Modeling. These allowances have been in place for several years and the question arises each year as to whether they are necessary. The following is a very brief discussion of the allowances.

##### **A. CIP Planning**

This work is for the planning and evaluation of potential future projects. Several items were put forth to justify the proposed \$2.5 million. The descriptions provided only warrant a recommended budget of \$1.75 million. Based on the descriptions provided, some of the items were for non-capital items.

##### **B. WWT System Asset Renewal**

Forty-eight percent of the expenditures in this allowance for the past two years have been operating budget related. MSD has requested \$5 million, but based on the appropriate expenditures for the past two years, and the management of this allowance, only \$2 million is recommended.

C. Hydraulic Modeling

The hydraulic model is established, and the ongoing work on the model is to refine or update the model. Without further explanation it appears these costs are not capital costs. Therefore, only \$1,000,000 will be budgeted with the condition that expenditures need to be approved by County Administration prior to committing any funds. At the time of review, the Monitor will work with MSDGC to determine if the work is capital or expense in nature.

D. Emergency Sewer Repairs

This allowance has been funded at the same level for the past several years. With the advent of MSDGC's asset management program, it is expected that this allowance should begin to decrease. The requested funding is \$8.5 million, but the recommended funding level is \$8 million.

E. High Risk Asset Renewal

Again this allowance has been funded at the same level for the past several years. It is expected that the Asset Management program should start to have an impact on allowance funding, since high risk assets are addressed by preventative maintenance such as rehabilitation. The requested funding is \$4.5 million, but the recommended funding is \$4 million.

F. Water Quality Modeling

This allowance has been funded for the past several years. During a meeting with MSD, it was requested that the existing water quality model be displayed for the Monitor. This has not been done. Without a plan as to how to get to a water quality model, the recommended funding for this allowance is \$500,000, with the condition that the water quality model and water quality data be provided to the County for review.

**VI. Programmatic Contingency**

Contingency is removed from the individual project budgets and funded from the programmatic contingency. This allows the BOCC full review and in many cases control over the expenditure of funds, from the account. The Programmatic Contingency is calculated after the CIP projects have been determined. At the time of the preparation of this recommendation, an amount of \$10.0 million has been used for the contingency. As discussed above, an additional amount of \$3.5 million has been added to serve as a reserve for the DWC project in the event sufficient, definitive technical documentation can be provided that the DWC will not adversely impact the portability of the EHRT pilot test.

**VII. Budget Risks**

As within any budget, there are certain risks to the MSDGC operating and capital budgets that the Board should consider in advance of acting on both. These risks include:

- A. Regulatory requirements – particularly those related to implementation of the Consent Decree and WWIP which may spur additional costs to the utility.

- B. With interest rates being at historic lows, and large scale debt issuances planned annually, future increases in rates may lead to an increase in the cost of borrowing and additional debt service which must be covered in the operating budget.
- C. Inability of MSDGC to accurately account for joint utility costs.

The Monitor will continue to assess MSDGC's budget and cash flow throughout the year to anticipate and mitigate the impact of any of these risks to the degree they materialize.

DRAFT

**APPENDIX C  
OPERATING BUDGET RECOMMENDATION DETAIL**

The following chart details the County Operating Budget recommendation by department and also breaks out the recommendation between personnel and non-personnel:

|                               | 2015 Budget Request  | 2015 Budget Recommendation Personnel | 2015 Budget Recommendation Personnel | 2015 Budget Recommendation Total | 2015 Budget Request / Recommendation |
|-------------------------------|----------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| Office of the Director        | \$7,283,840          | \$2,194,980                          | \$2,377,000                          | \$4,571,980                      | 63%                                  |
| Wastewater Engineering        | \$5,796,155          | \$4,760,485                          | \$544,050                            | \$5,304,535                      | 92%                                  |
| Wastewater Administration (1) | \$14,230,826         | \$5,041,261                          | \$9,661,920                          | \$14,703,181                     | 103%                                 |
| Wastewater treatment          | \$45,193,777         | \$19,139,252                         | \$24,524,900                         | \$43,664,152                     | 97%                                  |
| Wastewater Collections        | \$22,415,696         | \$10,018,410                         | \$11,768,460                         | \$21,786,870                     | 97%                                  |
| Division of Industrial Waste  | \$5,871,420          | \$3,705,020                          | \$1,377,670                          | \$5,082,690                      | 87%                                  |
| Watershed Management          | \$11,651,876         | \$557,850                            | \$8,900,000                          | \$9,457,850                      | 81%                                  |
| OTEA                          | \$3,357,600          |                                      | \$2,160,000                          | \$2,160,000                      | 64%                                  |
| Vehicles                      | \$1,985,000          |                                      | \$1,250,000                          | \$1,250,000                      | 63%                                  |
| OH                            | \$2,965,000          |                                      | \$2,500,000                          | \$2,500,000                      | 84%                                  |
| <b>Budget without debt</b>    | <b>\$120,751,190</b> | <b>\$45,417,258</b>                  | <b>\$65,064,000</b>                  | <b>\$110,481,258</b>             | <b>91%</b>                           |
| <b>Debt</b>                   | <b>\$113,400,000</b> |                                      | <b>\$106,000,000</b>                 |                                  |                                      |
| <b>Total</b>                  | <b>\$234,151,190</b> | <b>\$45,417,258</b>                  | <b>\$171,064,000</b>                 | <b>\$216,481,258</b>             | <b>92%</b>                           |

(1) Includes \$1.2 million for billing services performed by other jurisdictions.

**APPENDIX D  
CIP RECOMMENDATION DETAIL**

The following chart details the County CIP budget recommendation by project ID:

DRAFT

DRAFT

County Team Recommendations for MSD 2015 CIP

November 25, 2014

| Project ID | Projects by Program                                 | MSD Requested Funding | County Monitor Recommended Funding | County Monitor Recommendation<br>Y=Yes<br>C=Conditional<br>N=No<br>R=Removed by MSD |  |
|------------|---|-----------------------|------------------------------------|---|--|
|            | <b>TOTAL ALL PROJECTS</b>                           | <b>\$318,867,216</b>  | <b>\$290,153,216</b>               |   |  |
|            | <b>TOTAL WWIP PROJECTS</b>                          | <b>\$230,734,966</b>  | <b>\$210,713,266</b>               |   |  |
|            | <b>WWIP PROJECTS</b>                                | <b>\$69,176,466</b>   | <b>\$65,979,466</b>                |   |  |
| 10130020   | Muddy Creek Interceptor Rehabilitation              | \$300,000             | \$0                                | R   |  |
| 10130740   | Werk & Westbourne EHRT Facility                     | \$59,141,666          | \$59,141,666                       | C   |  |
| 10131180   | Muddy Creek WWTP Ad New Belt Filter Press           | \$5,190,000           | \$2,293,000                        | C   |  |
| 10131220   | Glenview Pump Station Upgrade                       | \$831,300             | \$831,300                          | Y   |  |
| 10143220   | CSO 179 Sewer Separation                            | \$1,601,600           | \$1,601,600                        | Y   |  |
| 10170810   | LMWWTP Electrical Feeders                           | \$588,800             | \$588,800                          | C   |  |
| 10170811   | LMWWTP Solids Handling Improvements                 | \$1,523,100           | \$1,523,100                        | C   |  |
|            | <b>WWIP ALLOWANCES</b>                              | <b>\$16,400,000</b>   | <b>\$14,400,000</b>                |   |  |
| 10180115   | Trenchless Sewer                                    | \$5,200,000           | \$5,200,000                        | C   |  |
| 10180215   | Trenchless Manhole                                  | \$1,000,000           | \$1,000,000                        | C   |  |
| 10190315   | Home Sewer Treatment System                         | \$200,000             | \$200,000                          | Y   |  |
| 10199015   | Wet Weather Program Management and Support Services | \$10,000,000          | \$5,300,000                        | C   |  |
| #####      | County Monitor and County Overhead                  | \$0                   | \$2,700,000                        | Y   |  |

**DRAFT**

**County Team Recommendations for MSD 2015 CIP**

November 25, 2014

| Project ID  | Projects by Program                               | MSD Requested Funding | County Monitor Recommended Funding | County Monitor Recommendation<br>Y=Yes<br>C=Conditional<br>N=No<br>R=Removed by MSD |  |
|-------------|---|-----------------------|------------------------------------|---|--|
| <b>WWIP</b> | <b>LOCAL and LATERAL PROJECTS</b>                 | <b>\$4,077,800</b>    | <b>\$4,077,800</b>                 |   |  |
| 10320011    | West Fork Road Local Sewer                        | \$475,000             | \$475,000                          | Y   |  |
| 10320075    | Old Blue Rock Road Local Sewer                    | \$238,100             | \$238,100                          | Y   |  |
| 10330015    | Werk Road Local Sewer                             | \$751,300             | \$751,300                          | Y   |  |
| 10340024    | North Bend Road Local Sewer                       | \$355,500             | \$355,500                          | Y   |  |
| 10370035    | State Road Local Sewer                            | \$459,800             | \$459,800                          | Y   |  |
| 10370045    | Mount Carmal / Vicbarb / Appleblossom Local Sewer | \$1,491,000           | \$1,491,000                        | Y   |  |
| 10420015    | Boomer Road Sewer Lateral Assessment              | \$30,100              | \$30,100                           | Y   |  |
| 10430030    | Werk Road Sewer Lateral Assessment                | \$40,300              | \$40,300                           | Y   |  |
| 10440055    | E. Galbraith Road Sewer Lateral Assessment        | \$45,400              | \$45,400                           | Y   |  |
| 10440060    | Pottinger Road Sewer Lateral Assessment           | \$40,300              | \$40,300                           | Y   |  |
| 10450016    | Enyart Road Sewer Lateral Assessment              | \$40,300              | \$40,300                           | Y   |  |
| 10450025    | E. Kemper Road Sewer Lateral Assessment           | \$25,000              | \$25,000                           | Y   |  |
| 10450030    | E. Kemper Road Sewer Lateral Assessment           | \$50,500              | \$50,500                           | Y   |  |
| 10460000    | Drake Road Sewer Lateral Assessment               | \$35,200              | \$35,200                           | Y   |  |

DRAFT

County Team Recommendations for MSD 2015 CIP

November 25, 2014

| Project ID  | Projects by Program                                  | MSD Requested Funding | County Monitor Recommended Funding | County Monitor Recommendation<br>Y=Yes<br>C=Conditional<br>N=No<br>R=Removed by MSD |  |
|-------------|--|-----------------------|------------------------------------|---|--|
| <b>WWIP</b> | <b>SI_PROJECTS</b>                                   | <b>\$125,317,000</b>  | <b>\$125,317,000</b>               |   |  |
| 11142750    | Brent Spence Bridge I-75 Reconstruction Coordination | \$620,000             | \$620,000                          | C   |  |
| 11170050    | East Duck Creek Watershed Plan                       | \$411,000             | \$411,000                          | C   |  |
| 11240000    | Lick Run Valley Conveyance System                    | \$104,664,600         | \$104,664,600                      | C   |  |
| 11240001    | Lick Run Property Demolitions                        | \$2,476,600           | \$2,476,600                        | C   |  |
| 11240130    | Queen City Ave Sewer Separation Phase 2              | \$10,252,400          | \$10,252,400                       | C   |  |
| 11240170    | Quebec Heights Sewer Separation                      | \$3,120,000           | \$3,120,000                        | Y   |  |
| 11243140    | CSO 217/483 Source Control Phase A                   | \$3,772,400           | \$3,772,400                        | Y   |  |
| <b>WWIP</b> | <b>URGENT CAPACITY PROJECTS</b>                      | <b>\$15,763,700</b>   | <b>\$939,000</b>                   |   |  |
| 11530000    | Upper Muddy Creek Interceptor Replacement            | \$14,306,800          | \$0                                | N   |  |
| 11530001    | Upper Muddy Creek Interceptor Replacement Contract A | \$939,000             | \$939,000                          | C   |  |
| 11540010    | Mt. Airy Receiving Sewer Upgrade                     | \$517,900             | \$0                                | R   |  |
|             | <b>TOTAL AM PROJECTS</b>                             | <b>\$78,132,250</b>   | <b>\$65,939,950</b>                |   |  |
|             | <b>AM_PROJECTS</b>                                   | <b>\$54,382,250</b>   | <b>\$47,939,950</b>                |   |  |
| 10200001    | Great Miami WWTP                                     | \$5,000,000           | \$5,000,000                        | C   |  |

**DRAFT**

**County Team Recommendations for MSD 2015 CIP**

November 25, 2014

| <b>Project ID</b> | <b>Projects by Program</b>                             | <b>MSD Requested Funding</b> | <b>County Monitor Recommended Funding</b> | <b>County Monitor Recommendation<br/>Y=Yes<br/>C=Conditional<br/>N=No<br/>R=Removed by MSD</b> |  |
|-------------------|--|------------------------------|---|--|--|
| 10230130          | Dry Weather Channel For SS 937                         | \$3,485,800                  | \$0                                       | R  |  |
| 10240027          | Cora Avenue Sewer Replacement                          | \$647,100                    | \$647,100                                 | Y  |  |
| 10240029          | German Cemetery Sewer Replacement                      | \$695,000                    | \$695,000                                 | Y  |  |
| 10240144          | Millbrook #2 Pump Station Upgrade                      | \$870,200                    | \$870,200                                 | Y  |  |
| 10240150          | Mt. Airy Forest Sewer Replacement                      | \$5,183,700                  | \$5,183,700                               | Y  |  |
| 10240151          | MCWWTP Administration and Annex Building Modifications | \$313,000                    | \$0                                       | N  |  |
| 10240291          | Mill Creek WWTP Solids Handling Improvements Phase 1   | \$12,159,200                 | \$12,159,200                              | C  |  |
| 10240320          | Wilder Avenue Sewer Replacement                        | \$400,200                    | \$400,200                                 | Y  |  |
| 10240335          | 3568 Bogart Avenue Sewer Replacement                   | \$140,500                    | \$140,500                                 | Y  |  |
| 10240345          | Myrtle Avenue Sewer Replacement                        | \$34,000                     | \$34,000                                  | Y  |  |
| 10240350          | McKeone Avenue Sewer Replacement                       | \$103,000                    | \$103,000                                 | Y  |  |
| 10240380          | CSO 005 Water Connection                               | \$71,000                     | \$71,000                                  | C  |  |
| 10240382          | CSO 5 (Lick Run RTC) Improvements                      | \$200,000                    | \$0                                       | N  |  |
| 10240410          | Sharp Alley Sewer Replacement                          | \$502,700                    | \$502,700                                 | Y  |  |
| 10240430          | Berkley Avenue Sewer Replacement                       | \$583,300                    | \$583,300                                 | Y  |  |

DRAFT

County Team Recommendations for MSD 2015 CIP

November 25, 2014

| Project ID | Projects by Program  | MSD Requested Funding | County Monitor Recommended Funding | County Monitor Recommendation<br>Y=Yes<br>C=Conditional<br>N=No<br>R=Removed by MSD |  |
|------------|--|-----------------------|------------------------------------|---|--|
| 10240435   | Pleasant Run Central Force Main Repairs                    | \$1,068,000           | \$1,068,000                        | Y   |  |
| 10240460   | Fairbanks Avenue Sewer Replacement                         | \$282,500             | \$282,500                          | C   |  |
| 10240465   | Hosea Street Sewer Replacement                             | \$397,900             | \$397,900                          | C   |  |
| 10240495   | Wahl Terrace Sewer Replacement                             | \$577,800             | \$0                                | R   |  |
| 10240535   | Stout Avenue Sewer Improvements                            | \$707,600             | \$0                                | R   |  |
| 10240545   | Central Parkway Sewer Replacement                          | \$129,200             | \$129,200                          | Y   |  |
| 10240560   | Schulte Drive Sewer Repla                                  | \$145,100             | \$145,100                          | C   |  |
| 10240565   | Overflow Parking Lot for MSDGC Engineering and Admin Bldgs | \$475,000             | \$475,000                          | C   |  |
| 10240585   | MCWWTP Two-Bay Solids Receiving Facility                   | \$1,008,100           | \$0                                | N   |  |
| 10240590   | MCWWTP Main Substation Improvements                        | \$496,700             | \$496,700                          | C   |  |
| 10240595   | MCWWTP Power Bldg Medium Voltage Switchgear                | \$517,400             | \$517,400                          | C   |  |
| 10240645   | WWC Maintenance Shop Improvements                          | \$144,850             | \$144,850                          | C   |  |
| 10240646   | WWC Storeroom Driveway Flood Protection                    | \$150,000             | \$0                                | R   |  |
| 10241820   | SSO 700 Facility Improvements                              | \$8,509,500           | \$8,509,500                        | Y   |  |

DRAFT

County Team Recommendations for MSD 2015 CIP

November 25, 2014

| Project ID | Projects by Program                           | MSD Requested Funding | County Monitor Recommended Funding | County Monitor Recommendation<br>Y=Yes<br>C=Conditional<br>N=No<br>R=Removed by MSD |  |
|------------|---|-----------------------|------------------------------------|---|--|
| 10250030   | Polk Run UV System/Post Aeration Improvements | \$225,000             | \$225,000                          | C   |  |
| 10250035   | Polk Run Non-Potable Water Upgrades           | \$102,000             | \$102,000                          | Y   |  |
| 10270007   | Dry Run Area Sewers Phase 2 Contract RB       | \$7,181,100           | \$7,181,100                        | Y   |  |
| 10270120   | Cath Calvary Cemetery Sewer Replacement       | \$168,700             | \$168,700                          | Y   |  |
| 10270140   | Grove Avenue Sewer Replacement                | \$211,000             | \$211,000                          | Y   |  |
| 10270145   | Columbia Parkway at Delta Sewer Replacement   | \$299,000             | \$299,000                          | C   |  |
| 10270155   | Paxton Avenue Sewer Rehabilitation            | \$332,600             | \$332,600                          | C   |  |
| 10270170   | CSO 83 and 472 Dynamic Underflow Control      | \$400,000             | \$400,000                          | C   |  |
| 10270175   | East Hill Ave Sewer Replacement               | \$279,700             | \$279,700                          | Y   |  |
| 10270176   | Stanley Ave Lateral Relocations               | \$184,800             | \$184,800                          | Y   |  |
|            | <b>AM_ALLOWANCES</b>                          | <b>\$23,750,000</b>   | <b>\$18,000,000</b>                |   |  |
| 10280124   | CIP Project Planning                          | \$2,500,000           | \$1,750,000                        | C   |  |
| 10280185   | WWT System Asset Renewal 2015                 | \$5,000,000           | \$2,000,000                        | C   |  |
| 10280235   | Hydraulic Modeling 2015                       | \$1,500,000           | \$1,000,000                        | C   |  |
| 10280315   | Emergency Sewer Repairs 2015                  | \$8,500,000           | \$8,000,000                        | C   |  |
| 10280340   | System Wide Sensor Installation               | \$750,000             | \$750,000                          | C   |  |

DRAFT

County Team Recommendations for MSD 2015 CIP

November 25, 2014

| Project ID  | Projects by Program          | MSD Requested Funding | County Monitor Recommended Funding | County Monitor Recommendation<br>Y=Yes<br>C=Conditional<br>N=No<br>R=Removed by MSD |                                     |
|---|------------------------------|-----------------------|------------------------------------|---|-------------------------------------|
| 10280515  | High Risk Asset Renewal 2015 | \$4,500,000           | \$4,000,000                        | C   |                                     |
| 10280615  | Water Quality Modeling 2015  | \$1,000,000           | \$500,000                          | C   |                                     |
|   | <b>OTHER</b>                 | <b>\$10,000,000</b>   | <b>\$13,500,000</b>                |   |                                     |
| 13090000  | Programmatic Contingency     | \$10,000,000          | \$13,500,000                       | Y   |                                     |
|   |                              |                       |                                    |   |                                     |
|   |                              |                       |                                    |   |                                     |
|   | <b>Totals:</b>               | <b>\$318,867,216</b>  | <b>\$290,153,216</b>               |   | (includes Programmatic Contingency) |
|   | <b>Totals:</b>               | <b>\$308,867,216</b>  | <b>\$276,653,216</b>               |   | (without Programmatic Contingency)  |
| <b>Total of WWIP in CIP:</b>                                  |                              |                       |                                    |   | <b>\$210,713,266</b>                |
| <b>Total of Allowances in CIP:</b>                            |                              |                       |                                    |   | <b>\$65,939,950</b>                 |
| <b>Program Contingency Calculation (Project ID 13090000):</b> |                              |                       |                                    |   | <b>\$13,500,000</b>                 |
| <b>Grand Total County Monitor Recommended CIP Budget:</b>     |                              |                       |                                    |   | <b>\$290,153,216</b>                |