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Hamilton County Commissioners Warned of Projected Cost Overruns on West Side Sewer Project

CINCINNATI – The Hamilton County Board of Commissioners today announced the discovery of significant unreported cost overruns in the Metropolitan Sewer District (MSD) Lower Mill Creek Partial Remedy (LMCPR) bundle of projects. The LMCPR, also known as the Lick Run project in South Fairmount, is the largest MSD project within the first phase of the federal consent decree and has been projected by MSD officials as a transformative, green infrastructure project for South Fairmount with a significant impact on several west side Cincinnati neighborhoods.

The County previously approved \$244.3 million for this large project, and officials now estimate that none of MSD's \$16.6 million in emergency, contingency funds will remain at the end of the project- even before the majority of the construction begins. In total, it is estimated that the project will exceed the budget by over \$13 million- a significant burden to MSD ratepayers unless MSD follows corrective steps outlined by the BOCC.

As the owner of the sewer district, the County has directed MSD and the City of Cincinnati to provide a Corrective Action Plan by February 8 and asked County Administration to conduct an audit of the LMCPR project if MSD does not.

"It's shocking and discouraging to learn that MSD has burned through its contingency on its biggest project – before the major work begins," said Commissioner Chris Monzel. "This could result in major MSD rate increases unless action is taken ASAP to fix the problem. Unfortunately, this looks like Déjà Vu of the Cincinnati Streetcar project."

"The City, as our agent, is excluding significant project costs from the budget on huge sewer projects," said Commissioner Dennis Deters. "Because of the management decisions at MSD and the City of Cincinnati, we see a promised transformation for South Fairmount and the west side being scaled back. Without a corrective plan for this project immediately, ratepayers will be exposed to additional costs, which is unacceptable."

The County Monitor assigned to oversee MSD finances and operations uncovered the potential for cost overruns during reviews of MSD spending reports. Unreported LMCPR-related projected actual spending includes:

- \$12 Million in project management consultant fees;
- \$5 Million in costs for certain associated projects that MSD has decided are necessary for the LMCPR project to work as intended;
- \$1.4 Million of known and pending change orders; and
- \$1 Million of sustainable infrastructure costs.

The associated projects, all within the City of Cincinnati, include:

- Quebec Road sewer replacement;
- Faehr Street sewer separation project;
- Queen City and Cora Ave sewer rehabilitation; and
- Quebec Heights sewer rehabilitation.

Commissioners are directing MSD to provide a full accounting of these costs and to properly allocate costs to the LMCPR bundle of projects per MSD rules and estimating practices. Commissioners also direct MSD to fully cooperate with the County Monitor in its efforts to verify proper cost allocation.

In June 2013, Commissioners authorized MSD to commence implementation of the Lower Mill Creek Partial Remedy. At that time, Commissioners instructed, and MSD confirmed, that the \$244.3 Million budget would cover all the Lower Mill Creek project-related costs, including planning, design, construction, and all related indirect costs such as program management consulting fees. In fact, MSD has regularly reported that the project cost would be under \$230 Million, leaving a significant contingency.

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