



Hamilton County

Board of County Commissioners

Greg Hartmann
President
Phone (513) 946-4405
Fax (513) 946-4404

Chris Monzel
Vice President
Phone (513) 946-4409
Fax (513) 946-4407

Todd Portune
Phone (513) 946-4401
Fax (513) 946-4446

Room 603
County Administration Building
138 East Court Street
Cincinnati, Ohio 45202

TDD/TTY (513) 946-4719
www.hamilton-co.org

Christian Sigman
Administrator
Phone (513) 946-4420
Fax (513) 946-4444

Jacqueline Panioto
Clerk of the Board
Phone (513) 946-4414
Fax (513) 946-4444

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Commissioners Cut \$45 Million from Sewer District Budget

Approved budget includes restrictions on questionable lawyers' expenses by the City of Cincinnati, and seeks information on City pension contributions

CINCINNATI – Hamilton County Commissioners today reduced the proposed 2016 Metropolitan Sewer District (MSD) operating budget by \$45 million, meeting all requirements of a federal consent decree and avoiding a substantial rate increase to sewer ratepayers until at least July 2016. Commissioners also placed restrictions on the use of MSD funds spent on legal counsel by the City of Cincinnati, and raised questions over City pension fund payments.

Commissioners Greg Hartmann, Chris Monzel and Todd Portune voted to approve the 2016 MSD budget today, after reviewing and revising the budget proposed by the City of Cincinnati. The County owns the sewer district and contracts its operations to the City of Cincinnati as the result of a 1968 agreement.

Budget Savings

Earlier this year, City officials requested more than \$575 million for the 2016 MSD budget, including \$111 million for debt payments. The budget request was reduced by \$45 million after months of scrutiny from the Commissioners' appointed MSD monitor, and the City and MSD management have accepted the 2016 budget. The mix of operating and capital budget cuts would, if they remained intact, have triggered an additional rate increase of about four percent.

"Commissioners utilize the MSD monitor team to ensure the County protects required spending on federally mandated projects, while trimming discretionary spending and overseeing the fiscal management of the sewer district," said Commissioner Chris Monzel. "The County's work this year has prevented another rate increase and protects ratepayers."

Questionable Legal Counsel Expenses

Commissioners today moved to prohibit City of Cincinnati officials from using MSD funds in legal matters against the County. Hamilton County is the owner, policy-maker, and funder of the county sewer district. The city currently serves as the county's contract operator.

The restriction was included in an approved 2016 budget resolution because city officials have used MSD ratepayer funds to fight the County's ownership and oversight of MSD. Recently, city officials used ratepayer funds to prepare for and conduct litigation against the County. Quite surprisingly, City officials have actually refused to disclose information to the County regarding MSD-funded legal actions, despite the County's ownership of the sewer district.

"The City has time and again proven that City interests will be put ahead of the Countywide ratepayers who fund the sewer district," said Commissioner Greg Hartmann. "Now the City has boldly utilized MSD money to pay lawyers to fight the County in court – another example of the City's reckless actions to use MSD to benefit Cincinnati at the expense of the ratepayers of Hamilton County."

Pension Fund Activity Questioned

Commissioners today also questioned the methodology used to determine MSD contributions to City's troubled pension fund. County officials have requested information from the City regarding the calculation of MSD employees' ongoing and future payments to the City's funds. However, city officials mostly ignored the county's five-years' of requests for information, leaving major questions regarding the multi-million dollar liability.

"The commission has very specific and important questions regarding how MSD contributions are determined," said Commissioner Todd Portune. "The County must have all of the information required before a vote to release millions of ratepayer dollars. The City cannot reasonably object to providing the County any information it needs before the Commissioners vote to spend millions of dollars."

To date, city officials have not sufficiently responded to commission inquiries on several pension fund issues. Specifically, Commissioners were not provided information on how the following issues were calculated:

- Annual increases to long-term unfunded pension liability accrual of between \$5 million and \$8 million;
- Calculations justifying the claim that MSD's total pension and health care long-term unfunded liability accrual are approximately \$60 million; and
- The determination that MSD had a required pension contribution of \$11.8 million for 2016 and 2017.

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