

**PUBLIC SERVICE COMMITTEE MEETING
SEPTEMBER 24, 2012**

Chairman McLaughlin called a Public Service Committee Meeting for Monday, September 24, 2012, at 6:30 PM in the Euclid Municipal Center Council Chamber.

AGENDA

Update on Waste Water Treatment expansion projects

Introduction of new rate structure

Members Present: Caviness, Langman, O'Hare, Van Ho, McLaughlin

Others Present: Law Director Frey, Service Director Bock, Finance Director Malone, Supt. Hall, Councilwoman Jones, Councilwoman Scarniench, Council President Holzheimer Gail, Clerk of Council Cahill.

Chairman McLaughlin – This Service Committee meeting has been called to discuss our progress on our Waste Water Treatment improvement projects as they pertain to the Consent Decree and also to open up discussions on proposed new rates by the administration to finance the remaining balance of the project through 2025. I would like to welcome members of CT and acknowledge Councilwoman Scarniench, Councilwoman Jones, Councilwoman Gail and the rest of the Service Committee.

At this point we are going to turn the meeting over to Director Bock to give us a synopsis of where we stand and then he'll turn it over to CT for a short Power Point presentation.

Director Bock – Introduced Mike Stinehelfer and Leslie Gordon from CT Consultants, Inc. and Mr. Dave Miller in the audience. Thank you for coming tonight. Council's requested an update of our Consent Decree projects and CT Consultants has provided a Power Point and we'll be going over each of the projects and where we stand, future projects where we stand, the cost of those projects. After we've completed that, we'll be able to go to the proposed rate increases. We should get started and have Mr. Stinehelfer go to the Power Point.

Mr. Stinehelfer – What we'd like to do this evening is briefly go over where we've been in the last couple of months in reality. In July 31, 2012 we received an email from US EPA approving the city's sewer study plan and a copy of that is in your handout and also on the board. Where we stand right now is the US EPA has issued the email approving the sewer study plan. The Ohio EPA is processing the sewer study permit that we applied for in the last month and the permit application and they will issue approval to US EPA and to the city and that's in the works.

The requested upgrade of the sewer study final documents which is in the email is currently in progress. We had a conference call with US EPA to get the formal agreed to so we don't submit anything that's not going to be acceptable and we hope to hear something back on that tomorrow so we can move forward on revising the documents that were in progress at that point and getting that into US EPA.

The approval of the plan was based on the following projects. The SSO elimination projects, SSO-26, 27, 25 which is down in the southwest portion of the city. Those three projects have been combined into one project, including water in basements which is the E. 222 and Crystal area. We'll be putting in a relief sewer in that area to take care of the water in basement problems there. That whole project is combined into one project.

The other project is SSO 30, 31 & 32. That's 274 and 275 Streets. That's located in the northeast portion of the city on your map. That project is combined into one.

The third project, SSO 28, 33 & 37, which is located in the middle by the treatment plant and one up to the northeast portion of the city. That's a project that will take place on the Waste Water Treatment site as part of the headworks project. We'll combine those two and construct those at the same time. Those are to relieve those three SSO's in the system. There will be no work in those areas themselves, all the work will be taken place at the Waste Water Treatment plant.

The two remaining projects on the list, is SSO 36 Brandywine and Pump Station EQ basin. Those two projects are scheduled for later in the period, we have a 10 year period to construct. At the current time they are not funded and we'll be obtaining funds for that. We'll go over the schedules later.

The other projects agreed to in the plan is the Waste Water Treatment Plant and Wet Weather facility improvements. Those will consist of headworks facility, the MBR upgrade which is the pure oxygen aeration tanks. That becomes the MBR tanks. The south clarifiers will then become pre-treatment facilities for the MBR process that will be preaeration and anaerobic treatment. This area in the back, the north clarifier tanks, those will remain available for future use and for sludge holding. The microstrainer tanks currently will be used for the MLSS Recycle for part of the MBR process.

The lower level of the administration building will be used for chemical feed equipment and blowers as part of the MBR process.

This building here is the wet weather treatment facility that will stay in operation as a pre-treatment head of the equalization tanks. The phased equalization tanks are located in this area now. We currently show the second phase if needed in this location but there's an alternate location at the back of those properties which is currently parking lot areas that we would be considering when we get to that point and we'll go over these schedules also in the future.

The CSO projects are the next projects that were included in the approved plan. We have six projects, we've combined two of the CSO 6 and CSO 9. CSO 6 is currently a swirl concentrator, we'll be taking the overflow from that structure and the overflow from CSO 9 combining the two and locating an equalization tank here on the Russell Erwine School site. It is showing right now next to the golf course as this area is demolished, we'll be locating that equalization to suit. It is not necessarily there, it could go there but it will go on this site somewhere.

CSO 7 and CSO 12, both of those have swirl concentrators. We'll be taking the overflow from them and combining them into a new equalization tank located right here in the Beech Walnut intersection. There's currently a park in that area, we'll be restoring that park to the original condition once we're done. These structures more than likely will be below grade for these two applications here. Not more than likely, the one in the park definitely.

The other projects are CSO 8 which is not an existing swirl concentrator but there will be a small basin located here right off of Tungsten and Babbitt. There is some city owned property that we'll be locating somewhere in that area, an equalization tank, it is a little bit smaller than the other two. It will need to be located there.

CSO 11 is located at McDonald's on E. 222 area. We're looking somewhere in this area for that equalization tank. That's an existing swirl concentrator and the overflow from that will come to this basin.

All these projects with equalization once they're complete they will hold the wet weather flows during the storm events and once the storm event goes away these will pump the flow back into the system, it will go to the Treatment Plant and the Treatment Plant will then treat the waste water and discharge it through the effluent.

Councilwoman Scarniench – When this one gets done by McDonald's, will that mean we won't have water in the retention basin any more?

Mr. Stinehelfer – The retention basin is there for the storm water retention because of the lack of capacity in the storm system. This won't have anything related to that storm system.

CSO 20 & 22, those are both also existing swirl concentrators. 20 is back of the St. Robert's property, the church located here, somewhere in this area where we'd be looking for the EQ tank. CSO 22 has an existing swirl concentrator also the overflow from that will go to this area which is on the GM Inland site and we'll be looking at placing that basin in that area somewhere. This is the only site of the six that will require some kind of land acquisition for that basin.

Those are the CSO improvements. Those were all sized for four activations or less per the agreed to plan that we have with the US EPA. The project schedules for the SSO projects, we're looking at the SSO elimination for the first project, which is SSO 26, 27, 25 and Water in Basements, we're looking at a start of 2012 for design and construction in 2014. This project has received OPWC Issue 1 funding and that includes some grant money for that project.

The second project, SSO 30, 31, 32, it is also scheduled for design to start in 2012 with construction in 2014. It had received funding too.

The first project is a \$5.5 million project, the second one is a \$1.8 million and those are project costs.

The other projects listed here is the two projects that aren't funded yet, the Brandywine Pump Station project and the SSO 36 elimination. They're scheduled to start in 2014 design and construction in 2016. We'll be bringing back more information as we develop the funding and the status with the SSO projects.

There's one other SSO project as we indicated that's included in this project on the Edgecliff project which is the SSO 28, 33 and 37. That's the project that is all going to be on the Waste Water Treatment Plant site, that's why we combined it with the Headworks project. That has a cost of \$23.6 million for that one.

The other project listed here which was not a Consent Decree related project, the sludge force main that we received, both the ESO project and the Sludge Force main received OPWC funding and substantial grant for the Sludge Force Main project. That projected is listed at \$4.65 million project cost.

Chairman McLaughlin – Out of the ones we just listed, can you tell me how much of the supposed \$5.5 million, you said we had OPWC funds, Issue 1 funds and grant money. Do you have figures on the percentages of grant money for the project?

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Mr. Stinehelfer – We have a figure later on. The total of grant money was \$8.4 million for all the projects. I don't have them broken out as individual projects.

Chairman McLaughlin – We mentioned the 220th project. Of the projects we mentioned, they are all funded except for the Brandywine and the Effingham, is that correct?

Mr. Stinehelfer – That's correct.

Chairman McLaughlin – They're all funded so the latest increases we had, these are the projects that are going to be funded by that increase?

Mr. Stinehelfer – That's correct.

Ms. Gordon – If I understood correctly, all the SSO projects were covered in your existing rate structure. When we're talking about funded, they haven't been submitted to any outside funding agencies for grant or loan purposes. But the dollar figures were included in the original rate increase.

Chairman McLaughlin – On a percentage of what we would get with grants and Issue 1 money.

Councilman Langman – Mr. Stinehelfer, the location of the CSO's at Erwine and at St. Robert's is there some plan available on where they're located on the property?

Mr. Stinehelfer – Yes.

Councilman Langman – Okay because a position is rather concerning since St. Robert's we bought the property for redevelopment purposes and I know we've been trying to get Erwine for many, many years for the same thing. Have we coordinated with the Economic Development Dept. as to the optimal location of these structures?

Director Frey – These are really just placeholders at this point. Those are city owned or will be city owned properties so in an effort to keep our costs down and not have to go out and acquire easements or purchasing land for those we've identified those sites. On the site, that's a flexible process. As you can see the CSO 7 & 12, the size of that equalization will not allow for much movement there but it will be underground and restore the park on top of it. These other ones are flexible on those sites.

Councilman Langman – I'm thinking about future redevelopment and obviously you can't build much of anything on top of it, as long as that is being considered.

Mr. Stinehelfer – We'll see later the schedules for these are not scheduled to start until 2016, the CSO projects. We intentionally moved them to the end for this very reason, not this very reason but part of that reason that we have time to move those where we want to put parking lots on top of and for instance if you build them below grade, you wouldn't want to put a structure of some kind, commercial structure or something. But, there's things you can do depending on that development as to what you could do with them.

Councilman Langman – Those two parcels in particular are very important to us for redevelopment purposes.

Chairman McLaughlin – That's where the gazebos will be sitting in the community parks, hopefully.

Mr. Stinehelfer – The NFA projects, land acquisition for the Treatment Plant in this area right here is in progress as you're aware. The design was to start for the MBR treatment in 2012 with construction to start in 2015 on the MBR portion. The equalization tanks are phased construction, again the design to start in 2014 for the first phase, construction to start in 2017 and if needed the phase two would start in 2020 of design and construction in 2022.

The cost for that, the MBR facility is \$46.1 million, the phase one of the equalization tank is \$34.8 million. The Phase two is \$11.5 million in project costs for those projects.

As I indicated earlier, this is the Long Term Control Plan projects, the CSO projects, they're not scheduled to begin design until 2016 for the first project and then they're phased and staggered into a process that will allow the construction and allows us a lot of flexibility to move and adjust those. The only thing we had to do for the EPA is to change and put some of the more prominent or active CSO's up to the top and then eliminate them first. We do have some flexibility but not a lot in getting rid of the ones that are real active initially in the beginning of the process.

Those projects total \$23.15 million, unless you want me to go through each individual, they're all listed on the hand out for the individual projects.

We wanted to let you know the funding status as we indicated the total OPWC grants available for the SSO projects and the Sludge Force Main listed there, the city has received grants totaling \$8.4 million for those projects. We have also applied for a WPCLF applications for the city's portion of the project. We've submitted them for design for the SSO projects and the Sludge Force Main also. They've been accepted into their plan, so it is just a matter of getting the applications in and we should receive the money for next year's usage.

We've also received authorization from you to go for OPWC applications for the Headworks in 2012, the Brandywine Pump station in 2012 and also the Membrane upgrade in 2013. We'll be asking OPWC for some grant money for those projects. Since they are fairly large, at least two of the projects, the MBR and the Headworks are fairly large projects but we think the opportunity to get some money from OPWC will be available.

We also under funding status, we have two OWDA, Ohio Water Development Authority, we submitted for the land acquisition which you've approved for the purchase of property for the membrane project. We also plan to submit OWDA applications for a design of the Headworks in 2012 and the Membrane to be determined at this point. The reason being is if we didn't submit and get OWDA loan approval, we would have to wait a year to get those two projects started by going to WPCLF because of their program. OWDA is much easier and much quicker that we can go for loans there. We can roll those two loans over into the construction loan later with WPCLF. With that I'll entertain any questions at this point. The last couple of months there has been a flurry of activity to get these projects started and take advantage of your grant money you received in the OPWC Issue 1 projects.

Director Bock – I wanted to point out, at our last council meeting you gave me approval on the Headworks design through WPCLF, that was my mistake, that shouldn't have been included in there. It has to be OWDA submittal. I submitted it under the incorrect one and I'll be submitting that at the next Council meeting to make that correction. It is just a matter of which funding group I'm going to be applying it to but I inadvertently put it in with WPCLF.

Councilman O'Hare – It was mentioned that items can be below ground. My guess is that it costs less money to have them above ground or above ground slightly more money to get them all the way underneath, either return them to greenspace or space for parking, is that correct?

Mr. Stinehelfer – There is a savings for above ground for construction of the tank, but if you put them above ground then you've got to pump into them and in some cases pump back out of them. There should be a savings just in the tank construction between above ground and below ground. Below ground is definitely more expensive. If you put parking on to of it, it even gets more expensive because it makes it a different structural design.

Councilman O'Hare – The reason I'm asking, in some of these based on the location, will jointly be making a determination. Nobody ever told me that would be part of the council duties here to be designing wet equalization basins go above ground and what don't. For example, the one by the railroad tracks, that's not a real large issue there and the parks and so forth. That along with some of the positioning is going to be ongoing.

About the second equalization tank which now, and I understand it is just there as a potential should we need it by the BP site, what would be the factors that would lead us to need that or decide that we don't need that? Whether it is there or behind the Walgreen's or wherever it is. Where will be the point where we say, we now know? Is that depending on the EPA? Is that depending on how well it gets engineered or what?

Mr. Stinehelfer – It will be depending on the EPA. In your handout, between Phase 1 and Phase 2 Equalization there's a period of time in there. We're going to have to submit to US EPA a document at that point to verify that what we've done to date to that point has achieved all our goals that they've established for us in terms of pollutant removal to Lake Erie. If we can show them that through a model that we've prepared and through the development of that model with actual field data and collected data, if we met all them goals then we won't have to build a second phase equalization tank. If we can't show them that, based on collected data that we're meeting all those goals, then they'll construct a second phase, equalization tank.

Councilman O'Hare – For people at home who couldn't see that or for me who can't see that, what year is that about what time?

Mr. Stinehelfer – 2020 we'll be making that decision.

Councilman O'Hare – We've got a ways from now. That leads me to the last question, which revolves around money, two-part. Do all these figures, which are going out 13 years, how do they account for uncertainties; how do they account for inflation, price cost increase, both in labor and materials and so forth?

Mr. Stinehelfer – That was taken care of by Maximus including the rates they established they took account for inflation, those kinds of things. Our construction costs, project costs we put together were based on the most expensive construction. In other words, the most expensive and the equalization tanks will be the below ground tanks. That's what we put in our cost. That's what they started with and then inflated them over the period of 15 years to come up with the rate increases. We're covered in there and as the rates get adjusted every year, we'll be going back and looking at that on a yearly basis and where there is a savings in dollars that will show up that you can make a lower increase the following year.

Councilman O'Hare – That was the second part of the question, how we accommodate for that and I know that in many cases there are bonuses, there are incentives for finishing early and finishing under budget. The bonus here to the rate payers and the tax payers is this can get returned to them. I'm all for any kind of scenario we can set up where everyone is incentivized quality construction, but also doing it at the lowest possible price.

Mr. Stinehelfer – Sure, that will be taken into account. One of the things when we did the project early in the 90's there are penalties with the Consent Decree if you don't finish on time. We pass those onto the contractor when we developed the contracts and if they don't finish on time that were contracted for then they pay those penalties. So the city isn't liable for their inability to get the project done. We'll be doing a similar type thing here that in the contracts with them, they will be paying penalties if they don't meet their completion date also. Those penalties can be substantial too.

Councilwoman Caviness – Mr. Stinehelfer, a red flag came up for me when you mentioned CSO 22 and you said it might require land acquisition in the future. What would be the condition and how would you determine whether or not? We've had a difficult time with the land acquisition over on Lake Shore, the Alexander's place. It was a difficult time, my initiation. What would be the condition for having to acquire more land in this particular area?

Mr. Stinehelfer – I'll pass one Director Frey on that because we had a discussion in our meeting this morning what the situation there and he maybe able to answer that a little better than I could.

Director Frey – The reason we looked at the GM Inland site is because it has significant areas of unused property associated with that former Fisher Body plant and then renamed GM Inland and it is a conglomeration of uses today. It has significant amount of unused property associated with it. It is a site right now that is experiencing some financial difficulties as you're undoubtedly aware. It is one of the largest tax delinquent parcels in Cuyahoga County. There maybe all kinds of opportunities in the future to work with that property owner or with the County to acquire that.

In any event, the reason we choose that site initially is because it had the unused property that whether it was by way of an easement or an outright purchase, it would be a low impact on the surrounding areas. As you see it has the rail line running there. Where those truck trailers are parked, that's also a potential site for that. In any event that's a good location because of its low impact.

Councilman Van Ho – Is the schedule you've put out, is this a reasonable schedule or has this been jammed to meet outside pressures?

Mr. Stinehelfer – It is a very forgiving schedule. We stretched it out intentionally so we had some room to adjust and move things around. They accepted that schedule that we proposed knowing that there's some flexibility. I know 15 years sounds like a long time, but some of these projects are crucial that we have to get some of them done and moving along so we don't get jammed up and get under the gun. If we get jammed up, it is going to be our own fault.

Director Frey – The Consent Decree also requires periods of post-construction monitoring. We'll have to test and measure and report that the project is working as it was designed in reducing the number of overflows in the case of the CSO projects that it's actually in fact reducing the overflows as projected in the planning process. You don't want to be bumping right up against the end of the Consent Decree because you do need to allow that period of time for the post construction monitoring.

Councilman Van Ho – The reason I ask because I know if you have to tight of a schedule you pay for fast-tracking.

Director Frey – We inquired about adding a period of years to the Consent Decree and as you know that's one of the real push points with EPA and the Consent Decree process is how long it is going to take you to accomplish the goals. It is in large part why Akron's plan was rejected because the Federal Judge in that case didn't feel the plan was accelerated at a quick enough pace to improve the water quality in the Cuyahoga River.

Councilwoman Jones – Mr. Stinehelfer or Director Frey, now that we have the approvals from the EPA to go forward with the plan that we submitted and this plan goes out several years, are there any other phases throughout the process where we'll have to get EPA approval? We talked about getting held up for whatever reasons there maybe, and we know we got held up with the original approval from the EPA. Are there any other points throughout the plan where EPA will have to give their approval before proceeding?

Mr. Stinehelfer – There are no requirements from US EPA except to meet the 2020 on the SSO EP projects and 2025 on the treatment plant and CSO controls. Ohio EPA, every time you do a construction project, we have to submit to Ohio EPA for a permit to install and there's a reviewing fee and that is the only potential hold up with Ohio EPA to get that reviewed and approved through them. Each project we do we will have to submit a PTI to Ohio EPA and get approval.

Director Frey – It shouldn't hold up the process, that's all part of what's scheduled in here. It is something on each of those projects, it is a step in that process.

Mr. Stinehelfer – I take my statement back a little bit. The only project we'll have to get an approval from US EPA is the two phases of the EQ tank. We'll have to submit the actual operating and controls that we met for Phase 2 and get their approval to either proceed or not to do the project.

Director Bock – To go along with that, the State EPA approval with the PTI, of all the projects I've been involved with, we've never had a delay due to a PTI. Our plans have been submitted and approved by EPA and we've never had an issue with that.

Councilman Langman – Do we have updated figures on total project costs, in other words the SSO elimination, CSO and plant improvements?

Director Frey – The whole project is between \$145-\$155 million, the whole thing.

Councilman Langman – Are we on track as far as the funding between, I know it was presented in thirds. Third grants, third no interest loans and third we would pick up the rest. Are we in the ballpark of hitting those projections?

Director Bock – As far as the SSO projects, the ones we've applied for, we're ahead of that schedule at this time. I can't guaranty we're going to keep going that way. I'm very hopeful but all the SSO's projects right now, I think we're around 45% of it being funded with grant. We are ahead of schedule and hope to stay that way.

Councilman Langman – Can we go for 60% grants?

Director Bock – We do, our last couple of projects we did go for a larger amount of grant. We received 70% and 60% on our last two. We'll push the limit as much as we can in order to make sure we get some type of funding and hopefully enough to keep our schedule going.

Councilwoman Scarniench – Mr. Stinehelfer, is the second equalization tank included in these costs already?

Mr. Stinehelfer – It is included the second cost. That's the difference between the two numbers.

Director Frey – The \$145 million is without it; \$155 million includes it.

Councilwoman Scarniench – In the good case scenario, if we don't have to put it in, we would actually be able to lower the cost to the residents?

Director Frey – Or hold it for a longer period, yes.

Councilman Van Ho – The \$145-\$155 million figure, that's a worst case scenario cost?

Mr. Stinehelfer – Worst case scenario in terms of the project cost, yes.

Councilman Van Ho – There will be enough money in there for change orders that are going to pop up?

Mr. Stinehelfer – There's contingency in the project cost.

Chairman McLaughlin – Thank you Mr. Stinehelfer. With that latest rate of \$145-\$155 million estimate, unfortunately the increases that we have put in place last year will need to be amended and increased to fund the project total through 2025 and for this pleasant task, I turn the meeting over to either Director Frey or Director Malone.

Director Frey – That's my cross, if you will. Councilman O'Hare may have a question.

Councilman O'Hare – I kept on hearing a couple of times an emphasis on project cost and project cost as if there are other costs involved. I'm guess what's being implied is maintenance or operation of the cost. We're asking \$145-\$155 million, worst case scenario, and it was repeated twice, yes that's for project cost. I guess as long as we cover what else is being included, unless my observation is incorrect.

Director Frey – I've handed out two draft pieces of legislation that you'll see next Monday on the Council agenda, (171-12) is the sanitary sewer rate that would be paid by Euclid users as well as the outside communities. I've handed out the schedules, Tables A-D that relate to Ord. (171-12). What we are proposing is a schedule that would start January 1, 2013 with consumption and take us all the way through the end of 2025. I know that's a long period of time on a piece of legislation and I'll explain the rational by running it out that far.

It is broken down on the Table for Euclid users, in particular, with the starting rate in 2012, what the OM&R is the Operation, Maintenance and Repair. To Councilman O'Hare's question, that's how we're going to maintain the current facilities and the facilities we are constructing. The capital component will pay for the project costs. Then we have what's called the Cleveland fee, that relates to their billing. Cleveland Water bills for Euclid users and there is a charge per account per quarter. We try to relate that charge per account relative to a thousand cubic feet, an mcf. That's the third number in the user rate for Euclid.

There are tables that run the same information for the other Cuyahoga County communities, Richmond Heights, Highland Heights, a little bit of South Euclid. In addition to the Cleveland Water billing fee, the capital, the Operating, Maintenance and Repair, there's a Euclid fee. We charge those by agreement with the Cuyahoga County Sanitary Engineer and additional \$1.50 per mcf for administration of the program. That's a nice extra for us.

Willoughby Hills is billed by the Lake County Utilities Department so there's no billing fee associated with that. They pay that outside of what we charge. They have the same structure between a capital cost and an operating, maintenance and repair piece.

The cities of Wickliffe & Willowick, actually have meters, so they don't bill on water at all. They pay us, those two communities pay us by the amount of flow that comes through just what we call it, a master meter. It comes through in the Lloyd Rd. area. As that flow comes in, it is metered and that's how we bill them. While the numbers are much lower as a rate, it equates to, it approximates to what we're paying on the others that are billed on water consumption.

When it rains in Willowick and Wickliffe, and they get infiltration into their lines, they're paying us for that. Where the water consumption, including ourselves, we aren't getting paid on that water infiltration. That's the difference between those communities. In the purest sense, the ideal would be to have a sewage meter and you would be billed, but the cost of installing a sewage meter at every point would be astronomical and you probably never recoup that cost.

That's the structure. Why do we run them out until 2025 is an important point. It is largely because we have to show Ohio, OWDA in particular, that we have already approved the funds necessary, the rate structure necessary to repair the loans. When we borrow for this first major project, we have to show them by schedule that we have an ability to service the debt associated with that loan and hence the need to establish the rate that far out. I am as certain as I could be that, when we get to 2025, our rate will be somewhat different from \$53.53 mcf for Euclid users, up or down, depending on project cost, other contingencies, the operating cost that maybe in place at that time. If we don't have to do that second equalization, there's \$10 million as it relates would come out of that.

We have to show today when we make the loan application that we have structured our rates in such a fashion that we'll be able to service that debt during the loan periods. That's the most important or compelling reason why we'll be asking you to put those rates in effect that far out that if they're not otherwise altered, that would be the rate that would be in effect January 1st of that year for water consumption.

The other thing we have to do being mindful of those, we have to get this data down to Cleveland Water. The email correspondence I had with their billing department was if we got it down there right after the second meeting in October, they would be sure they would have it in place for the January 1 start of the new year. It takes them awhile to change the rate schedules for all of their communities and of course they're going through this with everybody else that they bill. All the regional sewer rates are changing on an annual basis and pretty quickly they're going to have the storm water, I don't know if that's billing through Cleveland Water, but the Regional Sewer Storm Water Management fee is going to add on. There's lot of rate schedule changes that go into this so they need lead time. That's the urgency in why I made these emergency ordinances as we drafted them so we can get that rate information down to Cleveland Water and have them go ahead and make the rate adjustments.

It does not relieve our obligation of making the annual review of our rates. That's where we will look at actual project costs. We will look at actual operating cost, the chemicals and that sort of thing and make adjustments up or down to our rates. We still will have to do that. That won't change by virtue of doing this. All this would do is set in place a rate structure that will cover that debt service and would be in place unless we changed them up or down on an annual basis. That's why I'm certain by 2025 or 2024, the rate won't be exactly what we've got listed there, there will be other changes.

The second piece of legislation (172-12) is what we all know as the Peterson Rate and that is paid solely by rate payers in the City of Euclid. It does not apply to the outside communities, it is for our local sewer lines. It is a capital charge. It was \$11.88 as I indicated in the email I sent back to Councilman Langman and copied the rest of Council but it was pretty late today so I handed out a copy. That rate was \$11.88, we increased it by legislation to \$13.88 for the three-quarters of this year and to \$15.88 for 2013. This legislation I'm proposing as (172-12) would schedule out the Peterson rate through the same period, 2025 for the same reason. It is part of the capital cost of the project work that we're going to be doing.

To make things I hoped a little bit clearer, is I provided a combined schedule that shows the sewer fee in (171-12), the components of it; the Peterson component in (172-12); the waterline rate that we approved this, I don't remember the date we approved that, I have the legislation here. We improved an increase to the waterline rate that went up \$1.00 in 2012 and then ran out at that same pace all the way to 2024 where it went up another \$1.00 and another \$1.00 again in 2025. I think the official number was 34-2012, was the legislative number associated with that. I've included that in the table so you have the whole amount that would be billed per mcf on your bill or my bill, as we go forward. In 2011, we were at \$46.17, I broke that down in the email to you at Councilman Langman's request. We increased it this last time by \$12, to \$58.17, that was a 26% increase. As you can see on these total increases going forward, there are several years, three in fact where there are no rate changes and all the other rate changes, 2013 is the highest just under 7%. Much more modest increases going forward. While I don't have Regional Sewers projections on their rates, I would suggest that we will stack up quite favorably in comparison to their overall rates. I think this was the most useful document as far as being able to look at where our rates, where were they and where are they going to be at 2025. I know they're substantially in a dollar figure when you get to 2025 than they are today. The rate of increase is much more modest and that's a lot of work on the part of our rate analyst, on the part of our Public Service Director and Waste Water Supt. and our folks at CT in scheduling out these projects in that staggered fashion to allow us to flatten out the rate increases. They'll be effective. They'll generate out the funds necessary to pay the debt and it is spread over a longer period of time. I'll be happy to answer questions.

Chairman McLaughlin – Director Frey, the first rate increase up to \$58 which is where we're at right now, that funded about \$70 million of the project, is that correct?

Director Frey – That was our estimation, yes.

Chairman McLaughlin – Through 2025, is that to cover the additional \$75 or \$85 million?

Director Frey - \$85 million in project cost. But again, not all of this rate increase is project cost. You can see there are some operating and maintenance. Remember we have a fairly aggressive, I don't know what MOM stands for? We have to do more inspection of our sewer lines than we've done in the past. We have to do much more of that, much more of the cleaning to prevent the overflow. That's part of this cost as well, of the increase, is the increase maintenance responsibilities.

Chairman McLaughlin – Now we have to decide how many Service Committee meetings we need to take care of this increase.

Councilwoman Scarniench – Because we're going to have to do more of this, does the staff that we have now, will we have to add staff? Or, are we going to be able to do that with what we currently have?

Director Bock – As of right now I do not anticipate adding any staff. That's vague but that's where it stands right now. I believe we can cover the maintenance of operations with the staff that we currently have both in the Sewer Dept. and in Waste Water. For the cleaning, street sweeping, all of that is part of the MOM program and as of now staffing will have to do.

Councilwoman Jones – Director Frey, in the chart you gave us, for the Peterson fund starting in 2019 going to 2025 that rate is the same, so that will stay the same rate, it will not increase?

Director Frey – That's what our rate analyst has provided at this point. You see that carried forward in the other communities as well. He believes that rate will cover the debt service on the remaining years on those projects. There's a big jump as you go, as we actually start the construction process. That's why you're seeing the jump in 2014, 2015, 2017, 2018, is because that's when we're doing the meat of the engineering and then the construction work.

Councilwoman Jones – One question regarding the equalizers that we talked about in different locations, whether it is underground or above ground. If it is above ground, what will show above ground?

Director Frey – It will actually be a building if it was above ground. We talked about that today. We went through tonight's presentation earlier today and there are obvious design capabilities that can make the facilities blend into their surroundings. The GM Inland site there's probably not much blending needed. If we were to do an above ground let's say at E. 222 and the retention basin, that would need to be something that would fit the character of the surrounding buildings. It could be underground, it could be above ground and we would have to look at that as we get closer. It can be designed in a fashion that doesn't look obnoxious in the surroundings. Same thing on the site on Tungsten & Babbitt. That would likely be an above ground because what you're looking at going further north is the railroad tracks. That might be a place where an above ground would make sense, but again these need to be designed in a way, and it is not a very large, that one is not a very large facility, but designed in a way that doesn't make it stand out as some odd structure in the area. Mike Stinehelfer pointed out in Hudson, where in a residential development there's a very large lovely looking home, except it is not a home at all, it is a water filtration facility, you wouldn't know it unless you knew. You can design to meet the surroundings.

Councilwoman Jones – As we get closer to that date, whatever the project status is at that time, you'll come back to council, this is a design for this plant or how will that take place?

Director Frey – I won't be coming back to Council at that point. But yes, the engineering team from CT and the city folks will be presenting and taking your input assuming that you're still representing that ward, your input would be important on what that would look like.

Councilman Langman – Law Director Frey, this is a long schedule out. Is there any way now that we've agreed with EPA, entered into a Consent Decree that if certain economic factors come into play, we can go back to them and amend the Consent Decree?

Director Frey – There is a mechanism in that process to go back to the court. You'd first try to resolve it with EPA and if you can't, you go back to the court and try and resolve it, sure. If there was some dramatic change in the city's fortunes that you could ask the court to ultimately you're probably back there with the court, but ask them to authorize an amendment to the Consent Decree that might schedule those projects out for a longer period of time.

Councilman Langman – The poverty indicators over recent decades have crept up for Euclid itself, I'm not sure about the constituent members of the system. It obviously has a big impact on the ability to pay and we talked about that back in January, what's a low burden, what's a high burden. Can we monitor that and send information to the EPA that says we're going to need more time here because of the economic conditions of the community.

Director Frey – At the time we went through this process, we initially indicated it was our belief that we were a moderate to high burdened community and EPA's analysis was that we were at best a low moderate burdened community that we were not high burdened at all. In fact it might get much closer to a low burdened. I recognize your point because it takes in our entire service area in that analysis and there are substantial differences in the income levels and so forth in the various communities. Certainly that would be a basis to go back and say we should extend out the time period for completion of the projects.

Councilman Langman – Is there a formal mechanism where hey we just got the recent community survey that shows poverty is "x" or income levels have fallen or whatever?

Director Frey – We would need to petition EPA to modify the Consent Decree and assuming that either went forward and they agreed with that then we could enter into an amended Consent Decree or an amendment to the Consent Decree. In all likelihood it would extend on the back end the completion of the CSO projects. Or if we were rejected in that, we certainly could take that dispute to the federal court and ask for the court to appoint a special master or in some fashion try to get the court to approve that, laterally approve that change to the Consent Decree.

Councilman Langman – So the decree can be a dynamic rather than a static document?

Director Frey – Sure. We've agreed to this plan that's been outlined here as far as the improvements. We've agreed to the schedule of fines and penalties for not meeting the benchmarks. Ultimately we are responsible for compliance with the Clean Water Act. To the extent that we would be able to negotiate a different outcome from time or scope or project, probably not on the scope of projects. Probably the only truly real negotiable there is time. That would be something we would have to show a dramatically different position than we're in today.

Councilman Langman – Thank you. Director Bock, you are famous. We've discussed this but there was an article in Crain's a couple of issues ago where you discussed in the article Storm Water Management fees. Has that been talked about and if so where are we with that?

Director Bock – Obviously the part of it that is most interesting to everybody is the part where I said we were looking at storm water fees. That is not the case, that was not anything that I stated, that's nothing that no one on Council has brought to me and no one in the administration has brought to me as far as consideration of storm water fees. What I can say other than that, I really don't know. We haven't looked at them yet. We haven't considered them. If it is something in the future, I don't know. We won't know. We are looking at bringing on our green company to look at the storm water advantages or disadvantages or where our program sits or where it needs to go and if it can help us with the CSO's. October 3rd, I have a meeting with a company in my office. After that meeting I would hope to be able to come to Council with a recommendation as far as a choice for providing that service to the city, at least the first phase of our request for proposals. That would be to evaluate our current program, our current storm water program, what we've done so far and whether we should continue it as we are, or whether we need to make some changes to it. I hope to have that recommendation for Council, it will be for the second meeting in October.

Councilman Langman – Do we know how long that will take? In the article that you're quoted in, mentions that green can generate savings over strictly a traditional grey, meaning pipes and concrete approach. How long once we bring them on will it take them to do their work?

Director Bock – Their original proposal if they had started before the end of the month which obviously isn't going to happen, I hope to have that in October, if everything goes right, I would expect to have their first phase done by the end of February.

Councilman Langman – What about the second phase if we wanted to do a more extensive analysis?

Director Bock – If we want more extensive, we're looking end of summer 2013 before we have that, but I'll have to look at their schedule a little closer to look at that date. I've more or less been interested in the first steps and when that timeline will take affect and it will go into the second phase if that's called for.

Councilman O'Hare – I guess one follow up about the green. If we're going at that in phases, you're evaluating them, they're coming up with something, maybe they come back in February. How does that align with the engineering and construction that's steaming down the pipe? That's going to go on regardless if someone walks in with some magical green solution to take out 30-40%, is that correct?

Director Bock – If you notice on the project schedules, the CSO's which would be most affected by the green projects are scheduled to be at the end of this process, not at the beginning. We have ample time to look at the green infrastructure and if it is called for, included into those projects to whatever degree is necessary to save us money down the road. I think we have time to look at this, not jump into it without thoroughly examining it and make our decision based in the correct way.

Councilman O'Hare – Two part question, would we then have to go back to the EPA and say guess what, we came up with an alternate solution that we believe is going to get us to the same spot. Are they going to be predisposed to view it neutrally or are they going to be predisposed to look at it more favorably because it is "green"? Or, are they going to say, we spent so much time and effort on this already, just finish what is going on, we've got to worry about Topeka and Omaha and whatever else?

Director Bock – If you're asking me to predict what the EPA is going to look at, I gave up on that awhile ago. They're pretty tough to predict. I will say this in other communities with the CSO's if you're going to replace doing green infrastructure projects with the CSO's, you're going to have to monitor it and prove that it has accomplished what you've said it was going to accomplish. If it doesn't meet what they've expected or what the results were called for in it, you're going to be doing the tanks anyway. You have to be very careful on what we're doing, we have to know it is going to work. It is going to require monitoring as it goes along in order for it to replace what is in the plan.

Mr. Stinehelfer – I might add to that too. Historically what's been found is you don't necessarily eliminate a project, you might reduce the size of that equalization tank. That's where they've been most successful in replacing green with grey, when they say they don't really eliminate it but you may reduce the equalization tank in half, for instance there's your cost savings. If you're taking water out of the system that was there, but to get it all out is almost impossible, unless you go in and replace everything and start new again. That's where your savings will be and that's why the projects are at the end. We can modify those. We don't have to go back to EPA for approval. We're still going to build the equalization, we're just not going to make it as big. We're going to have to prove also that it kept the activations down to eliminate the big equalization tank at the plant. We'll be watching both of those as this unfolds.

Councilman O'Hare – Savings too on the maintenance side as well because you're not pumping and using electricity and so forth. The last question could get very integrated and involved and I'll try to keep it simple and I'll do it by using the example of E. 266 Street. A couple of the residents are very fond of remarking that they've gone through this issue with three councilmen, three service directors and they said they know emails, they know phone numbers, they say they don't want to know them. I can't look them in the eye at this point and say all of this is going to fix the point solutions in all of the neighborhoods and all of the streets. Is that correct?

Director Bock – Yes very much so. Certain streets have issues. There's other streets in the city where sewers are in poor condition just due to age. E. 266th has some of our oldest sewers. Just doing all these improvements isn't going to eliminate some of the issues that we have within our system that need to be replaced. I can't focus just on Waste Water Treatment, SSO's and CSO's, as much time as that's taken. I still have to look at improvements in section by section in the city as far as the sewers go. This isn't going to reline them, this isn't going to replace every sewer in the city, it is not going to replace every house connection. There are storm sewers and catch basins and manholes that need to be rebuilt. That work still has to go on. This isn't a cure-all for anything, this is just to take care of what we're doing at the plant and what we're doing to the Lake. We'll still going to have to apply for funding, we're still going to have to take sewer projects, we'll still have to take care of waterline projects and road projects. I'd love to say it is going to take care of everything but it is not.

Councilman O'Hare – That's wonderful to get out there, as much as I'd like it to be the other way around, I understand that. But, as open as we can be, as early as we can be, the better off we are. That having been said, I have very strong feelings that when a street is on line for waterline replacement and we're happy to do that because the city has got a schedule, they're paying for that waterline or it is reduced greatly. We then go in and we have to resurface that road, then we have to go in a year later, two years later or five years later and go through sewer replacement and redo the road again. That's something we'll work at off line but it's a very large issue. For example Lake Shore Blvd., Lloyd Rod., we've run into some of those. Thank goodness there haven't been too many lately but it is all a big timing project, I fully appreciate this as this is going down. Thank you.

Chairman McLaughlin – If I may interject at this point and go back to green infrastructure. My first leg out of the country last Saturday, I had the pleasure of sitting on the same plane as County Executive Fitzgerald and his entourage. They were on their way to Dublin. During my lay over I had a chance to speak with Mr. Fitzgerald. On the way to the next gate, was really small talk and I pitched for some casino money but it was a very short walk. However, I did get into a deeper conversation with environmental law attorney Lou McMann. He wrote a paper on affordability in the metropolitan sewer district in Cincinnati. He understands the challenges municipalities are facing having to finance these massive projects to abide with the Consent Decrees. Quite frankly he was upset about it.

I mentioned that Euclid will be contracting consultants to do an extensive green infrastructure study, having green as an integrated part of our green solution. He was very upbeat when he heard this. Even though we have approval on our grey solution, he said that more and more municipalities are being allowed to open up their Consent Decrees in order to extend the end date, along time for green infrastructure solutions to take effect. This was encouraging to me. This is something we need to investigate. It could certainly ease the heavy burden placed on us by an aggressive timetable even though 2025 seems like a way out there. In order to finance these projects it is rather aggressive in my estimation. I just wanted to state that. Any other comments from Council or questions?

Councilman Van Ho – You mention the possibility of above ground being cheaper than everything underground. Are there any disadvantages to above ground? For years we had smell at the sewage treatment plant, are we going to run into anything of that nature? If it is cheaper but there's no down-side, that would be great.

Mr. Stinehelfer – The issue with odors is basically when you have an empty basin and you fill it up and if you leave it in there a long time, you're going to have the potential for odors. You have to vent these tanks as they fill up and take them down. They have to be vented so odor control will be part of the design, but also cleaning of the tanks will be part of the design. As you can imagine the bigger the tank and the amount of waste water you're putting in there, just cleaning the tank itself once the storm event has past, is an issue again getting back to the maintenance and operation of the facilities. Those will all be taken into account on that, but we'll be addressing odors, we'll be addressing cleaning and those kinds of things as we go through the design.

Councilman Van Ho – You would have those problems with either an under or above ground, right?

Mr. Stinehelfer – Yes.

President Holzheimer Gail – Just a question about going forward. The legislation will be introduced at the next Council meeting October 1st. I know you indicated you would like a decision by the second meeting in October. With the past rate increase we held several public hearings so the public had ample time to hear the presentation and make comments. I want to make sure we have that opportunity once again, once it is made public which tonight is public. I think they'll be some questions and comments. I also want to make sure the other user communities are aware that we're considering this and they should be invited to the meetings as well, we should make sure they're well informed of the process. I don't know whether, how tight the timeframe is. Ideally it would be nice to have three readings but that would push us to the first meeting in November. I don't know if that would be too difficult for the Water Dept. or if that is a consideration we want to discuss.

Director Frey – Their indication is they would be hard pressed to have the rate structure in place for the first quarter. If we delay the implementation of that, then we increase the cost if we only collect on three-quarters of the year, we're then pushing that some place whether it is higher for the three-quarters or higher the next year. We'd have to make that adjustment, so there would be a cost. I understand your point and I certainly think that if this legislation, if these two pieces are referred to Public Service Committee or another committee of Council, we could attempt to schedule some close together sessions to try to get those public. Absolutely we will notify the outside communities as we did with the last rate increase, we notified the outside communities, we will do likewise for this.

President Holzheimer Gail – One of the things we discussed previously that I think is important for folks to know is we did have that conversation. I asked, we just had a pretty large increase, could we wait a year and not do an increase. If you want to address that Director Frey, but we did look at could we do that, what that means is a larger increase down the road. The intent with this increase and scheduling it over the number of years was so that rather than have another large 8% or 10% we can hopefully ease that burden a little bit by a smaller 6% or several years with nothing. If I was correct in my understanding, if we waited until 2014 to start it, it would mean a much bigger increase that year. I don't know if you want to address that.

Director Frey – Sure, I'd be happy to because we talked about all those things. We're looking at cash balance in the funds, the projected cash balance at the end of this year. The operating expenses this year. The income that we anticipate getting this year. If you recall, initially with the last rate increase, it was the intention that increase would be effective for all four quarters and it didn't happen. We are going to be by projection of our rate analyst, we will be on the razor's edge for the fund balance at the end of this year, in the Waste Water account. We do not realistically think we can hold off on either the timing or the size of the increase. Obviously we cannot end in a negative cash position in any of our funds. It would require us to make changes to our operations to finish the year at a worse than a zero balance. Obviously that's not where we want to be. We're projecting a very, very thin fund balance this year and that suggests we can't really afford to defer on the rate, clearly we would. We would have taken 2013 off from a rate increase and made those increases in 2014 and 2015 just to get some breathing room.

It is important and I will add this, as far as structuring our rates so our business community can better project their expenses. One of the comments we had, obviously not everything was favorable and 26% increase caused some real consternation to some of our large property owners.

Our largest industrial customer in this community called and I thought I was going to get an earful about the rate increase. The comment was they wanted to thank us for having provide them the information in advance because they were able to budget for that rate. I think this is also helpful to the business community, residentially we live paycheck to paycheck most of us, but the business community is forecasting their expenses and their income, so this will help them as well.

President Holzheimer Gail – The other thought for the next time we present it in the public, I think it is always helpful to have it how it compares to the Northeast Ohio Sewer District. We know they have scheduled increases scheduled out. I think it is always good so residents know we're not as high as they are and I don't know if we can compare it to anybody else.

Director Frey – For council's awareness, Regional Sewer is intending to start in January with their storm water fee and we do have properties in Euclid that are serviced by Regional Sewer in your ward Councilwoman Caviness. There are 75 or so residential properties that will be getting storm water fees, \$3.03 on small homes per month, \$9.09 on larger homes per month is what they estimate. They have a calculation on residential unit, ERU. They will be calculating that and sending out first notices and then however that billing is going to happen, I suspect through Cleveland Water who bills Regional Sewer's sewer bills now. There are 75 or so commercial and primarily residential properties that will be impacted by that fee.

Chairman McLaughlin – Director Bock, could you explain why they will be subject to that fee? They're not in our sewer district? So they're in Northeast Ohio Sewer district?

Director Bock – Their sewer flow goes to Regional Sewer.

Director Frey – There's a regional trunk line on Dille Rd. that those properties connect to.

Chairman McLaughlin – Any last comments from Council? I'd like to thank the Council members for showing up. I would like to thank Mike and Leslie for showing up today and members of the administration. Members of the audience, you're on TV now, any questions?

Seeing no questions from the audience, I'd like to thank everybody again, this meeting is adjourned.

Meeting adjourned.