

Cuyahoga Falls City Council
Minutes of the Finance Committee Meeting
December 19, 2011

Members: Kathy Hummel, Chair
Don Walters
Carol Klinger

Mrs. Hummel called the meeting to order at 6:12 p.m. All members were present.

The minutes from the December 5, 2011 Finance Committee meeting were approved as submitted.

Legislation Discussed:

Temp. Ord. B-122

Sub. Temp. Ord. B-129 (dated 12/19/11)

Temp. Ord. B-128

Discussion

Temp. Ord. B-122

An ordinance authorizing the Director of Public Service to enter into a contract or contracts for the purchase of preventive maintenance and repair services related to specialized vehicles and equipment used by the Sanitation Department, and declaring an emergency.

Chuck Novak stated the maintenance contract they have on their large specialized trucks is expiring so they went to bid. There was only one bidder—Akron Central Equipment Repair. The proposal is a slight increase over the current contract. The hourly rate is going from \$65 to \$70 an hour; and the rate for road calls is going from \$75 to \$80 per hour. It is a two-year contract with a possible two-year extension.

Mr. Walters moved to bring out B-122 with a favorable recommendation, second by Mrs. Klinger. Motion passed (3-0).

Sub. Temp. Ord. B-129 (dated 12-19-11)

An ordinance amending Sections 923.01 and 923.02 of Part Five, Title Nine of the Codified Ordinances of the City of Cuyahoga Falls, establishing water rates, and declaring an emergency.

Mrs. Carr reviewed her letter to Council regarding water rates (copy attached). They are proposing a 15% increase to all categories. The residential rate will go from \$20.64 to \$23.74 based on the average household usage of 1,000 c.f. Even with this 15% increase, the City is still the lowest in the area. The current rate gives them concerns regarding the ability to meet the needs of the Department. They could not find an ordinance relating to bulk water purchase so they have included it in this ordinance to avoid possible confusion in the future. The EPA reviewed the City's rates and made a recommendation that the rates should be between 1.3% and 3.1% of the City's median household income. The current rate is .52% of the median, and the new rate will bring it to .6%. If the City were to increase rates to be 1.3% of the median, the rate would be \$51.53 per month. Mrs. Carr will see if the EPA can help adjust their median figures based on the current census. The rate increase done last year, along with the improved accuracy of the new meters, has helped. The most important thing they need to focus on is future capital improvements. The average life span of a water line is 50 years, and over 67% of the City's lines are more than 50 years old so the City needs to start planning. Over the years OPWC has been generous by providing local communities with grant money. However, they have reworked their formula to give more

points to regional projects. While the City will continue to apply for funds, they are planning for the projects to be 100% funded by the City. Departments have worked schedules to keep costs down, and the City is at a critical level in terms of manpower. Future retirements may need to be backfilled. It is also important to keep a certain amount of cash on hand so the City will be able to do projects going forward. The water management team has been tightening things down to keep everything afloat. The City needs to safeguard its water infrastructure for the future. The capital list they prepared are those projects they knew they needed to do. Chestnut wasn't even on that list. Repairs on Chestnut will be paid by the utility patch program. They will increase appropriations if needed. The utility patch program is funded from three sources: water, sewer and storm water. The balance for 2012 of \$7,083,000 includes the 15% increase. Mrs. Colavecchio asked why it went up again in 2013. Mr. Brodzinski indicated it was due to \$1,550,000 in note proceeds which will be paid off over three years. Mrs. Colavecchio asked what the difference was in the intergovernmental part of revenue between 2012 and 2013. Mr. Brodzinski stated it was reimbursement on projects the City had state funding for, such as Taft. There was money that came in during 2011 for work done in 2010. Mrs. Hummel stated when rate increases were first proposed last year, it was over a three year period and was 15% the first year, 10% the second year, and 10% the third year. Mrs. Carr stated they changed their strategy because they are no longer counting on grant funding. All indications are showing the City will not be getting funds in the future. Mrs. Hummel asked if there will be another rate increase request next year. Mr. Brodzinski stated as of today, there are no plans to ask for additional rate increases through 2014. However, if something major happens, they would have to reconsider and look at what that means. Mrs. Carr pointed out that, according to the chart, the City is still significantly lower than other communities. Even a 40% increase would be well below others. Mrs. Hummel commented on the storm water utility charge to residents and didn't believe that many other communities charged their residents for that. Mrs. Carr stated she would check into that but added that there are more communities who actually do charge for storm water than one would think. Mrs. Hummel stated that 15% is a significant increase but, given this economy, everywhere people turn they are getting these increases. She felt it was incumbent on this Council to discuss the matter to make sure the City will need it. She believed the City met the case for Graham and Maitland and hoped, should this increase pass, the City would be more proactive to avoid emergencies in the winter. Mrs. Klinger asked if the days cash on hand, where it talks about annual O&M, included personal services and other operations. Mr. Brodzinski stated it did. Based on that, Mrs. Klinger calculated \$2.3 million for 2012. Mr. Brodzinski stated the budget for 2012 with an ending balance of \$2,229,000 will bring the City to 250-252 days of cash on hand. Mrs. Klinger stated she calculates it differently. Mr. Walters asked what the average cost was for breaks, which are done in-house. Mr. Christopher replied it would be based on a four-man crew at \$25 per hour for four hours not including materials. There is also an inconvenience factor one cannot put a price tag on. Mr. Walters asked about boil alerts. Mr. Christopher stated the EPA requires it anytime water pressure drops to zero when work is done on a water line. It does not necessarily mean there is a problem with the water. Mr. Walters asked what the old lines are made of. Mr. Williams replied that the old water lines are cast iron and they are replaced with ductile iron.

Mrs. Klinger moved to bring out Sub. B-129 with a favorable recommendation, second by Mr. Walters. Motion passed (3-0).

Temp. Ord. B-128

An ordinance establishing annual appropriations of money for the current expenses, capital expenditures and other expenses of the City of Cuyahoga Falls for the fiscal year ending December 31, 2012, and declaring an emergency.

Community Development Block Grant Fund

The proposed 2012 budget is \$2,156,759, which is a 34.70% decrease from 2011. Reasons for the changes are due to a decrease in capital outlay and a decrease in contractual services (Rehabilitation – CDBG Housing Program). Mrs. Truby stated the annual budget was brought to Council in April, 2011 due to HUD requirements. They had originally estimated \$969,000, however, due to government cuts in programs, they are now putting their estimate at \$590,431, which is an 8.2% decrease. It includes a breakdown for rehabilitation loans, matching grants and neighborhood stabilization. There are funds earmarked for projects and the remainder is for engineering, fair housing requirements, Brownfield, paint program and administrative expenses. The amount budgeted for Architectural and Engineering includes \$45,000 for Schwebel's; \$20,000 for Front Street; and \$25,000 for Wyoga/Seasons/State Rd. sanitary sewer. The amount budgeted for Contractual Other includes \$20,000 for Fair Housing; \$15,000 for appraisals on S. Front Street redevelopment and Schwebel's; \$95,000 Brownfield; \$52,000 for contractor for S. Front St. The Brownfield monies would go toward part of the Schwebel's project and also Phase II of the S. Front St. redevelopment. The amount budgeted for Economic Development includes \$260,000 for loans (they are currently talking with four businesses); \$205,000 matching funds for CORF grant for Schwebel's; and \$30,000 for the required match for the Buckeye project. The economic development loans range from \$35,000 to \$140,000 and requires a creation of one full-time position for every \$35,000. The amount budgeted for the Housing Program includes \$225,000 for rehabilitation loans; \$55,000 for grants; \$250,000 for residential matching grants; and \$635,000 for neighborhood stabilization income from sale of homes. They just finished a home on Searl; 319 Linwood will be completed at the end of January/beginning of February; and they are getting ready to start 1881 Hanover in another five weeks. They have sold six homes so far, which meets the commitment to the State of Ohio. The City was required to have a realtor on board before it received the grant. There were two realtors who attended the initial meeting and one of them was not interested. The realtor's rate is not reduced as far as sales go. Mrs. Hummel asked about the amount relating to Portage Crossing that was deleted. Mrs. Truby indicated it was \$295,000 for 2012. That amount was attributable to the original development agreement approved by Council. Due to the growth of the project, they are looking at potential CDBG money if the developer comes through.

Human Resources/Records

The proposed 2012 budget is \$327,264, which is a 6.63% decrease from 2011. The reason for the change is due to a decrease in personal services for an anticipated retirement in the first half of the year and a decrease in computer system support and IS internal service charges. Mrs. Carr stated they are evaluating whether they will backfill the retirement position. They may decide to share a secretary with another department or bring someone in part-time.

Parks and Recreation

The proposed 2012 budget is \$2,841,222, which is a .99% decrease from 2011. The reason for the change is due to a decrease in IS internal service charges. Mr. Lohan stated despite the tough economy, all of the enterprises will make their bottom line in 2011. Budgeting for 2012 was conservative. They held expenses down. Part of the challenge was due to an increase in the minimum wage effective January 1 from \$7.40 to \$7.70. More than 50% of Parks and Rec. is part-time so that is a hit to his department.

Recreation Levy Fund

The proposed 2012 budget is \$1,369,125, which is a .88% decrease from 2011. The reason for the change is due to a decrease in capital outlay. Mr. Lohan stated they are within a few thousand dollars of what was budgeted last year. The only thing that is different this year is a \$10,000 expenditure. They are

working with the Bicentennial Committee on a matching campaign. They also plan to restore some of the park signs, particularly the one in front of Waterworks. They are hoping to restore three signs with the \$20,000 budgeted.

Leisure Time

The proposed 2012 budget is \$15,013,771, which is an 8.76% decrease from 2011. The reason for the change is due to a reduction of note principal and interest payments from the Natatorium and golf course due to the “pay down” obligations in 2011. Note principal and interest payments scheduled for 2012 are \$1,438,250 less than 2011. Expenses have been holding flat. The new exercise facility has 150 members and growing, and they plan to have an aggressive campaign in January to get more. They will be within \$1,700 which covers their operating costs. He did not have the capital costs in front of him. All of the equipment is transferrable to the Nat if the new facility does not work out. They are also looking at specialty classes. Quirk continues to be a successful senior center. It receives a large subsidy from the general fund that allows it to work as it does. Without the subsidy, it would not exist as we now know it.

Water

The proposed 2012 budget is \$5,151,097, which is a .34% decrease from 2011. The reason for the change is due to a reduction of note principal and interest payments due to the “pay down” obligation in 2011. Note principal and interest payments scheduled for 2012 are \$86,275 less than 2011. There are six capital needs presented in the budget. Caustic soda costs increased which is the reason for the increase in Supplies. Also, Tools and Equipment is higher. Items in that category are needed for smaller projects. The amount budgeted in Contractual Other includes \$156,000 for well repairs and utility patch program. Also, due to EPA requirements, they will need to inspect the Ross Park water tank this year. The amount under Land Building Maintenance Repair is for items such as overhead doors and pump station building repairs. He asked for money to be taken from Capital and put into this category. The amount for the high pressure districts increased this year due to an additional line installed at CVCA and some residential building.

Sewer

The proposed 2012 budget is \$7,562,320, which is a 29.31% increase over 2011. The reason for the change is due to an increase in capital outlay. There were four capital needs presented. Mrs. Carr reviewed her letter to Council regarding the SSO update (copy attached). The \$1,000,000 being set aside for sanitary sewer overflow infrastructure improvements is to address the SSO issues. The Administration will come back to Council with legislation for policy solutions and changes. There will also be legislation addressing rates because the costs to build a storage tank will affect the rates. In addition, Akron has increased its rates by 5% so the City will be passing along the treatment part which would amount to a 2.33% increase to residents. Of the 20 homes being penalized for not complying with Project Partner, some are within Areas 3 and 9. Most are bank owned, which is why she would like to address this now before the problems are passed on to new buyers. Even though the homes are empty, they are still contributing to the problem through incorrectly installed footer drains and downspouts. Also, no one is paying the bills so the penalty is not being paid. Mr. Walters suggested exploring a two-tier wage rate wherein people who participate in Project Partner receive a discount. Mrs. Hummel asked about the cost involved in participating in Project Partner. Mr. Kring stated the average repair ranges from \$1,500 to \$2,000. The City offers an assessment process. Mr. Brodzinski commented that the County will be raising its rates the same percentage as Akron. Mrs. Carr stated with regard to location of storage tanks that the only place the City has land in Areas 3 and 9 is the parks. The average life of sewer lines is 50 years. There are lines in the City that were built 60 to 70 years ago, which means the City is on borrowed time.

Storm Drainage Utility

The proposed 2012 budget is \$2,357,822, which is a 64.12% increase over 2011. The reason for the change is due to an increase in capital outlay. There were five capital needs presented. Postage is up due to a reallocation in the leaf program. It is for notices to residents on leaf pickup dates and was put in this category because it is a storm water expense. They are hoping to go to a total internet based notification. The \$36,000 budgeted under Utility Billing is an allocable portion because they bill and collect for storm drainage. The other enterprise funds were reduced accordingly. Mrs. Hummel stated the good news on this is the \$1,000,000 from the Northeast Ohio Sewer District to help get the dams down.

Capital Projects Fund

The starting balance is \$2,350,000. The amounts for Portage Trail COAF, Buckeye Mixed Use CORF, Mud Run Gun Club COAF, S. Front Street CORF and state funding reimbursement for Howe & Main have corresponding expenditures on the last page. The total revenues are \$29,384,530. Under Expenditures, the Debt Service is for the Notes from those listed under Revenues. The 2013 figure under Street Resurfacing Hot Mix Work is for the Tallmadge Avenue resurfacing. The 2012 and 2013 amounts under Concrete Street Repair are for Phases II and III of Remington. The 2012 amount under Street Department Vehicle and Equipment Purchases includes two 5 ton trucks and one small asphalt grinder. The MDT Mapping Software under Fire will allow squads to get direct input from CAD that will show them the address and the quickest route to get there. The Rebuild Station 3 – Phase I is something they are looking at doing down the line. It would not be as big as Station 5 but it would be big enough to run equipment out of. They would like to continue operating out of the station while the new one is being built. Mayor Robart stated it was recommended that Station 3 be moved near Acme on State Road. The report mentioned the old station would be eliminated and the new one constructed to coincide with a new high school. Under Other Projects, the amount for the Hospital Project – JEDZ is the City's commitment. The Service Complex Security is for fencing the perimeter. The amount under Parks & Recreation includes replacement of lawn mowers, a grinder to sharpen blades, utility cart, creek restoration, lighting upgrade for security at Waterworks and playground renovation, of which \$75,000 is for the Quirk playground. He will get a complete list with corresponding amounts to Council. The playgrounds will be done based on a rating system of 1 to 7. He will get a list of the playground ratings to Council members. Mr. James commented about the poor condition of the exercise trail at Waterworks. Mr. Stewart stated it is located in the flood plain so it didn't make sense to put money into it. Mr. James felt it should then be disassembled and the area put back to nature. Mr. Stewart said they would look at that.

Mrs. Hummel stated the Finance Committee would recess until 6:00 p.m. on Tuesday, December 27. Mr. Brodzinski stated if there were any specific issues, he would like to be notified so he could make sure the appropriate department heads attend the meeting.

The Committee recessed at 8:27 p.m. and will reconvene at 6:00 p.m. on Tuesday, December 27.



City of Cuyahoga Falls

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December 16, 2011

RE: Water Rate Increase

Dear Council Members:

I'd like to take this opportunity to provide some additional details pertinent to the Water Department budget and our proposed rate increase. As you know in 2010 the Administration presented a proposal that would have raised rates in 2010, 2011, and 2012. In the end, Council agreed to a one-year rate increase of 15%. Currently we are again asking for a 15% rate increase. This 15% increase would apply to three areas of water service. General rates, which include residential, commercial and industrial; water hauling rates and bulk water purchases.

Community Comparison per 1000 cubic feet

As you know from past discussions, including when we came before Council in 2010, we continue to provide water at the lowest cost levels in the surrounding area. The impending increase stills keep us the lowest in the area. The City proposes to raise the water rate by 15% in 2012. The average customer uses approximately 1,000 cubic feet (1 cubic foot equals 7.48 gallons) per month; therefore the impact would be as follows:

2012 increases from \$20.64/1000 cu ft to \$23.74/1000 cu ft or \$3.10 per mo/\$37.20 per year (average household)

Applying the rate increase proposal to the community comparison chart we still fare below the other communities.

City	2011	2012 Rate Increases	2012
Cuyahoga Falls	\$20.64	15%	\$23.74
Kent	\$24.74	9%	\$26.97
Akron	\$25.27	8%	\$27.29
Hudson	\$27.80		
Stow	\$32.60		
Silver Lake	\$35.50		
Barberton	\$39.50		
Green	\$39.60		
Munroe Falls	\$42.80		
Tallmadge	\$44.10	8%, July, 2012	\$47.63

The City as a whole prides its self on having the lowest overall utility rates when compared to other local communities. During 2011 the Administration has continued to analyze our rates based on our forecasted needs.

Water Hauling

The City currently provides a water hauling service to those residents who can't be reached by a municipal water line and they don't have a functioning well. Water, up to a maximum of 1,600 gallons, is delivered to a cistern or other water tank on the property to provide domestic water to a resident.

2012 increases from \$29.50 per delivery to \$33.93 or \$4.43 per 1600 gallons or 213.90 cu ft (average truckload)

Bulk Water Purchase

The City sells bulk finished water at a tap near the water plant to private companies, such as construction companies and private water haulers. The haulers are charged a rate per 1,000 gallons based on if they are delivering to an address in the City or outside of the City. Currently the City doesn't have an ordinance on the books related to bulk water purchases.

2012 increases from \$3.50 per delivery inside the City to \$4.03 or \$0.53 per 1000 gallons or 133.69 cu ft (average truckload).

2012 increases from \$4.50 per delivery outside the City to \$5.18 or \$0.68 per 1000 gallons or 133.69 cu ft (average truckload).

EPA recommendation:

As you recall from last year, we presented you with a report provided by J. Robert Henn, from the EPA.

In this July 2010 report the EPA also questions that our rates are too low based on the benchmarks the EPA has established.

According to a report provided by the EPA the following was explained:

"For community water systems, it is recommended that that system's water rates fall somewhere between 1.3% and 3.1% of the median household income (MHI) of the system's service area based on an average use of 7,756 gallons per month. The City's rates are currently below the statistical percentage of the MHI. It is highly recommended that the rates be re-evaluated annually and increased as necessary in order for the City to be fiscally responsible so future improvements can be completed in a timely manner."

The Cuyahoga Falls 2009 MHI was \$47,383. Using the benchmarks provided by the EPA our rate and even our proposed rates do not meet the EPA thresholds.

$\$20.64(12 \text{ months})/\$47,383 = .52\%$ of MHI vs. the recommended minimum of 1.3%

$\$23.74(12 \text{ months})/\$47,383 = .60\%$ of MHI vs. the recommended minimum of 1.3%

We realize we are not meeting the 1.3% recommendation. To achieve the 1.3% recommendation, an average household would increase from \$20.74/mo to \$51.33/month, which is not reasonable.

Previous Rate Increase and Accurate Meters help Revenues

As we discussed early on with the AMR project was the importance of getting accurate reads from our meters. The preliminary data from the AMR project is indicating a greater capture of meter flow.

In 2010 January through October, 1997.73 Million Gallons were produced. Revenues = \$3,672,727. In 2011 January through October, 1837.72 Million Gallons were produced. Revenues = \$4,100,183. So although we produced less water, approximately 8% less compared to 2010, more accurate meters and last year's rate increase boosted our revenues.

Efficient, accurate water meters can be attributed to increased revenues associated with the AMR project. All in all, in 2009 the City averaged \$1,780/ million gallon and in 2010 averaged \$1,838/million gallon, all while still installing meters in 2010. During 2011 we are averaging \$2,231/million gallon.

In sum, although 8% less water was produced in 2011, our revenues increased. We are encouraged by these statistics, however AMR alone cannot support the total needs of the Water system.

3-year Capital Improvements

One of the most important reasons to consider raising rates is to safeguard our necessary capital program. The City is extremely proud of our aggressive maintenance program and capital investment schedule. However maintaining our aging infrastructure (some 200 miles of lines) coupled with a proactive maintenance schedule to keep the system as efficient as possible, requires increased funds to support our short and long term plans. Below please find annual investments that are critical, but costly to the water departments operations:

- Miscellaneous water line repair and replacement as needed or driven by emergency
- Maintain well-balanced maintenance plan
- Lateral waterline replacement with major road reconstructions (to avoid patchwork and potentially re-opening a new roadway)
- Valves must be exercised and replaced routinely; this is the most critical part to a "shut down" with a water main break
- Upgrading undersized lines
- Maintaining adequate inventory to meet annual and emergency driven needs
- Keep all high service pumps at the Water Treatment Plant fully operational
- Conduct routine water tank inspections
- Upgrade vehicles and equipment as necessary

As with every municipality our infrastructure continues to age. Engineering standards design lines to have a 50-year life span. However, it is not uncommon in our city and others that some lines last well over 50 years. In a recent review of our infrastructure age, our records indicate that 67% of our water lines are 50 years or older. This goes hand in hand with our city build out, when there was a housing boom in the 1950s after WWII.

The latest breaks of the 1917 – 1921 waterlines in the Chestnut Boulevard area bring us another concern with this aging infrastructure. Chestnut Boulevard could very well be what we should expect in the near future.

Our Capital Waterline Replacements for the next three years are as follows:

	<u>Total Project Cost</u>	<u>Construction</u>	<u>Engineering</u>	<u>Length (ft)</u>
2012				
Front Street Waterline	\$ 250,000	\$ 230,000	\$ 20,000	1,600
2013				
Maitland Avenue Waterline	\$ 350,000	\$ 325,000	\$ 25,000	2,211
Graham Road Waterline	\$1,200,000	\$1,100,000	\$100,000	6,000
2014				
Loomis Avenue Waterline (6")	\$ 530,000	\$ 490,000	\$ 40,000	3,920
Loomis Avenue Waterline (10")	\$ 370,000	\$ 344,000	\$ 26,000	2,600

The City recently applied for grant monies for several water line projects that will be occurring over the next several years. These projects in the \$1,200,000 Graham Road Waterline project in 2013, the Maitland Waterline project in 2013 for \$350,000, and the Loomis Waterline project in 2014 for \$900,000. These projects did not garner enough points for grant money. Part of the problem is due to a change in the scoring of these projects. A few years ago the Ohio Public Works Commission (OPWC) advisory group made corporate policy to automatically award any project maintaining or producing 500 plus jobs or has a significant regional impact. This has become known as the "Goodyear/Bridgestone" clause. This has had the effect of eliminating funding to many city projects given it is difficult to garner these additional points, making it difficult to compete.

So, for 2013, the City will have to issue \$1,550,000 for Graham Road and Maitland Avenue instead of \$775,000. The goal would be to pay off the notes over three years. To accomplish this the Water Fund will need adequate funds to pay down the notes. In 2014, the City will be forced to fund the Loomis waterline for \$900,000. It is planned to borrow \$550,000 for this project.

As explained before with our aging infrastructure, lines will continue to break as is evident with the recent breaks on Chestnut Boulevard. The Water Fund has to be protected with a sufficient balance so that it is not forced to always borrow money to replace these lines, nor do we want to be in the position of having to issue long-term bonds of 20 years because we do not have the funds to repay notes over a much shorter period of time resulting in greater interest payments over time.

Department is keeping costs down

The Administration has been working diligently in an effort to keep the Water Fund's costs down, while maintaining a high level of service. We think it is important to tighten our belts before we asked for any rate increases.

The Water department has been making due with less and less employees over the last few years. Both non-bargaining and bargaining positions have gone unfilled. A few years ago three management positions were consolidated in to two positions. The Water Treatment Plant is currently faced with the retirement of the lab manager. In coordination with AFSCME, we are currently working on a plan to have a new lab manager also fill in as an operator when needed. Furthermore, cross training among the maintenance mechanics and operators at the Plant has enhanced overall operations and personnel functions to the department's benefit.

In addition, we have not backfilled positions in the Water department. Admittedly, we are at crucial staffing levels and we cannot go down any further. We currently have five (5) additional employees eligible for retirement, with one retiring early in 2012. These positions, upon evaluation, will probably need to be backfilled to continue our service level.

Fund Balance

The Water Fund is classified as an Enterprise Fund and should therefore be run as a business. Some of the Water Fund's revenue is weather dependent (i.e. additional revenues generated from watering of lawns and gardens in a dry season). Therefore, we need to plan for unforeseen contingencies. Contingencies to hedge against wet or dry years, to be able to handle wild price fluctuations for chemicals at the treatment plant, and extraordinary water main breaks in a given year.

All this begs the question: how much is enough reserve, and how much is too much? A good rule of thumb is to use the benchmarks available from the various credit rating agencies. In a recent publication, Fitch Ratings provided a median Days Cash on Hand for AA-rated water agencies of 266 days. The formula is calculated as follows: $\$ \text{ Ending Fund Balance} / (\$ \text{ Annual O\&M Expenses} / 365)$. Fitch's AA rating is equivalent to our Aa2 rating with Moody's. At the end of 2011 our Days Cash on Hand will be approximately 198 days or 74 percent of what industry standards say it should be. The proposed rate increase legislation moves the City in the right direction of investing in our aging infrastructure, maintaining adequate reserves for unforeseen contingencies, without mortgaging the future by issuing an extraordinary amount of long-term debt.

Upon your review please call me with any questions or concerns, or if you need any additional information prior to Monday's discussion.

Sincerely,



Valerie Wax Carr
Director of Public Service

Cc: Mayor Don L. Robart
Senior Cabinet
John Christopher, Water Utilities Superintendent



City of Cuyahoga Falls

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December 19, 2011

Subject: *Sewer Fund Discussion*

Dear City Council:

SSO Update

Cuyahoga Falls is served by a sanitary sewer system and a separate storm sewer system. Sanitary sewers are designed to convey sanitary sewage produced by human habitation to a treatment plant. Storm sewers are designed to convey uncontaminated storm water to an environmental outfall. Sanitary Sewer Overflows (SSOs) are intermittent discharges of untreated sewage from a sanitary sewer system directly to the environment, or to a storm sewer system, which discharges to the environment. SSOs occasionally occur in almost every sewer system, even though these systems may have been originally intended to collect and contain all the sewage that flows into them. This is because sanitary sewer systems were rarely designed to anticipate the additional flow from later upstream urban development, and because few systems were designed to handle the flow from infiltration, inflow, and illicit discharges of storm water. Storm water inflow is caused by rainfall or snowmelt infiltrating through the ground into leaky sanitary sewers not designed to hold rainfall or to drain property, and excess water inflowing through roof drains and foundation drains improperly connected to sanitary sewers, broken laterals, and badly connected laterals.

Under the Clean Water Act, the USEPA and Ohio EPA are tasked with eliminating the discharge of untreated sewage to the environment. As is the case with most communities that operate sanitary sewer systems, the EPA has mandated the elimination of SSOs on the Cuyahoga Falls sewer system.

In 2004, the EPA first issued a mandate with respect to the City of Cuyahoga Falls. The City had already begun a program to address SSOs and immediately accelerated its steps to eliminate SSOs. The City began a full study and also started elimination of SSOs, mainly through road work projects, commencing in 2003. In 2007, the City's consultant DLZ completed the Separate Sanitary Sewer Overflow Study. That study identified nine (9) active SSOs present in our system, which indicated capacity problems during wet weather events. The study presented various alternatives to resolving our SSO problem. Basically, 2.14 MG of infiltration/inflow would need to be stored in order to prevent the overflows from occurring for anything less than a 10-year storm event. This storage could be obtained by the use of Storage Tunnels or Storage Tanks.

Since the report, the City has completed several upgrades to our sanitary sewers, including:

- 2nd and Vincent Sewer Separation Project
- Jennings Avenue, Silver Lake Avenue
- 6th – 9th Street
- 9th Street, 10th Street
- 12th/Jefferson/Phelps
- Gorge Park
- Babb Run

In addition, we have had a very successful Project Partner Program for 7 years, which has helped remove illicit discharges of storm water into our sanitary sewer.

The result of all this effort is that SSO activity has been dramatically reduced. Because of all the work we have completed over the last several years, it was appropriate in 2011 to update our study with current flow data in order to assess our progress. In 2011, 6 flow meters were installed in our system and data collected for 60 days. Based on the data collected this year, we can confidently say that 7 of the 9 SSOs identified in 2007 have been effectively eliminated. Two (2) persistent areas of overflows continue, however. These two areas are in the Lions Lodge (Area 3) and Oak Park neighborhood (Area 9).

Project Partner Success

Cuyahoga Falls takes great pride in being one of the leaders in establishing and funding a storm water utility in 2004. Our current storm water fee is \$3.00 per month for residential customers, and \$3.00 per month per 3,000 square feet of impervious area for commercial customers. The revenues generated from such fees have been a tremendous assistance in meeting EPA's National Pollutant Discharge Elimination System (NPDES) Program regulations, as well as meeting our needs to operate, maintain, repair, improve and extend our storm water sewer system. Most importantly, these funds have helped make our "Project Partner" Program a tremendous success. This program identifies and removes direct storm water connections to the sanitary system.

Since the Project Partner Program's inception in November of 2004, we've completed almost 2,000 Storm water Inspections and removed nearly 900 sources of illicit discharges to the sanitary sewer system (connections, bad laterals, etc.).

The success of Project Partner has been important not only in relieving residents of basement sewage back ups, but by eliminating storm water discharges to the sanitary sewer. Introduction of storm water to the sanitary sewers raises everyone's costs significantly because our residents unnecessarily pay to treat storm water at the treatment plant.

When Project Partner began, a system of incentives and penalties was put into place to encourage residents to comply with the law. Under Project Partner, those failing the storm water inspection have 180 days to correct the problem. If the 180 days expire and the problem has not been corrected, the household sanitary sewer is doubled. To date, 20 households pay this double rate. However, the penalty rate was never intended to serve as a permanent solution. The continued illicit discharges may even be causing a problem to their neighbors. Some of our violators go back to 2005.

In the 2012 budget, \$1 million has been allocated to begin the next phase of SSO remediation. Originally, it was estimated that remediation of the nine (9) identified SSOs may have cost the City upwards of \$20 to \$30 million. However, due to our concentrated efforts we have eliminated all but two (2) SSO areas. It is still highly likely that some sort of mass storage (tank or tunnel) will need to be built to finally eliminate SSOs in the future. This cost would range from \$7 million to \$10 million. However, our goal would be to eliminate as much infiltration as possible to continue to obviate the need for this enormous expenditure.

We truly believe we can continue to reduce the cost of compliance by implementing a more aggressive regulatory program under Project Partner. During the first quarter of 2012 we will re-evaluate some of Project Partner's elements. For example:

- Consider whether the City should continue to permit indefinite payment of the penalty sewer rate instead of forcing the problem to be fixed. Consider civil or criminal enforcement or establish a termination procedure.
- Implement mandatory smoke testing and inspections in the zone of influence of active SSOs.
- Apply for possible EPA grant funding; assist with individual system improvements.

We feel it is appropriate at this point to reevaluate the Project Partner program and build on its success. The EPA has validated our opinion that the Project Partner program can play a significant role in helping the City to eliminate SSOs in a cost-effective manner. We believe a regulatory solution will in the long run be preferable to burdening the entire community with the cost of extremely large infrastructure projects.

As we progress in our evaluation, we will keep Council informed. We expect to present some policy changes and/or legislation in the next few months. This will include a rate review for potential capital improvements within the sewer system.

Sincerely,



Valerie Wax Carr
Service Director

VWC/es