

**VILLAGE OF SOUTH LEBANON
MINUTES
WORKSHOP MEETING
MARCH 6, 2014
7:41 P.M.**

1. Mayor Lawhorn called the meeting to order at 7:41 p.m.

2. Linda Allen - Present
Randall Atkins– Present
James Boerio – Present
Sue Johnson - Present
Steve Riley – Present
James Smith – Present

3. Gary Vidmar stated three gentleman are here from Cincinnati Water Works and Carl Vandermeiden, Chief Engineer, is the one the village has been primarily negotiating with and as I indicated in the past they have been very cooperative up to this point to understand the situation we are in and offered to help to the best of their ability. He said there have been a lot of questions I can't answer, such as how far can they go in these negotiations. He said these gentleman are here tonight to explain their position and the basis of the agreement and basis of projections and hopefully a better understanding of the agreement.

Carl stated he is the chief engineer for Greater Cincinnati Water Works. He introduced Gary Wiest from customer service and Ben Schlueter, legal council. Gary stated if he concentrate on the take or pay from your vantage point and the negotiations that lead to those and your inability to go much farther and explain what the reasons are for that. Carl stated back in history to 2008 or so when we were negotiating a wholesale water agreement with the City of Lebanon. He said they had several years of discussion to provide water to the City of Lebanon which required quite a bit of infrastructure for us to bring water to their corporate line and we had to bring water from Western Row and bring it out Columbia Road, Turtlecreek and Mason Morrow Milgrove eventually building a pump station and supply water. We completed that agreement in 2008 or 2009 and as we were getting close to completing that we began discussions with the Village of South Lebanon also. He said we looked at it from the stand point to get water to Lebanon is that adequate to also provide water to the Village of South Lebanon. Carl said in that process we worked with the village and the village engineer to estimate the current and future water needs for the village. He said we are doing contracts that are thirty to forty year durations so we are looking for the needs of the community to make sure we build the infrastructure to support that. He said we went through a process with village engineer to come up with long term projections for the village and looked at the infrastructure we were going to build for Lebanon and in order to provide Lebanon with their needs and then provide South Lebanon with their needs we had to upsize the whole infrastructure all

the way back to Western Row. He said for that capital investment, we build it and then incorporate the debt service of that into the rate and it also includes treatment costs, our pumping and maintenance costs. We negotiated a rate in 2010 or so. Carl said one of the requirements during the negotiations we need to have a certain amount of income coming back to cover our costs. He said their philosophy has always been the community they serve has to cover their own costs and not pass on to another community because that would not be fair. He said that is why there is a minimum take or pay requirement. He said the amount was 270,000 gallons a day when the contract was negotiated. This was based on working with who was here at the time and as I recall you were a little apprehensive about it at that time so we lowered it to try to set it up for success. He said we started serving water in 2013 and started about twelve months early because the water plant here started to fail and the village asked us to accelerate the contract. Carl said Ohio EPA started talking with us to bring the water faster. He said it benefited us as well because we did about three years' worth of work and it generated an income stream. Carl said it has been difficult for the village to meet the take or pay requirement and that became apparent in 2012 and at that point we offered to do more of a retail contract. That would have us take care of the billing, the main breaks and all the infrastructure. He said the take or pay was waived that year and in 2013 the village was still well below the estimated use. Carl said we looked hard at can we lower that requirement and again we have to be very careful that our operating costs and debt service costs are covered. He said we did take a hard look at the village took the water one year early and based on that we reran our financials and came up we could reduce the take or pay in the early years by about 32%. He said the goal of that was to get it into a range based on actual experiences we knew the village could reach the requirements without not meeting the take or pay. He said we tried hard to go down to 210,000 and according to the agreement 2014 would have went up to 310,000. Have presented the numbers and have proposed a reduction in the usage and so then have added an additional ten years to the contract. Carl said this is unusual for us, we only do thirty year contracts and the forty year contract was unusual and now to have a fifty year contract is even more unusual. Carl said the take or pay requirements are fairly common, we have nine wholesale contracts and out of those nine, three have take or pay requirements. Carl stated the ones without that requirement take a huge amount of water. He said over the last six months we have had numerous discussions and Cincinnati Water Works has come a long way in trying to make this work for us as well as the village by reducing the take or pay requirements. He said he thinks the next five or six years it is more realistic.

Smith asked how much 200 units add to the daily output, what is the recommended number of per gallons. He was told approximately 5000 per day times 200 over thirty days. Smith said that would be about 35,000. Smith said the complex we have on line if we upsize the pipe we could add almost 187 to 200 units over there that were in the original

discussions that could actually meet some goals very quickly. Boerio asked units over where and Smith stated Cedars and that was designed with this system because we had volume problem and the village staff over the years had to tighten the water system up so much, that was a requirement, so the huge numbers we were using now the system is down to what Tony? Tony said it was reduced over 25% in loss. Smith said Cedars, across the river, is 187 units that they have already replaced the twelve inch main so the only issue now is the six inch main on the bridge and I think when that is completed we could add those units. Mayor Lawhorn stated we are trying to get a grant to continue the twelve inch and we would like to have the Cedars and we would like to have everything in our village but Cedars we should have. He said we need to get that twelve inch line and I think that is all that needs to be done. Smith said he agrees with him, the twelve inch would give an additional capability across the river, we have all the choke downs replaced with twelve inch so that is a positive step the village is taking. Carl said any kind of additional consumption the village can get is a great benefit and we tried to dial it back to current levels and maintain that for as long as we could over a five year period and during that time if the village can get more consumption like that it would overall make it better in the long run. Smith said the good part on that one is the system is already built it is simply valve manipulation. It is simply the bridge and we would be able to help supply our neighbors in Stone Brook and Rivers Bend if there was a fault across the river. Atkins asked when he said they were building the line for Lebanon, most of the line you built for Lebanon and in my opinion our portion is very small so why is our cost more than Lebanon for the line. Carl said some of the lines had to be upsized for the Village of South Lebanon. He said the rates are different between Lebanon and South Lebanon mainly because of the volume each community takes. He said Lebanon takes about ten times the volume than South Lebanon on an average day. Atkins said he feels we are paying more for the infrastructure than Lebanon and Carl said it is proportioned based on the volume. Allen said our issue is the take or pay and Atkins said that is like buying a car and never taking it off the lot. Carl said the take or pay is designed to ensure the costs for treatment and deliver it as well as the debt service, only for the portion South Lebanon was responsible for. Boerio stated he is confused that the cost of the chemicals, power and stuff like that ought to go into the price of the water itself. Carl said it is. Boerio he thought Carl said it was in the take or pay and Carl said the cost of the water if not enough to cover the costs then there has to be an additional amount, which is the take or pay to get those two sides to balance. Boerio said he is concerned that the cost of chemicals and power is an ongoing expense but the take or pay to him is infrastructure and we ought to be paying for our infrastructure through our take or pay and he is concerned if the infrastructure is what is in the take or pay, it just seems high. Gary said the infrastructure to get the water here, the pipes, is a capital expense and we are paying a portions over a five year period of roughly \$35,000 a year. Gary said that is

paying for a portion to get that water here and doesn't pay for all of it. Gary said you then have the unit price of the water at \$2.00 per gallon, just simple terms, then you have the volume of water you purchase if you purchase 10,000 gallons times the \$2.00 that is \$20,000 that pays for certain treatment, infrastructure, overhead and profit. He said if you use 100,000 at \$2.00 that pays for ten times as much and what he is saying is it is a factor of both that has to pay for that treatment and overhead. He said the village's volume isn't paying for that portion. Gary said theoretically you could eliminate the take or pay and put it all on the rate and could be buying water for \$5.00 per thousand gallons. Boerio asked what it would take to eliminate the take or pay for our rate to be and was told the take or pay was to buy down the rate also. Carl said just like if you want to put more money down on your mortgage your monthly payments would be less. He said when we negotiated the contract we tried to get a rate that was attractive to the village and what the residents would pay. Gary said since we reached this point we have recently had a discussion to go back and look at the retail agreement. Gary said before the village didn't think the retail agreement was a benefit and that was before we tightened up the system. He said Carl has offered an updated retail agreement that we will now begin looking at. Carl said reducing the take or pay for several years will allow us to have discussions every year about what point would it become beneficial to switch to a retail agreement. He said if your volume goes up twenty to thirty thousand a year, it may be better to stay with the wholesale. Gary said that is another conciliation, Bruce and I asked for the ability, we requested to have it annually. Boerio asked Carl is that what he is saying and Carl said the take or pay is lowered it is finished. It simply will be to look at retail verses wholesale. Bruce asked what the three year jump is going to be. Carl said it will stay at 210,000 gallons until 2016 and then in 2017, 2018 and 2019 go up to 230,000 gallons per day. Smith asked Phil what we run a day now and he said around 200,000. Smith said if we escalate across the river then we can add another twenty to thirty thousand on top of that. Bruce said it will be reduced by the fact that this is going to be increased on these intervals. Smith stated it would still take us through three years and Bruce said it would obviously benefit it but it is going to be reduced by the stand point that these increases are going to occur. Smith said that is based on no other development, such as Waters Bend that put 200 units on in fourteen months. Smith said we have potential for growth and it is jump starting again this year so hopefully we can continue forward. Boerio said keep in mind whatever growth happens, has to happen within the service area and Smith said that is where the developments are. Boerio said Cedars I don't believe is in the service area and Smith said yes it is. He was told the only reason Warren County services it now is we could not provide the volume. Smith said there is a sub-station in place for pressure but we have the pressure now but it would serve as back-up. Gary stated that in the annexation agreements with the developments prohibits us from serving all the newer developments on the South side

and Smith said not all of them.

Gary said he and Bruce will continue the negotiations and finalize those and look at the retail proposal and come to council in two weeks with a recommendation. Gary said the take or pay reduction will be by May 1st having the legislation completed.

4. Mayor Lawhorn said we have another order of business and that is the parking and asked if council got the Hamilton Township paper and Smith on the Hamilton Township he would have a meeting with those residents before passing a new thing. Mayor Lawhorn said we just had a request for those two streets. Atkins asked if we looked at the two streets the gentleman came and asked about and he was told some went and looked at them. Mayor Lawhorn said those are a lot wider than Valley View. Boerio said those streets are eighteen feet wide. Discussed the guidelines and limited space for parking and emergency vehicles. Smith stated he is not arguing the parking he is just saying give the residents and opportunity before we do something for their input. Gary said it was an HOA president and he was bringing the residents issue to our attention.
5. A motion to adjourn the meeting was made at 8:18 p.m. by Boerio, seconded by Allen, all yeas.

Sharon Louallen, Fiscal Officer

Lionel Lawhorn, Mayor