



Date: August 15, 2022
To: Holly Christmann, Assistant Hamilton County Administrator
From: Diana Christy, MSD Director *DC*
Copy: John Curp, Interim City Manager

Ryan Welsh, Jennifer Richmond, Amanda Gray, Mary Fliehman, Joseph Schuster, Sheryl Long, Jeff Aluotto

Subject: MSD 2023 Recommended Operating Budget Request

Enclosed is the 2023 Recommended Operating Budget Request for the Metropolitan Sewer District (MSD) of Greater Cincinnati, which has been prepared by the City of Cincinnati pursuant to the 1968 Agreement (as amended). The total request for FY 2023 inclusive of Personnel, Non-Personnel, Other Non-Personnel, Sewer Backup Response (SBU), and debt service obligations is \$238.4 million. This Recommended Operating Budget Request would represent a \$7,066,928 or 3.79% increase from the 2022 Approved Operating Budget. It is the opinion of MSD that this increase is vital to the continued functioning of the utility’s core missions and maintenance of its capital assets. Many of these increases are related to overall supply cost increases linked to both supply chain disruptions and an overall inflationary environment.

DEPT	2022 Approved	2023 Recommended	Change from Prior Year	Percentage Change
Personnel	\$ 63,115,970.00	\$ 65,093,380.00	\$ 1,977,410.00	3.13%
Non-Personnel (without SBU)	\$ 65,916,691.00	\$ 70,354,209.00	\$ 4,437,518.00	6.73%
Other Non-Personnel	\$ 5,766,000.00	\$ 6,418,000.00	\$ 652,000.00	11.31%
GRAND TOTAL (w/o SBU & Debt Payments)	\$ 134,798,661.00	\$ 141,865,589.00	\$ 7,066,928.00	5.24%
SBU	\$ 11,213,263.00	\$ 11,560,265.00	\$ 347,002.00	3.09%
DEBT PAYMENT	\$ 85,000,000.00	\$ 85,000,000.00	\$ -	0.00%
GRAND TOTAL	\$ 231,011,924.00	\$ 238,425,854.00	\$ 7,413,930.00	3.21%

Personnel

The CY 2023 Recommended Operating Budget for personnel is projected to require an increase of \$1,977,410 or 3.13%, when compared to the CY 2022 Approved Budget. The primary drivers for this increase are an expected 2.2% increase in health care costs, expected cost of living increases for all bargaining units of 4% occurring at different intervals within the calendar year compounded with 5% increases for bargaining units that occurred in CY 2022, a 3% cost of living increase to non-represented employees enacted by Cincinnati City Council in June 2022, and the impact of normally occurring step and merit increases due to eligible employees on their anniversary dates.

When combined, these factors are expected to expand MSD’s budgetary needs to the levels indicated. In addition, the personnel budget also reflects a transfer of positions within the Office of the Director and Wastewater Engineering, corrected allocations for capital labor reimbursement, and position specific

projections for salary and benefits within each division to ensure personnel appropriations are correctly aligned.

This request would not add any additional positions to any MSD division’s Table of Organization. Should the CY 2023 Recommended Budget for personnel be unable to be approved at the level indicated, this may result in hiring freezes or position elimination to remain within a reduced appropriation.

	DEPT	2022 Approved	2023 Recommended	Change from Prior Year	Percentage Change
	Personnel	\$ 63,115,970.00	\$ 65,093,380.00	\$ 1,977,410.00	3.13%
410	Office of the Director	\$ 2,550,826.00	\$ 2,203,370.00	\$ (347,456.00)	-13.62%
420	Wastewater Engineering	\$ 7,061,029.00	\$ 6,558,110.00	\$ (502,919.00)	-7.12%
430	Wastewater Administration	\$ 4,840,025.00	\$ 4,988,181.00	\$ 148,156.00	3.06%
431	IT Division	\$ 2,458,195.00	\$ 3,954,648.00	\$ 1,496,453.00	60.88%
440	Wastewater Treatment	\$ 24,783,435.00	\$ 25,068,160.00	\$ 284,725.00	1.15%
450	Wastewater Collection	\$ 13,140,075.00	\$ 14,064,575.00	\$ 924,500.00	7.04%
460	Regulatory Compliance	\$ 7,349,551.00	\$ 7,397,773.00	\$ 48,222.00	0.66%
480	Sewer Backup Program	\$ 932,834.00	\$ 858,563.00	\$ (74,271.00)	-7.96%

Non-Personnel

The CY 2023 Recommended Operating Budget for non-personnel is projected to require an increase of \$4,437,518 or 6.73%, when compared to the CY 2022 Approved Budget. Several new, emerging, or exigent needs on the part of MSD’s core operations have led to this increased request. They include, but are not limited to:

- Significant increases in costs related to the core chemicals necessary for wastewater treatment, largely due to supply chain disruptions and general inflationary increases across the economic landscape.
- Expected increases in natural gas, as prior rate agreements continue to expire and are re-negotiated.
- Known increases in costs related to solids’ disposal at all MSD facilities.
- Increased information technology costs due to a higher demand for both the hardware and software infrastructure components.
- Inflationary increases across industries for nearly every kind of consumable good and service.

Most of these increases are expected to be of an ongoing nature, due to increased commodities prices, product demand, and economic uncertainty. Where possible, MSD has reduced or eliminated non-personnel expenditures to minimize the overall increase request. Should the CY 2023 Recommended Budget for non-personnel be unable to be approved at the level indicated, this may result in new capital assets being unable to be maintained at expected levels and core functionality of MSD being significantly impaired.

	DEPT	2022 Approved	2023 Recommended	Change from Prior Year	Percentage Change
	Non-Personnel (without SBU)	\$ 65,916,691.00	\$ 70,354,209.00	\$ 4,437,518.00	6.73%
410	Office of the Director	\$ 1,218,739.00	\$ 1,124,605.00	\$ (94,134.00)	-7.72%
420	Wastewater Engineering	\$ 864,087.00	\$ 902,414.00	\$ 38,327.00	4.44%
430	Wastewater Administration	\$ 7,231,156.00	\$ 7,456,388.00	\$ 225,232.00	3.11%
431	IT Division	\$ 4,449,255.00	\$ 4,750,231.00	\$ 300,976.00	6.76%
440	Wastewater Treatment	\$ 33,726,423.00	\$ 37,140,784.00	\$ 3,414,361.00	10.12%
450	Wastewater Collection	\$ 11,060,761.00	\$ 11,392,540.00	\$ 331,779.00	3.00%
460	Regulatory Compliance	\$ 7,366,270.00	\$ 7,587,247.00	\$ 220,977.00	3.00%

Other Non-Personnel

The CY 2023 Recommended Operating Budget for other non-personnel is projected to require an increase of \$652,000 or 11.31% increase when compared to the CY 2022 Approved Budget. This increase is specifically related to MSD’s Fleet needs due to replace the aging reserve of MSD’s vehicles in addition to inflationary increases for fleet replacements. The requested Fleet budget would permit MSD to replace the oldest and most expensive vehicles to maintain, improving both operational capacity and reducing the maintenance costs required to maintain those assets.

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	Other Non-Personnel	\$ 5,766,000.00	\$ 6,418,000.00	\$ 652,000.00	11.31%
944	GFOH	\$ 2,600,000.00	\$ 2,600,000.00	\$ -	0.00%
981	FLEET	\$ 1,816,000.00	\$ 2,468,000.00	\$ 652,000.00	35.90%
982	OTEA	\$ 1,350,000.00	\$ 1,350,000.00	\$ -	0.00%

Conclusion and Summary

MSD remains dedicated to its steadfast compliance with the state and local requirements of maintaining a safe and healthy workforce and operating MSD facilities to ensure essential services are provided and maintained to fulfill the mission to provide safe and reliable wastewater collection and treatment services while returning clean water to area rivers and streams. Due to the lasting impact of the economic conditions endured both in the Southwest Ohio region and nationally over the past 30 months, the resources required for MSD to maintain its present operations has continued to increase. The 2023 Recommended Operating Budget represents the appropriations MSD believes will be required to fully staff and maintain this critical infrastructure.

2023 Recommended MSD Operating Budget Request

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