

**NORTH RIDGEVILLE MUNICIPAL COUNCIL  
MINUTES OF  
SPECIAL MEETING      OCTOBER 27, 2010**

**CALL TO ORDER:** 8:00 P.M.

President Pro-Tem Roseanne Johnson: I call to order the North Ridgeville City Council Special Meeting of Wednesday, October 27, 2010. Clerk, please call the roll

**ROLL CALL:**

Present were Council Members Nancy Buescher, Dennis Boose, Richard Jaenke, Bernadine Butkowski, and President Pro-Tem Roseanne Johnson. Absent was Council Member Bob Olesen and President Kevin Corcoran. Also, present were Safety-Service Director Jeffry Armbruster, Law Director Andrew Crites and Clerk of Council George Smith. Mayor David Gillock and Auditor Chris Costin arrived after roll call.

**READING OF NOTICE:**

Clerk of Council Smith: Regarding Special Council Meeting. Dear President and Members of Council, notice is hereby given in accordance with Section 3.9 (c) of the Charter of the city of North Ridgeville that a Special Council Meeting will be held on Wednesday, October 27, 2010 at 8:00 P.M. or immediately following Mayor's Court if still in session at 8:00 P.M. This meeting will be held in Council Chambers, North Ridgeville City Hall, 7207 Avon Belden Road, North Ridgeville, Ohio 44039. The purpose of this meeting is to hold a Committee of the Whole to allow informal consideration on a presentation to be conducted by Johnson and Anderson regarding the Quasar Project.

**COMMITTEE OF THE WHOLE:**

President Pro-Tem Johnson: Without any objection, I would like to just turn the meeting over now to the Mayor for your presentation.

Mayor Gillock: Jeff, go ahead. I will turn it over to Jeff.

Safety-Service Director Armbruster: Why don't we start? We have John Emig and Bill Popp here from Johnson and Anderson. Bernie and I and John and Bill actually spent the afternoon down at Wooster at ATI, Ohio State University's plant. They got first hand engineering questions answered and Bernie and I took the layman's tour which I think was quite interesting and I'm sure she'll share with us what she saw today. This is the second time I've seen the plant. I can readily say that the storm damage that was in the immediate area was phenomenal. All the trees were topped, but Quasar itself really had very little damage other than they will have to replace all the siding and some roofs. But, the whole place just stayed together where everything

else around it, quite a bit of it, was destroyed. So, with that, John and Bill why don't you. . . .  
Mayor?

Mayor Gillock: Let me do a little set up here to start with. I think most of you know, but I'm just going to recap it just a little bit. A few years ago, the EPA changed the designation of our sludge from class A to class B, which meant we had to dispose of it. Our options were to put it in a landfill which is quite expensive or land application. We signed a contract, if you remember, with Synagro for three years for 300,000 dollars; basically it was 100,000 dollars per year to manage getting rid of that sludge. It's not been easy. There are a lot of management problems with it. Our truck got stuck. When it snows you can't go on the field. When it's raining you can't go on the field. So, there are a lot of issues. Part of that, we had to provide for 120 days storage just for these types of situations. So, we were going to have to build a storage facility that will cost about 600,000 dollars. About that time, Quasar approached us with a project to do anaerobic digestion. In other words, our sludge would be burned producing methane; turn a turbine; create energy; create electricity which will then go back to the plant and go to the grid. But it will also give us a way to get rid of our sludge which is much more dependable. After they are done burning it and it goes back to our plant and we centrifuge it, you will have a whole lot less sludge, which Quasar will dispose of. It goes to Kurtz Brothers who will use it in their landscaping operation. So, finally, we have a dedicated dependable way to get rid of our sludge. Part of that, we have to put in a centrifuge which is about 600,000 dollars which is the same amount of money we were going to have to spend on a building anyway. So, that is kind of an offset. So, we worked through that process. We've had HB Engineering, our engineering consultant at the plant, look at this. They were involved all the way through. I was recently at a meeting in Columbus, a conference, where it just so happened that Ohio State was putting on a program addressing their plant in Wooster with Quasar and then, Johnson and Anderson who has been doing some work for us, we asked and we actually paid them to independently take another look at it because it is a big step. It is construction of a small plant. It is an investment of money and we want to make sure that our ducks are in a row and that is kind of where we are at tonight. We finally, we think, got where we need to be. We want to present it to Council for approval. You will be getting the legislation but, they can, this evening, kind of tell you what is going on and where we are at financially. I think that brings us up to date.

John Emig: Hi, I'm John Emig and this is Bill Popp. We are both with Johnson and Anderson and we did do the plant design and construction oversight back in the 70's. So, there is some familiarity at our company. One of the inspectors on the job is now our President and his boss at the time, still works with us as a consultant. So, we have the ability to reach back and find somebody who has some recollection of what went on. In spite of the fact that we did the design, that plant is very well maintained. It is very clean and very organized. It has been kept up to date and I think you should be proud of that facility. As a rule out there, they have been doing what they are supposed to do. What I was going to do tonight is go over the mission result that you just heard the Mayor talk about. We were given the mission initially, by Jeff, to just look at what had been done and as we got into that, it looked like we needed to look at it a little

bit more. So, we got more information from the plant and from Quasar and as we briefed the Mayor and Jeff the other day, Mr. Crites was on the phone and he said, “perhaps we need to take a look at the agreement”. So, we rolled that into what we have been doing too. Frankly, that has helped a lot in our understanding of how these numbers were generated; what you’ve been thinking about; what Quasar has been thinking about; what the plant people have been thinking about and everything was matching up. We actually came out today and went to two places. The second stop was at the Wooster site. The first stop was at the plant to see what Don Daley understood to be going on. We went to Wooster and took a look at that and we talked to the Vice President of Engineering, aside from any of the Administrative folks. That was a good opportunity. He could talk engineering talk with us and he was not talking agreement talk and that was kind of neat because there were a couple issues that we thought we needed to arm wrestle a little bit with and I won’t even get into that tonight. That still needs to be addressed but, tonight what I wanted to go over with you was our look at the pro forma or the cost analysis of the expense and revenues that you see in front of you there. On the second page, I jumped right in with the table, but as we go passed that page, I will go into a little bit more narrative so that you can understand what is going on. This basically shows the capital expenses as they have been identified both by plant operations and us. The revenue and credits have been identified through discussions with Quasar and the plant and the operational expenses as they’ve evolved. At the bottom, to compare against the “but-if” situation as, what if Quasar was not there. We have a sludge disposal charge 2010 projected, in a sludge disposal operator charge that represents the truck driver that you would have as an expense if Quasar had not come along. So we have a without and with view, if you will. The second page, we start getting into the narrative and it shows how we built the revenue and credit. The electrical energy cost savings is a number that Quasar is offering to the City as a result of their ability to take the methane and the anaerobic digestion and run a generator and generate electricity. Your total electric bill for the year is somewhere around 700 to 750 thousand dollars for the plant. This is definitely not replacing that, but it is supplementing that with the 14,000 dollar credit. That, right now, represents five years. That needs further discussion.

Council Member Boose: I’m sorry, so, the 14,000 is over five years or one year?

John Emig: Fourteen thousand per year for five years.

Council Member Boose: And our current cost is?

John Emig: Seven hundred and fifty thousand dollars.

Council Member Boose: Thank you.

Bill Popp: The 14,000 is how much you would save.

John Emig: The elimination of the power and air to the digesters, that is a savings; a credit against what you are doing right now. So, that would not be in play when the sludge went to anaerobic digestion. The IPT permit annualized is the permit that Quasar would pay to the City to function on plant site and do what they are doing. That is not a big number. This next number, the 140,000 dollars, represents the biggest assumption. Part of the agreement right now, the draft agreement, is that the City and Quasar would split the revenue.

Mayor Gillock: It is on page three.

John Emig: The 140,000 dollars represents an 85/15 split between revenue that would be generated by the City from other sources, other merchant sludge generators such as another waste water plant or another restaurant or anybody that was generating biomass waste and brought it to the plant and is sponsored by the City; that would generate revenue from the tipping fee and that would be split 85/15 Quasar/the City. The 140,000 is 15 percent of that number. That is the City's share. That is a large number and that really makes the deal work.

Council Member Boose: And where do they come up with that estimate? Is that what we are doing today or is that more than what we are doing today?

John Emig: This is more than what you are doing today.

Council Member Boose: How much?

John Emig: I'm not even positive of what that is. Let me back up for a minute. This equation is about this long. There are bubbles of input. One hundred and forty is a number that has to be confirmed. It is a number that I think ranged from 100,000 to 160,000.

Bill Popp: One hundred and twelve thousand to 168,000 was their estimate and that really represents additional income that they expect that they would be able to charge other people for dumping waste in there and then the 85/15 percent split. The 15 percent of the total would be an estimate of 140,000 that would be income for French Creek.

Council Member Boose: So how much, off the top of my head and not doing the math, what does that gross out to new revenue that Quasar would expect to go to the plant that would get us this 140,000?

John Emig: Well, if that is 15 percent of the number, it is probably a million. Nine hundred and something would be the full number. Eight hundred and sixty would be theirs and 140 would be the City's.

Council Member Boose: And have you looked at the assumptions that support this and are agreeable that this is a realistic number?

John Emig: We have not. That is a critical issue. Don is aware of that. Don is aware of the number and has not said he couldn't do it.

Safety-Service Director Armbruster: If I might add, what makes that number reasonable is the fact that because it is at a waste water treatment plant and because we know that the other waste water treatment plants in the area and in the entire region have to take their sludge either to Lime Lakes, which is Kurtz Brothers or take it out to a landfill and they are paying anywhere from 45 to 50 dollars a ton to get rid of this and that has escalated. Avon Lake takes theirs to Kurtz Brothers. They bid on it. Elyria takes all their sludge over to Lime Lakes and landfills it. Because we are an entity and the way you have to bid things, you can also provide services. We can provide a service without bidding to a certain extent. We have to stay within the legal parameters. Within that 140,000 dollars is that sludge coming from those other waste water treatment plants at a lesser cost, which is what we are making the 15 percent on, then what they would do is, if they are land filling it or taking it to Lime Lakes, add to their transportation costs. Lime Lakes is clear in Barberton, Ohio. Elyria runs a truck almost 12 hours a day back and forth from their plant all the way over to Lime Lakes and brings it back. They've got dedicated trailers that are on those trucks and that 40-foot truck runs all day long, six days a week. We are

assuming from that process and no one has, even Don, within that 168 to 100 thousand dollar range in that 15 percent. We reduced it from the high and took it up from the low saying that this is a reasonable number that we feel as though we can attract based on it being hooked to French Creek and what the other costs are out there with the other communities.

Council Member Boose: Okay, so just to make sure that I understand, though, you have not looked at the assumptions and verified what you have.

Safety-Service Director Armbruster: We have, but again it is from the standpoint that until it is actually built, a reasonable assumption of 140,000 from the flows that are out there; when we were out there today and Bernie can help us, there was like 1,500 truck loads of pringles that had a dog food label on it that were sitting out there to be processed. That kind of thing is where we would bring in additional revenue.

Council Member Boose: I understand that I'm just, again, maybe the Auditor has seen the numbers and has verified. I just think as the gentleman said, this is a critical part of this because to paraphrase that, that makes this work. I would just like to make sure that the assumptions that the financial information is based on are accurate and they have been verified. That is all.

Mayor Gillock: Madam President, it is not a number that we have gone out and talked to other plants and asked if they would sign a letter of intent or anything like that. We have not verified that number, that specifically. To me, it is critical in the analysis, but it is not critical to the project. We still have to get rid of our sludge. This is almost a bonus, if we can get some money by bringing in other users, which Quasar needs to have to make the thing work efficiently. So, let's go ahead through the analysis and see where we are at and you can see how this comes into it. If we get to our bottom line and we don't do this, it is going to cost us an extra 140,000 dollars, but we still have to get rid of our sludge.

Council Member Boose: I will hold the rest of my questions until the end of the presentation then. Thank you.

Council Member Butkowski: Madam Chairman, it is in Quasar's advantage to bring in as much as they possibly can because they need that to survive. So, we are getting rid of moving our sludge out and they can only make more money if they bring more things in. So it is to their advantage to get in every contract they possibly can. At this point, they can't get any contracts because they don't have anything to get. This is probably a pretty reasonable thing with what is available in this area for them to process.

Council Member Boose: And I understand that, but there are many companies out there that would love to get as much business as they can, but they can't for whatever reason; whether it is priced wrong or whatever.

Council Member Butkowski: They are about the only ones in this area that can do this.

President Pro-Tem Johnson: Let's let them finish with their presentation.

John Emig: The next slide gives you some of the notes that we just talked about. In doing our analysis, as you will see shortly, we'll show you a table of all our numbers and how we annualized and capitalized the expenses you just saw in the revenues. What we did was run the revenue and credit increasing three percent a year. The next two or three of them are on the energy and French Creek is expected to reduce energy from the current supplier by about 33

percent. Quasar supplies this reduced balance power at the predetermined reduced cost with the current supplier. You have a good number right now from an electrical supplier that Quasar will match and they will do that for five years. French Creek can then monitor that because you are not buying all of your electricity from them. You can monitor annually as to how the supplier is selling you the electricity and make sure Quasar hits that price point every year beyond the five years. Then that effect is an estimated 14,000 from the current 700,000 annual cost; two percent for the first five years. The next slide is the operational expenses. The undigested sludge that French Creek will send to Quasar represents 21,000 dollars. That is in the draft agreement right now and represents two dollars per wet ton annually for a total of 10,500 tons maximum. That is in excess of what the plant generates now or close to what they generate. That is a tipping fee that the City would have in getting it in your plant. The next two numbers, three numbers identify cost associated with the new centrifuge that would be in place. There is a power cost and an individual maintenance cost that the small number on the operator and operator benefits is one tenth of a person. The plant figured they could use a piece of an existing employee to operate that particular centrifuge. The total operating cost is 247 and some change. The assumptions we made there was that French Creek expects to use one centrifuge operator at 10 percent. Palmer power is based on a fixed number of 108 tons per year and the expected additional cost increases three percent. We are increasing the cost that would keep a time current number as we go out and show you what happens, such as how long it takes for the lines to cross; the expense you would have had versus the expense you would be getting with this. The sludge disposal cost that you currently incur represents 160,000 dollars for the disposal of the sludge at the disposal location. One operator is 70,000 dollars per year and that is the truck driver. The disposal costs, and again in this analysis, are assumed to increase three percent. So we take your current costs and run those out. Then you can see what that looks like when you plot it. This again is the same sheet you saw initially, lining up the costs again. Now, if you will look at the colors on there, they will represent column headings on the next sheet you will see in front of you. This is almost impossible to see at this level, but it is really up there to show you how we did this. The first three columns are the "But-for" expenses. But for Quasar, this is what you would be spending. That is the amortized avoided sludge handling expense and then the current processed sludge of 176,000 and the third column is the accumulative. The first column is the silo, conveyor and building. That is the 890,000 that would go into place right now if Quasar was not there. So, that plus the tipping fee in taking the sludge off site, represents the accumulative cost that would be incurred. The revenue with Quasar starts out at 179,050 and that is, Bill, 179 is the?

Bill Popp: That is the total of the 140 of all the revenues and credits and a few savings with revenue split.

John Emig: And the column here is electrical savings of 14,000. The expenses with Quasar are here in the green, yellow and purple. The green is additional expenses with the annual increase of 247,000 dollars. That was identified in the expense column. The amortized capital is the 650 and that is centrifuge. The purple is the amortized capital expense of the silo. What we did there was and I'm going to let Bill explain this. This goes right into some graphs that shows how this

looks annually and cumulatively so that you can see what your expenses would look like as you walked out through the years, both every year and then accumulative and we looked at a couple ways so that you can see primarily the value of amortizing the expense. In this instance it would be centrifuge.

Bill Popp: Taking these columns of cash flow streams and then plotting them and again, this would be the accumulative expenditures. This is the annual expenditures given the two scenarios. The dark line being what you could expect now and again, that has a great variation. We don't know for sure what the State will call Class A, Class B sludge. But, doing the predictions and knowing right now, that is what you would tend to spend every year. Under the Quasar process, even annualizing the second centrifuge, you would still pay less over a period of time and we believe you should also plan on coming out of the 20-year agreement planning for changing over; away from Quasar. So, that would be the cash flow. You could see there's a long period of time; even if you pay for the second centrifuge, where your expenses are less; this is that same chart, accumulative and annually or over all the years. This is the difference in cash flow. Again, this is a great variation. This line might be coming up, the dark line being what you are paying now, but also might be very expensive. But given the assumptions of what we just told you about, the difference is about two million dollars at the end of the 20-year life. Based on the numbers and those assumptions, it's worth about two million dollars to the good given all those items to be verified. Do you want to talk about the other scenarios?

Mayor Gillock: Bill, one thing I think we need to stress is that when you are looking at these charts, we are making the assumption that in the fourteenth year you need to start setting some of your revenues aside or start to bank the savings account to prepare for the end of the 20 years of when you might have to go to a different procedure or whatever you got to do. So, to start at the fourteenth year, we are reducing our revenues by the amount we are putting into savings. That is why you see that big drop right there. That doesn't mean our revenue has dropped off. That means we have taken those revenues out and set them aside for future development.

Bill Popp: Right, you have started a savings plan. Really, the difference, this drop here is putting away into a lime stabilization silo, for example and that is really what we based that price on. That's why it would be dropping. So, you would put still money away here but, eventually, you would be paying for that type of an expense and then you are also paying for what you would have paid back here in the dark line which is what you are currently paying. That is all we are showing here is, if you really went with Quasar on this 20-year agreement and you had to get out of that 20-year agreement, you really should put money away for another alternative. Again, that is pure guess work in what the State is going to allow you to do at this level. Again, you can put money away here and even with socking money away back into a lime stabilization or a different type of process, still the accumulative shows that you are still two million ahead at the end of this period.

Safety-Service Director Armbruster: Bill, that is built in there, also, because every four years we elect a new Mayor or we elect Council. So, a period of five years will allow the political atmosphere within the City to be able to become very familiar with where we are in the process and depending upon how the elections come out or how things are, then the Administration and

Council will be able to grab a hold of this thing knowing that they'll have this five-year period to negotiate to either stay with Quasar, modernize it or go on our own in the process. Because it would be physically and mentally impossible for a 12-month process of, where we are here, to even begin to negotiate, let alone, it took us 10 months to get the copiers done, let alone the investment that we've got in here with the French Creek Waste Water Treatment Plant. So, it really looks at it in a real format that we are actually planning 15, 14 years down the road with a 20-year contract that we're going to sever it; put some money aside so that we can negotiate. Whomever is here at that point can negotiate with good faith and with all the engineering capabilities and all the knowledge of a contract to either further stay on with the same company or go with a different company or take it over ourselves because, we have a five-year window to do so.

John Emig: To your point too, Mr. Boose, what this shows is that this gives us a road map, if you will, for the agreement negotiation, so that when they say, "we can't allow that much credit, we can only do something", we can see what impact that has. We can play the "what-if" on here and run it out and say, "I'm sorry that particular scenario you are outlining is just not going to work because of this." I don't think they'll see that without something like that. One thing that I sensed today was that this is definitely a new, upcoming business and the Vice President of Operations or Engineering shoots from the hip. Not that he doesn't know what he is doing, but he is completely willing to talk. He is not the business guy we talked to the other day, Jeff. That guy was down to the nickle bean on how he was moving things around and this guy was not. He understood when we told him that certain issues were a problem for us to even recommend to the City. He understood and said that we need to talk about that. That is a roadmap for the agreement. It also shows the City what is sensitive and if you're going to commit, watch out for this particular commitment and to keep that in mind.

Bill Popp: What we should also point out is on page three, those costs you're going to be able to monitor. You will know what this really is and how much you save by the benchmark. You won't know this one, this is a guess, but I think your staff has a pretty good handle on what they would spend. So, that is probably a pretty good number. With this you'll know exactly given five years down line and maybe we need to have a look at that clause in the agreement that suggests that if it's not working out for you, maybe there is an adjustment to be made on the percentages and the costs as well. I think on page five, we can monitor those costs as well.

Safety-Service Director Armbruster: And with the power, the 25,000 dollars for the electricity costs, we have huge air blowers out there. They are mammoth and I think there is four of them. There are four generators that blow the air. That 25,000 dollars came from, not only HB Engineering, from previous to Johnson and Anderson, but actually came from French Creek and looking at how they turn the air blowers on for the aerobic digesters, the open ones; not the anaerobic. That is correct, right? They are aerobic ones, which are outside and is the way we run. So, that number is a number that is realistic. That is a proven number and it might even be more than that based on the cost of electricity we use out there and based on where we are going within the State and what First Energy wants to do. It is going to be very difficult to match what actually Denny Johnson, you all and the Mayor negotiated with Duke Energy because those

costs as we are looking again, electricity costs going up and whole sale rates, to match that. So, looking at a Quasar coming in to produce the power coming back to French Creek and for us to buy it is a substantial bank against inflation, you might say, because they are using our sludge and everybody else's sludge to produce power to give it back to us at a lesser cost than what we would have to buy from the grid. To add to that, I've talked to Duke Energy who is our supplier at this point of power through the First Energy lines and the Duke people that I've spoke with, which are the same ones that Dennis negotiated with; with the Mayor involved in it, is that they do this type of thing across their entire network where they have plants that are actually putting power back on the grid and they are selling them less power and it actually gives them more opportunity. They are not going to change our rates. They are not going to give anything that will allow us to do this because it gives them more power to broker some place else and yet they know we are still going to be a huge purchaser of power when it comes to French Creek.

Council Member Buescher: Is Don in agreement with all of this method that we want to employ here?

Safety-Service Director Armbruster: Yes.

Council Member Buescher: Because we did have meetings about kind of going this way several years ago. Mr. Boose and I attended meetings for that and he was very enthusiastic about that at the time and I was just wondering how he feels about this.

Safety-Service Director Armbruster: No, Don's enthusiasm has not changed in any way whatsoever with regards to this process. If it were up to him, we would have probably been doing this six or eight months ago.

Council Member Boose: But I will say this, the numbers he used several years ago didn't work and we asked him to get better numbers and that is the last we ever heard.

Mayor Gillock: What Don was talking about several years ago was somewhat of a similar process but, he was talking about pelletization. The process itself is proven. They use it in Europe. There are 4,000 of these over there. Ohio State says the process works. Don't even worry yourself over that part. You just need to make sure that the numbers are right.

John Emig: One of the things we learned today in talking to Don is that he has a very global view in what its capabilities are. He is not looking at what this can do or what that can do. He sees opportunities that we haven't even dreamed of yet and he is trying to integrate that into the system. What his big concern is with this is that the agreement not be written to tie his hands in any way so, that if he sees a way to bring a revenue stream into that plant, the agreement should not prohibit that in any way. That is going to be a challenge in getting that in writing.

Law Director Crites: If I can chime in and that has actually been the attitude, if I may Madam President, from both sides of this agreement and I'm trying to guide it that way. For instance the centrifuge clause or terminology in there is one small paragraph. It shouldn't be their issue of how we pay for the centrifuge. It is just we're going to provide the centrifuge and keeping it as simple as we can in terms of what we're going to give them, but also opening it up for the 85/15 factor that what we can bring in that they are going to benefit from and what we are as well.

There is no secret here. I wanted to make this point. We are not going to be surprised one day to find out that Quasar is in this for money, because they are. We all know that. This is a business

and they are going to make money. If they do, great because if they make money they are going to sell the plant and we are going to continue to have a place to send our sludge. But, our main concern is that it is not a joint venture. It can't be a joint venture. Under the Ohio Revised Code whether we are paying for that plant out there; if they succeed, it is probably just good for everybody. I had a followup question that I wanted to ask you guys that had occurred to me. Since you were out of the plant and just sitting here tonight, we are going to be basically eliminating our aerobic digester. It is still going to be there as a back up in the event this process fails for any reason; short term. Is French Creek going to have the possibility of reducing labor expense as a consequence? I was happy to hear that we are only going to need one tenth of an employee to oversee the new digester because that was a concern up front. Is there going to be less labor?

John Emig: We didn't really get into that level of detail with Don.

Law Director Crites: It is a bad atmosphere to bring that subject up.

Mayor Gillock: We didn't look at that aspect because we were only looking at whether the Quasar process was doable or not. That is an additional factor.

Law Director Crites: It's a possible additional benefit.

Safety-Service Director Armbruster: It is a definite maybe, but we weren't looking at it from that stand point. We took French Creek as it is today. We wanted to look at it as to what we felt Quasar could bring to the table and whether it was economically feasible. We looked at the operational side of the equipment and that process. We did not take and factor in these diagrams any reduction in any way whatsoever in anybody working at French Creek. That wasn't what I was looking at and that wasn't the direction of that whatsoever. That has to do with union negotiations and all the other stuff that we've got out there. Whether it comes to that, I don't know, but time will tell in the process.

Mayor Gillock: We do have to keep the plant in what I call hot mode. It has to be online and able to use it on a moment's notice. If this process for some reason; just like they got hit by a tornado a month ago, and they are out of business, we still have to be able to process sludge. So, we are not shutting French Creek down. It will be a back up.

Safety-Service Director Armbruster: It will be a fully functional hot idle plant and all the amoeba and all the live animals that are there, or whatever eats this stuff, will all be functioning and we will send the wet ton, but instead it will go through the centrifuge and it will be sent into Quasar hot. In other words, it will be able to generate more methane gas. We are going to do the least amount of treatment on that as we can, so that they can produce more power, so that we can reduce our costs when it comes to the power coming to the other side. Then, what this does in reality of that two million or where it crosses the delta in that five years out there and we get to that 14 years, it really takes us out of the realm of ever even considering what we are going to do with the sludge, because it is out of our hands based on the agreement that Andy and the Mayor and you all are putting together and it is their responsibility at that point to get rid of that sludge. It is not the waste water treatment plant's responsibility. We then don't have the farmers that are fighting over the smell if it is going out there. They're issues we have in the farm fields right now, even though they are fully registered and fully licensed to take our sludge, there are issues

out there that one neighbor says, “well we smell something”. Well, it’s coming from another plant or some place else miles away and it’s not coming from us. These are things that we are tying ourselves up with and the other idea is that there is every indication that the Ohio EPA is going to shut us down and we are not going to be able to put any of this sludge out on the farmer’s fields and it will have to be land filled or be taken away in such a way as the Quasar operation.

Mayor Gillock: That doesn’t mean to just shut us down. They are looking at changing their regulations across the board so you won’t be able to do field applications, which right now, it will leave us with our only option to put it into a landfill. We didn’t figure that savings in either in comparing it to putting 100 percent of it into a landfill.

John Emig: That is part of why we have the money out there in 15 years. Whatever that target is going to look like as it moved out there by the EPA, you will have something set aside following that path to address that with a plan. What the Mayor said was tedious in making sure that you have something in hot mode and ready to go, that reasonable redundancy is what a waste water plant operator wants. He doesn’t want any piece of his machine to break and then have no way to handle what’s going on so, you have clarifiers out there. You’ve got three, but you could probably get by with two. You’ve got an equalization tank. You’ve got grit. You have a lot of pieces of the waste water plant that he knows that if this happens, he can do this. He also knows that he can’t shut that baby down because the flow continues and you better have a place to put it when it gets there. So, he is always looking for that sludge.

Safety-Service Director Armbruster: Today, they had a 400-kilowatt hour generator about three or four months ago. They just installed a 600-kilowatt hour generator because they were producing that much methane. They have now completely put in a methane gas station for all the fuel. It’s not methane. They converted the methane into natural gas through a process and Dominion Gas has approved the process and all the vehicles that are out there now, they have converted them from gasoline to natural gas coming out of this plant. The ones that are running around and even the ATI vehicles that are out there, because when they designed it, the only power that ATI can take, which is Ohio State University, they can only use 600 kilowatt hours so, they maxed out. They didn’t want to burn the methane so, they have taken the methane now and converted it into natural gas that meets the criteria of Dominion. They make so much there, they can either put it in the pipeline with Dominion Gas or burn it off in the vehicles that are out there and use natural gas rather than fuel. So, there are other alternatives that we’ve seen just today looking at it from where they were in January to where they are now in the process and the way they did that was with the generators that come in, in trailers, they just disconnect; lift it up with a crane; drop another one down and take that 400-kilowatt hour some place else to one of the other facilities. It’s unbelievable how it is like legos or tinker toys.

Council Member Butkowski: Their buildings don’t look like something is just dumped in there. They look very professional and it would be an asset to our French Creek plant with all of their equipment. Remember, they had that really bad tornado that went through there. They have dents in some of their buildings. They have nothing that blew over; no roofs blew off, even with the little tinker toy building where that huge machine was sitting, nothing was damaged other

than dents from flying missiles from something else. It's (Tape 1, Side 1 ends)  
(Tape 1, Side 2 begins)

Law Director Crites: If I may, Madam President, it is a good time to chime in for the sake of edification of our Council Members that haven't been along or who haven't been with us throughout this process. It is important to realize that all that equipment and their structure is going to be sitting on City land that they are going to be leasing from us. That equipment is just that. It is their equipment. It is not French Creek. It is going to be French Creek bio solids or whatever their acronym is, I forget now. It is going to be Quasar and also understand and I want to make sure that it is very clear to all of you that as this deal goes through and you're going to see the agreements including the lease come before you that the 85/15 split in which the City is going to get in their benefit in the form of 15 percent income is only for vats, oils and grease or other sludge or waste that we direct to them from customers that would be coming to French Creek. The majority of Quasar's income and the reason they are doing this is going to be from third party business that we have nothing to do with. That's great; that's fine; and good for them. It's a neat green concept. It worked great in Germany, but it is very important to understand that our relationship is going to be that we need a way to get rid of our sludge. If that is the way we are going to be able to do it and we are going to be able to do it cheaper, we're going to be able to do it greener and it is going to make the residents of Sheffield Village a lot happier because it is supposed to stink less because it is contained and instead of it being open, it is inside of a dome. So it is supposed to be a lot more friendlier. They are getting rid of a problem for us and they are making next to no income. The tipping fee is nominal. What is it?

Bill Popp: Two dollars.

Law Director Crites: The reason Quasar is doing this and it is very important that all of us know this, is because it is a profitable business for them to be able to have a spot and then bring in the sludge and waste from all around. That is fabulous, great; good for them, but it is real easy when you get into this to misconstrue it or misunderstand that this is just going to be a dedicated adjunct facility to French Creek and it is not. It is going to be a way to eliminate our problem.

Member Buescher: Madam President, the first impression that I got from looking at this is why we are paying for the centrifuge under those circumstances.

Law Director Crites: The short answer to that and Jeff, you are probably going to have to bail me out on this because that went back and forth and that is the best way to describe it. When we were involved in the initial negotiations it was on their side of the expense graph. It just didn't work for them that way. It was no longer cost effective for them to do it and so, when it came back over to our side and we looked at it and largely in consideration as the Mayor pointed out that we have 650,000 dollars facing us right now, with the building we have to build, it was the only way that the deal seemed to work. Maybe, you can add in on that.

Mayor Gillock: That's pretty much it.

Law Director Crites: Bottom line is that they were going to walk. There was a meeting in the Mayor's conference room and we were sitting there when it was still on their side and they said that "this just doesn't work for us guys. We've got 15 other spots in the state where we can do this. We've just opened one up in Columbus. If we have to pay with the centrifuge with the

finance and the money we are going to get from the Federal government; along with what we would have to pay for in the debt service on that, it just doesn't work for us." So, we would have lost our opportunity to make this happen.

Council Member Buescher: So, in other words, it is the only way we can get rid of our sludge. So, we can't just walk away from it either.

Mayor Gillock: If we would have walked away from the deal, then we would still be expending at least 600,000 dollars on the storage structure that the EPA would have required us to build and we would have still been, for now, stuck with putting our sludge on farmer's fields which the EPA is doing away with. So, it is a bad scenario for us. There is one other factor that I don't think is in these numbers and that is the savings from Synagro. We are spending 100,000 dollars a year to Synagro, also, for managing our sludge to get rid of that. We won't have to pay that and that isn't configured in here either.

Safety-Service Director Armbruster: Back in January, February, we actually went to the Ohio EPA, all of us. We went over there and sat down with them to discuss specifically this and other issues and to see just exactly what their feeling was with it on a proactive basis. They were 100 percent for this. They didn't give us the okay, but they gave us information such as permits that will be needed, what we will need to do and they asked who we will be going to work with. They said that we're working with a great company. They went through the whole process, but we had to do our side of it. Now, based on where we are right now, we're being faced with another winter. I made sure in talking with Don Daley that they've already flushed, and you have to realize, last winter we went into it maybe not as prepared as we are right now, but we are already looking at this coming winter and knowing our sludge beds are going to be absolutely full of sludge where we would have to flood them the old way; with water and we actually stack our sludge; we have to move it and put it on the road, which is in the roadway in between the beds, which is dyked. We can still use it. It is in the sludge area, but, it is a very tentative way to do it because we are moving that sludge in the middle of winter and by gosh, does it smell. Regardless of what we can do with it, depending upon the wind and where it is coming, we are sitting in a situation where our trucks could be stuck, there may be some snow out on the fields that has to be plowed and we have to plow the snow off the field to get it frozen and we would have no way to get rid of it. Right now, based on where we are in the tentative results, I didn't build the hoop hut, but that is the only option left knowing that the Ohio EPA is going to shut us down by not allowing us to put it out on the fields. The hoop hut is going to be rendered useless and we are going to have to truck it away at an even much larger cost than 100,000 dollars a year to Synagro.

Mayor Gillock: We were doing that last year. We were actually out plowing snow off of the farm fields, so the ground could freeze; so we could get out there with our trucks. That's an additional expense.

Safety-Service Director Armbruster: And believe me, Teresa thought I was out of my mind. Right Teresa?

Deputy Auditor Machovina: Just protecting the pocketbook.

Safety-Service Director Armbruster: That was not something I wanted to bring back to the

Mayor and say, "I got to spend 25,000 to plow a farmer's field."

Bill Popp: One more point regarding the second centrifuge and John, correct me if I'm wrong, but that is even one of the few pieces of equipment that doesn't have redundancy in your plant. So there is an advantage of having a second centrifuge beyond what Quasar has.

Mayor Gillock: I think the EPA told us that we are supposed to have it anyways.

Deputy Auditor Machovina: It's been in the long term plans.

Mayor Gillock: It has been in our long range plans to put that second centrifuge in there.

Council Member Jaenke: Madam President, I guess I have a comment. As I understand it, the next step is to verify the 15 percent savings, the 140,000 a year. Is that our next step at this point to verify those numbers, which has not been done yet?

John Emig: I think it is a joint process to work the agreement out and make sure the numbers are working at the same time.

Mayor Gillock: That number is not verified and I see no reason to verify it. It is not a decider or deal breaker on the project.

Law Director Crites: It's a prognostication based upon their experience around the state. It is an expectation of what we could expect to send them. It is based on the information gathered by the company and it's percentage. The only way we would be able to verify it would be retroactively after it has been run through.

Council Member Jaenke: In other words, it is a guess?

Law Director Crites: Yes.

Mayor Gillock: But the 100,000 with Synagro, really takes it down to a 40,000 dollar guess.

Safety-Service Director Armbruster: That price is going to go up because that was a contract for three years and Synagro is not happy with us anyway. I can tell you that, because we are hauling all our own sludge as we originally said we were going to do. They don't have any trucking cost. All they do is send a guy out and they get 100,000 a year for a guy managing the field. They thought they were going to get a fortune, just by delivering the sludge out of our plant, but our truck is able to keep up with it. Then we got, probably about two years from now; more than likely based on the wear and tear on that truck, we going to have to replace another 150,000 or 160,000 dollar truck, because we are going to have to replace that truck. It is in and out of not driving on a road, but driving on a farm field and I already know just based on how they tow it out when it gets stuck. If it does get stuck; God forbid it gets stuck, that they are going to bring it out straight and not bring it out crooked because if they bring it out crooked and they bend that frame, then we got a big problem. So, this is not a gamble in my estimation. We've spent ten months looking at it and we need to move forward on it as quickly as possible so that we can start reaping the benefit and not worrying about what we are going to do with the sludge a year from now. We've actually been dealing with this now, since January of this year until now and had two different engineering firms look at it to qualify it as well as Quasar and the number of meetings we've had administratively with the auditing department and some of you have been involved and some of you haven't.

Council Member Buescher: Madam President, could we please hear from the Auditor.

President Pro-Tem Johnson: Yes, I'd like to hear from the Auditor.

Auditor Chris Costin: What would you like to hear?

Council Member Buescher: Do we have 600,000 dollars?

President Pro-Tem Johnson: Have you seen these people?

Auditor Chris Costin: This is my second time sitting through this and I had very many of the same questions. I think my only concern obviously is the numbers short term. We know we have an issue in our sewer funds including French Creek. We know we have to revisit that to see if we need to increase our rates. My only concern with this is when you look at the graph that we had in the charts. We have, as it was already brought up, we have 650,000 dollars of centrifuge expense and we have 260,000 dollars of other capital expense that we are amortizing over 20 years. In a previous meeting and in discussions with Don Daley, he indicated that the average use of his centrifuge is probably something like five to eight years. If that is the case then we cannot issue any bonds or BANs that exceed the life of that equipment. It appears to me that most of these capitalized costs are going to be short term. They're going to be close to five years rather than eight years. The only exception being co-mingled in here is that there is a 150,000 dollar figure somewhere in here for capital costs that includes a building. It says a scrubber; a new building. I don't know what the life of a scrubber; new building is, but it appears that a good portion of this cost has to be what they call amortized; repaid quicker than 20 years, which means we have to pay it in five years and so now the question is with where we are at economically, do we have the feasibility to certainly borrow the money but do we have the feasibility to pay it back within five years. That is probably the only question I have here, is will we need to raise our rates initially to give us a shot in the arm to get the original capital expenditures paid for that are going to last us five years. That is probably my biggest concern, the initial numbers. Now, with that said; just a couple of months ago, we had finished our discussions on water rates and sewer rates and we said before the end of this year, we are going to have to take another look. I will tell you that I am very impressed in working with these gentlemen and it is very reassuring to know that they are independently looking at this on our behalf and frankly, I think we are also going to have to address the necessity to re-look at our French Creek sewer rates. With that said, perhaps we incorporate this extra 850,000 dollars we need to pay off in five years to assure that we are not going to bankrupt our funds. I don't feel uncomfortable about the monies that we have in the funds, but we also know that in the last two years, we had to put in some sizable percentage increases with the anticipation that if the economy doesn't turn, as you may remember from the demos, that we may have to increase those percent increases and if we already have to do that, what is going to happen when we throw another 850,000 dollars in. Not that I am opposed to the project, don't misunderstand that is not my call, but we also have to keep our French Creek funds economically viable and so, I think that if there is a next step, it might be to revisit the update, the French Creek Sanitary Sewer Study that we had done in the past and I think the Administration should give some consideration to using these gentlemen to do that based on our dollars of the plant. They already have working knowledge of where we are headed here and perhaps, we could just simply; as I said earlier, drop in that extra 890,000 dollars that we are going to need to payoff in five years and see what it is going to take for us in terms of potential rate increases to fund this new

endeavor.

Mayor Gillock: It's not 890,000 though, is it? Eight hundred and ninety thousand is if we did not do the project. If we do the project, it is 650,000 dollars.

Auditor Costin: Plus 260.

Safety-Service Director Armbruster: We have allocated within the French Creek, CH2M Hill figures this year, 600,000 for a hoop hut, which is in the rate study. The difference between this and what CH2M Hill looked at is the 249,000 dollars, which is actually the air exchanger, the additional equipment. In this year's CH2M Hill's numbers was the 600,000 hoop hut, because we had the authority to go out there and build it, because that was the only option we had.

Mayor Gillock: The other 260,000 that they are talking about is on page eight, which is the centrifuge, the under drains, the scrubber and the new building. We don't have to do the scrubber right now. I don't believe we have to do it.

John Emig: That is a capital expense; I thought in anticipation of Quasar. If it is not necessary, then those can come out.

Mayor Gillock: I don't think that, that has to be done right now because with the centrifuge and the way we are doing it, there isn't any overage. We are not storing the sludge so we don't need the scrubbers. You can still run into the same thing that Chris was talking about. It is 600,000 on this hand or it is 600,000 on this hand, but if we do a building we could amortize it over 20 years. If we do the centrifuge, we could do it maybe ten, maybe eight. It is a lesser period of time. You are still going to be borrowing 600 and some thousand dollars, which we've already borrowed.

Auditor Costin: We've borrowed 600,000 dollars for another purpose and I'm not entirely sure that we could just unilaterally change the purpose because, again, it has a different life.

Although, I think when we issue our BANs, I think the certification; now that I'm thinking about it, that as we certify, the asset has at least a five-year life.

Mayor Gillock: But the principal amount is going to be the same one way or the other. The other is a pay back and what we run into interest wise there on the debt service.

Auditor Costin: Again, if I might Madam Chairman; to answer your question, brought up to 260 because it is on the chart on page nine, the 650; the Mayor reiterated exactly what I had in mind. It's not the 650. We can borrow the money. It is the repayment over half of the life or shorter based on the life of the centrifuge which per Don Daley; my understanding, is five to eight years, which I have to certify. So, I am going to have to verify that certainly, again.

John Emig: I have to confess. It was that way two days ago. I changed it to make it a 20-year amortization. That is what it looks like in a five year on page 12. That's why you might have seen it. I changed it to this the other day because I thought it technically could roll into 20 and that is the annualized and that is the cumulative and the curve across there is five and a half years. So it would be costing you more money with the Quasar operation with it amortized in five years then the cost. . . .

Auditor Costin: Right and the issue I bring up is our ability to fund that over a five-year period of time based on, economically, where we are at today.

Bill Popp: It is also possible that, that expense could qualify for a water pollution control loan

fund which you are in line for, eventually, if you proceed with that program. That is a 20-year loan program at 3.2 percent. That is an option that you might qualify for depending upon if you get in the funding range of that program and if you continue through with it.

Auditor Costin: I would address that by saying that would be excellent, but I don't think that we are in a position or we could make decisions based on what might happen. We are going to have to be crystal clear of the worse case scenario and know we can cover it.

Bill Popp: Then this would be the worse case scenario in the five years.

Safety-Service Director Armbruster: Based on our CH2M Hill numbers. . . . .

Auditor Costin: Excuse me one second, wasn't there a prior chart.

Bill Popp: Yes, this was accumulative. If you have to pay it back in five years, this is what it would look like. The actual first five years would be more expensive . . . . .

Auditor Costin: Right and that is what we brought up at the last meeting. We have a potential additional deficit and we are already struggling to cover our next five years. So it is more probable than not, that we may need another shot in the arm in the form of a rate increase and if that is the case, then we better know that.

Bill Popp: Right and this is what your current rate increase would be based on this number right here. That stream of flow.

Council Member Jaenke: Madam President, I think at this point, we are between a rock and hard place. EPA is obviously not going to do us any favors. So, I guess my thought is, I think, we need to have Mr. Costin really look at the numbers so we know exactly where we are and if there is a rate increase that we have to consider, then we obviously need Chris to take a hard look at it. So, we know where we are in terms of the public. From the EPA's point of view, we don't have much choice. I mean, what are we going to do with the sludge?

Mayor Gillock: Madam Chairman, the Auditor just recommended that we have them look at that. They should do the same analysis using these numbers and do we need a rate increase. I am in agreement with that, but we are between a rock and a hard place. We need to move expeditiously. We can't sit here and wait for winter to get here and have no where to put our sludge. That is our issue.

Safety-Service Director Armbruster: Quite honestly, we have put the Ohio EPA off and off and off and they know that we are working on this. I'm going to have to build a hoop hut. I am going to have to spend 600,000 dollars and move on from this.

Mayor Gillock: What is the turn around, 90 days?

Safety-Service Director Armbruster: Well, we have to bid it. We have to go through City Council. We have to do everything and their turn around on this thing is 90 days. We are looking at a two million dollar savings down the road and I can hear what Chris is saying 100 percent, but we've solved our problem 100 percent and I don't know how we can keep from receiving findings and orders from the Ohio EPA through another six months. I just don't know how we can do it.

Council Member Boose: Madam President, who is Quasar? How long have they been around? Are they publically, privately held? Can someone talk to me about who Quasar is as I have no idea of who they are and since we haven't had recent luck with people who lease property from

us, I would like to know as much as I could about these people.

Mayor Gillock: Kurtz Brothers is a big part of Quasar and Mel Kurtz is the gentleman we are talking to. They have a facility in Akron. They have the Ohio State Facility in Wooster. They have one of these in Zanesville. They just started one this summer in Columbus. This would be their fifth one.

Safety-Service Director Armbruster: Canton is also back in negotiations with them right now.

Mayor Gillock: Is Kurtz Brothers 100 percent owners of Quasar?

Safety-Service Director Armbruster: Quasar is a German company. They run and operate four to 500 of these in Europe and the technology came over here and Mel Kurtz, Kurtz Brothers joined up with Quasar and put together the technology. The technology is old technology. They are moving it from Europe where there is probably 4,000 of these things. Quasar runs the mother ship and runs a huge amount of these. Mel Kurtz latched onto it as Kurtz Brothers, who has been wildly successful in this immediate area in recycling materials, hauling and doing all that and teamed up with Quasar. They are the only company that I am aware of that has in fact, quite honestly, the USDA, who is actually behind this has actually given Quasar, through a competitive bidding, the opportunity to build this facility at French Creek. So, it has already gone through the Federal government and the Columbus operation is all funded by the State of Ohio and the City of Columbus in the actual digging of that was everybody within the Governor's Office all the way down in the process. They are substantial in and they have been operating Akron in their composting facility for probably 15 to 20 years. The actual anaerobic digester over there, the new one has been in operation, I want to say, at least two years, three years. Ohio State started it to get rid of all of their animal waste and all the waste within the farms that are out there. The Ohio State University wanted to get involved mostly due to the research side of it. In answer to your question, Quasar and Kurtz Brothers are very, very substantial and very well funded, not only by European dollars, but by the Federal government, USDA and by the State government through grants and efforts to try to solve the sludge problem at least in this immediate area.

Council Member Boose: So, they are a foreign country or the foreign company is a part owner of this entity? The entity that we are dealing with is?

Mayor Gillock: I would have to refer to the Law Director on the direct ownership. Quasar is a foreign company and Kurtz Brothers is obviously well known around here.

Law Director Crites: I was under the impression that Quasar; although it might be in some kind of partnership with the German parent, but I was under the impression that Quasar was the local company. They show their corporate headquarters as being, they say Cleveland, but it is actually like Cuyahoga Falls because we have been there before.

Council Member Butkowski: Barberton was popping up on map quest.

Council Member Boose: So, they are a local company? They may have the ability to use information and history of a foreign company that has been doing this for years, but they've been doing this for how long here?

Mayor Gillock: The name of the company will be the French Creek Bio Energy, LLC.

Council Member Boose: And who is that?

Mayor Gillock: That is the company set up by Quasar Energy and Kurtz Brothers.

Council Member Boose: And they have been doing this for how long?

Mayor Gillock: French Creek Bio Energy, LLC is a brand new LLC, that they would just set up for this project.

Council Member Boose: And we verified that they have the capital or borrowing power and how have we verified that?

Mayor Gillock: The big part of it is that the Federal government has approved their operations. Part of what they are doing is through the stimulus funds for energy savings. They have applied for grants and if you know how the Federal government works, they just don't hand these out. It is very competitive and you have to qualify for them and they have already been notified that they have received the grant. In fact, we had a phone call last week from the Assistant to the Deputy Secretary of the USDA that they were setting up a visit with the Governor to do a ribbon cutting on this project. So, we have to wait until we get it through Council first, but . . . .

Council Member Boose: So, all of the funding that they need to have as part of this has been verified that they have. We don't have to worry about something being half built. How much is that funding? How much is their portion of their capital which includes these grants and things?

Safety-Service Director Armbruster: They got 500,000 dollars that I am aware of and they got 1.4 million as well, but they are putting several million into this.

Council Member Boose: Do we have something and again, I haven't seen it, but do we have something where it states the total scope of the project that shows that these are the costs, the total costs of the project, project costs and funding sources? I can see it later. I don't need to see it now, but we do have that?

Safety-Service Director Armbruster: Yes.

Council Member Boose: Would I be able to have a copy of that at some point? Thank you.

Law Director Crites: We've had previous discussions.

Council Member Boose: I haven't been part of those discussions.

Law Director Crites: No, I was just saying we've got it. We can dig it up.

Council Member Boose: What infrastructure costs do we anticipate having to do out at French Creek to accommodate the additional traffic that this is going to require to reach these numbers, such as, how do we plan to manage the traffic process. For example, right now, we have our own trucks and things coming in there and now there is going to be trucks and whatever of all these other private entities that are going to be coming in and bringing sludge to Quasar. I would think that, you know, I don't know how our driveways are built for that. Have we anticipated what that might cost?

Law Director Crites: If I may, Madam President. Nothing to us. It is all their problem. It is going to be their curb cut, their driveway.

Council Member Boose: Oh, so they won't use the same driveway?

Law Director Crites: No. They'll have their own. They'll have a direct port for what their driving income, their servicing on their premises, I believe.

Mayor Gillock: They will still come in our main drive, but it is built for big trucks.

Safety-Service Director Armbruster: There will be a reasonable sharing agreement, I am sure

that Andy, in the process, will make sure that whatever wear and tear is out there and whatever is beyond ours, they will help and maintain that like any other road would be. That would be in the lease side of it.

Mayor Gillock: Once they get through the gate, they will go to the left and it is all theirs. We have to run one pipe and they are paying for that.

Council Member Boose: The information in the whole presentation, that is based upon the current agreement, as it is structured today?

Law Director Crites: Yes and you could also even say that the mirror image of that, at the same time, part of what Johnson and Anderson were doing, were confirming those numbers. As an attorney looking at all this engineering data I'm completely lost as it was all Greek to me. So, it is what we are getting back here in their review of it that has allowed us to feel a lot better about the numbers and the data that we're in that agreement because originally they were from Quasar and our own input from HP Engineering.

Council Member Boose: At the bottom of page two, the sludge disposal charges and the sludge disposal operator charges are at 176. Is that the 100,000 for your contract we have right now plus the operator?

Mayor Gillock: Say that again Dennis.

Council Member Boose: The 176 which is in yellow, is that the 100,000 a year contract we have right now plus the operator costs?

Safety-Service Director Armbruster: Right.

Council Member Boose: So, that is included in the plan. The Mayor had indicated earlier that he didn't think that this was included in there. But, it is included in there.

John Emig: Nobody had identified to us what that meant precisely. The 170 would take care of the delivery of sludge.

Bill Popp: That is the 53,000 for the six months extrapolated out to 106,000.

Safety-Service Director Armbruster: Well, that. . . .

Council Member Boose: So, that is in there.

Safety-Service Director Armbruster: That number doesn't have any vehicle cost in it or anything. That is just purely delivery of sludge. It was 53,000 dollars, I believe that number is and we took that through six months. We took it times two. There is no vehicle cost. What we did is we put the operator cost in there so there is no vehicle or fuel cost or any upkeep or anything in that number. That was purely 53,000 dollars of what we paid at that point times two to get rid of the sludge. Six months worth of actual cost times two.

Council Member Boose: I thought the actual cost was 100,000 a year to manage it.

Safety-Service Director Armbruster: The Mayor is right. What we did is we took our actual cost now, this year. We took that 53,000 dollars worth of cost. That number is. . . .

Council Member Boose: Which includes what?

Safety-Service Director Armbruster: Teresa?

Deputy Auditor Machovina: Those are the payments to Synagro.

Safety-Service Director Armbruster: The payments to Synagro plus your 70,000 dollars. We took that times two.

Council Member Boose: Correct. We are talking the same thing. But, that is included in these numbers, correct?

Bill Popp: That is correct.

Council Member Boose: That is all I want to make sure of that I'm looking at the right numbers. On page two it talks about the electrical energy cost savings of 14,000 a year for five years. When it goes to the chart on page nine, it stops after five years which is reasonable because, that's all they are showing the savings to be. However, the accumulative additional revenue does not decrease by that 14,000 in year six. Is that a miscalculation or can someone explain how that happens? The blue column, revenue with Quasar, years one through five includes that 14,000 savings, correct? When year six doesn't back that out.

John Emig: Year five on the blue column went up three percent just as an increase by itself. The 14 drops out, but the blue column continues with the increase of three percent.

Safety-Service Director Armbruster: So, three percent of 201 is 207 I would assume.

Council Member Boose: Right, but what I am saying is the increase from year one, 179 plus 14, does not equal 184. So either the 14 is not included in there?

Safety-Service Director Armbruster: It is not in the blue column.

Council Member Boose: Thank you. I just want to make sure.

Bill Popp: Those are two different revenue streams.

Council Member Boose: On page five, are the centrifuge cost expenses annual expenses?

Bill Popp: Yes.

Council Member Boose: Was there any adjustments considered for as the equipment ages, that there could be additional costs to maintain those.

John Emig: The second centrifuge maintenance line of 6,350, that is annual increasing at three percent. So, that repeats itself.

Council Member Boose: So, other than the three percent increase, there was no consideration made for getting older and maybe needing more than three percent. Is that something, and again I am not an engineer, is that something that I'm not thinking right? I'm thinking of stuff that gets older. Sometimes my car gets older and as it gets older, I might need to spend more on it than when it wasn't.

John Emig: What we were trying to do is just get this in the ballpark.

Council Member Boose: And just for my clarification, on page nine, the first column on the left, that is the expenses as we are today?

Bill Popp: If you did not use Quasar.

Council Member Boose: And the difference between 10 and page 12 is that page 12 is on a five-year payback and page 10 is on a 20 year?

Bill Popp: That's right.

Council Member Boose: Actually on both pages, we are looking at, if I recall from your presentation correctly, the reason there is a drop in the 15 year, is one that there is some savings there that we are putting aside for future consideration and two; maybe I heard this wrong, that is the time frame we are considering that the EPA may change some things that we may have to look at something differently?

Safety-Service Director Armbruster: Well, the EPA has definitely, I mean there is no one that I can find any place, that is two years, three years out, max, where they're going to say there isn't going to be sludge going on farmer's fields.

Mayor Gillock: His comment was in reference to the 14 years.

Council Member Boose: Right, so my point is, is as quickly as they are changing, I mean we have seen so many changes of sludge designation or what have you, over the past five years, is waiting 14 years a good assumption to have?

Bill Popp: The assumption was that you have a 20-year contract, assuming that Quasar is able to continue through the 20 years, that you should be looking at year 15 to decide if you're going to be able to renew at 20 years. You have a clause in the agreement to take a look at and project out and use that five-year opportunity to be ready to do something else. At that time, you can look at what the State is requiring and any other options. You would look at what Quasar's opportunity is and you can then make a choice; not at year 20, but at year 15.

John Emig: Your option would be, just as Quasar may say, we don't want to play anymore.

Mayor Gillock: The other side of the coin is that everything may remain the same and you keep right on going another 20 years and you don't expend as much.

Council Member Boose: Two final comments. I agree with Chris in that we are already anticipating a sizable increase in our sewer rates for 2011. Are any of these or all of these costs that we are looking at, are these able to be put into the wholesale rate increase to the other communities?

Law Director Crites: Oh yeah, I'm sure it is.

Safety-Service Director Armbruster: These are separate. These are all French Creek.

Council Member Boose: And so, I would certainly like to see those numbers to see what those are.

Safety-Service Director Armbruster: Honestly, based on this, if you look at the additional 249,000 dollars, over the 600,000 that is minuscule in comparison because the 600,000 is already in the CH2M Hill rate for French Creek. It is minuscule.

Council Member Boose: Then finally, the other plants that they already have operating, the four or five that they have, do we know how long the oldest one has been working?

Mayor Gillock: About five years.

Council Member Boose: Have we looked to see or done any research to see when they started it, whenever, to the projections they were holding similar to what they are proposing to us and how close they have been, so that we can put more credence into the numbers and to the agreements that these other communities had when we are looking at our own?

Mayor Gillock: I think that they are looking at their experience in Europe is what they are basing their. . .

Safety-Service Director Armbruster: We are the only community that I am aware of that has ever tied it to a waste water treatment plant directly. So, there is no application that is out there in the United States that we've seen where there has been anybody that is directly connected. Our savings is actually that two dollar tipping charge to get in there to get rid of the sludge. We are actually paying 22 dollars a ton to get rid of it. We are actually getting rid of it for two dollars a

ton, the 21,000 dollar tipping fee at the beginning, we had to make it work through that.

Council Member Boose: So, mechanically, this has never been done?

Mayor Gillock: It is done all the time.

Council Member Boose: But you said it has never been done directly.

Mayor Gillock: It has never been set up with a pipe, at least with Quasar, connected to a waste water treatment plant where it conveys it straight over. They dispose of waste through 4,000 of them in Europe. The one in Wooster that they looked at today, is not using human waste like our sewer plant does. It is using animal waste and agricultural waste, but it is the same process. Even the one in Akron, it uses waste water, but it is not connected directly to it. This would be the first one that you've got that direct pipe hooked together. That hasn't been done, at least, around here.

Council Member Boose: I apologize for the questions that I ask if they're not intelligent. I'm trying to learn this, this is the first I've heard of this. So, I apologize if you all already know all this.

Safety-Service Director Armbruster: We've been dealing with this, unfortunately, for ten months.

John Emig: If I might add to your question, what we found interesting today in Wooster was that it is a demonstration site more than an operational site. They are set up to bring high strength waste in there and low strength waste. In fact, the way the engineer was talking to us today, he takes enjoyment in flooding this thing with high strength waste to see how it reacts and then backing it off to see how it recovers. That one would be probably not a good one to see on the end of your plant. The other thing that we were learning is that everything that he has learned from the previous installations he has incorporated here. So, if a valve may have failed, he has a better valve here. Another interesting thing he's done in this operation is that when you have a large tank and you are mixing things, one way of mixing it is to put the mixture into the tank and that is a terrible problem of trying to maintain the tank. He has the equipment outside the tank with a water proof bushing on the shaft that goes inside. If he has a motor problem, he just takes the motor off and puts a new one on and takes it up the shaft and fixes it. He doesn't have to go inside so, it is almost hard to look what his operational expenses may have been ten years ago or five years ago because he keeps tweaking it as he moves along.

Council Member Boose: Which brings up one last question and I apologize. As in Ohio Sports Park, when that lease didn't work out, we could find somebody to run a softball complex. If this doesn't work out and something happens to Quasar, how easy is it to find another operator to do this?

Safety-Service Director Armbruster: It is their investment.

Council Member Boose: As was Ohio Sports Park.

Safety-Service Director Armbruster: No, No, it is 100 percent their investment. We have a functioning waste water treatment plant that actually reverts back to where it is. The banks would take it over and sell it to the next highest bidder. We wouldn't miss anything because we have a hot idle.

Council Member Boose: Would we not then have to start expending another several hundred

thousand to . . . . .

Mayor Gillock: We would have to find another way to get rid of our sludge again.

Council Member Boose: That is my question. How many people are out there that can do that.

Mayor Gillock: Since the seven years that I've been Mayor, I think this is the third or fourth time I've had somebody in here with a process like this, where they burn the waste and create methane and burn it and create electricity. They have a huge one in Columbus that politically became a nightmare. This is not a new process.

President Pro-Tem Johnson: Mr. Crites?

Law Director Crites: If I may and one distinction, Dennis, between Vassil and another capitalized Ohio Sports Park and if he takes off and what happens. Here we have a contractual relationship with Quasar. They have a duty to take what we've got. That is part of the agreement. We've got to give them so much and what we have to give them, they have to treat. There are provisions there that if they go under or if their system goes down, they have to find a way to take what we send them. So, unless they went completely insolvent, which it doesn't seem very likely, as they are pretty well regarded.

Mayor Gillock: Plus with the EPA giving them a grant also speaks to their credibility to some extent.

Council Member Jaenke: Madam President, I think we are probably at the point where I guess I'll ask Dave if you think that we can maybe get the contract moving so we can start that process and at the same time have Mr. Costin run some numbers to make sure we know where we are in terms of any potential rate increases for next year.

President Pro-Tem Johnson: If you can hold off a minute, we need to change the tape.

Council Member Jaenke: If there is a way we could do both at the same time in tandem, then its in our (Tape 1, Side 2 ends).

(Tape 2, Side 1 begins)

President Pro-Tem Johnson: Mrs. Butkowski has been waiting patiently. Go ahead Mrs. Butkowski.

Council Member Butkowski: I just want to make a statement. We've been putting that sludge on farmer's fields and I've been worried about it ever since we started it. I just think that we don't have too much choice but to go on and turn this over and work on this agreement with this company because I don't think we have any other alternatives and I think the sooner we do it the better it will be for everybody. The cost isn't going to get any less and I don't think that, while the residents aren't going to want to see an increase in their sewer rates any more than I do, I think if we have to keep putting our sludge on farm fields, it is only going to cost us a lot more than what this is in the long run. I think this is very good alternative. The company seemed to know what they were doing and they are working with Ohio State. I don't think that they would be wasting their time with a fly-by-night company. They don't tend to do things like that and if they're getting Federal money and State money, it is extremely difficult to get that. My husband was just able to get something like that for Beckett and you go through a long rigorous process to get anything. So, I think this company has to have a pretty good reputation. I don't have any qualms about dealing with them.

Council Member Jaenke: Madam President, I guess what I'm suggesting is that we take it to the next step, meaning that we should be reviewing or should review the contract so that there are no questions on our part and at the same time have Chris determine what our costs might be in terms of any increases in the sewer rates. So, I'm suggesting that we take it to the next step, but we do both in tandem.

Auditor Costin: I would just comment on Mr. Jaenke's request. I don't disagree, our Auditor's office can do these rate studies we've done in the past, but as accountants, we are looking at numbers. There are two issues that we have to consider here. The engineers that do these rate studies, do it for a living. They have the software. They have the knowledge and if there is a specific issue such as services that we should be aware of as accountants, he could slap us in the face and we wouldn't know it. The second issue is that when we sit down with Avon and Sheffield and suggest that we did a study and we need to get a rate increase, there is a bit more credibility when it comes from again, an independent third party, as opposed to the Auditor of North Ridgeville saying that we got to increase your rates. It has not been an easy task over the last few years. I would recommend strongly that we continue our most recent practice. I wouldn't think that it would be that expensive because the base is all in place, whether we use the firm that we did or whether we use these gentlemen. These gentlemen have the information that we previously used, but I would suggest strongly that we consider; for the reasons mentioned, an independent rate study update in conjunction with moving forward.

President Pro-Tem Johnson: Mayor?

Mayor Gillock: Two things. We are going to talk to Bill and John about doing that to see what kind of price and timing would be involved. We could also talk to CH2M Hill also, but Tom Lickovec does not work there anymore. So, we don't know who we would be working with other than Keith Bishton, who is in Virginia somewhere. So, we'll talk to these gentlemen. We will be bringing the contract and the ordinance to Council. We've been working on the contract, Andy has, with Steve Smith for months and we've had them looking at the contract. We are pretty satisfied, I think, at this point with the contract. We were supposed to have this building built for the EPA by the beginning of September and we've been putting them off and I think, as long as we are moving forward, they will still work with us, but, we need to get it before you for consideration. We'll get with these guys on the impact on the rate structure to see how fast we can turn that around too.

Auditor Costin: One other thing, simultaneously, is we'll need to look into the issuance of BANs and whether we can use the money we currently have. It is likely we are going to have to repay that and issue new monies for the new capital expenditures related hereto.

President Pro-Tem Johnson: Anybody else? Is there a motion to adjourn?

Safety-Service Director Armbruster: Is there a committee report?

President Pro-Tem Johnson: We would be recommending to ourselves, so.

**ADJOURNMENT:**

moved by Jaenke, seconded by Buescher to adjourn  
President Pro-Tem Johnson: All in favor to adjourn?  
                  Yes, 5           No, 0

Meeting adjourned at 9:52 P.M.

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Approval of Minutes:

These Minutes were approved at a regular meeting of the North Ridgeville Municipal Council on November 15, 2010: