

SOUTH BEND



Office of the Mayor
City of South Bend
227 W. Jefferson Blvd.
South Bend, IN 46601

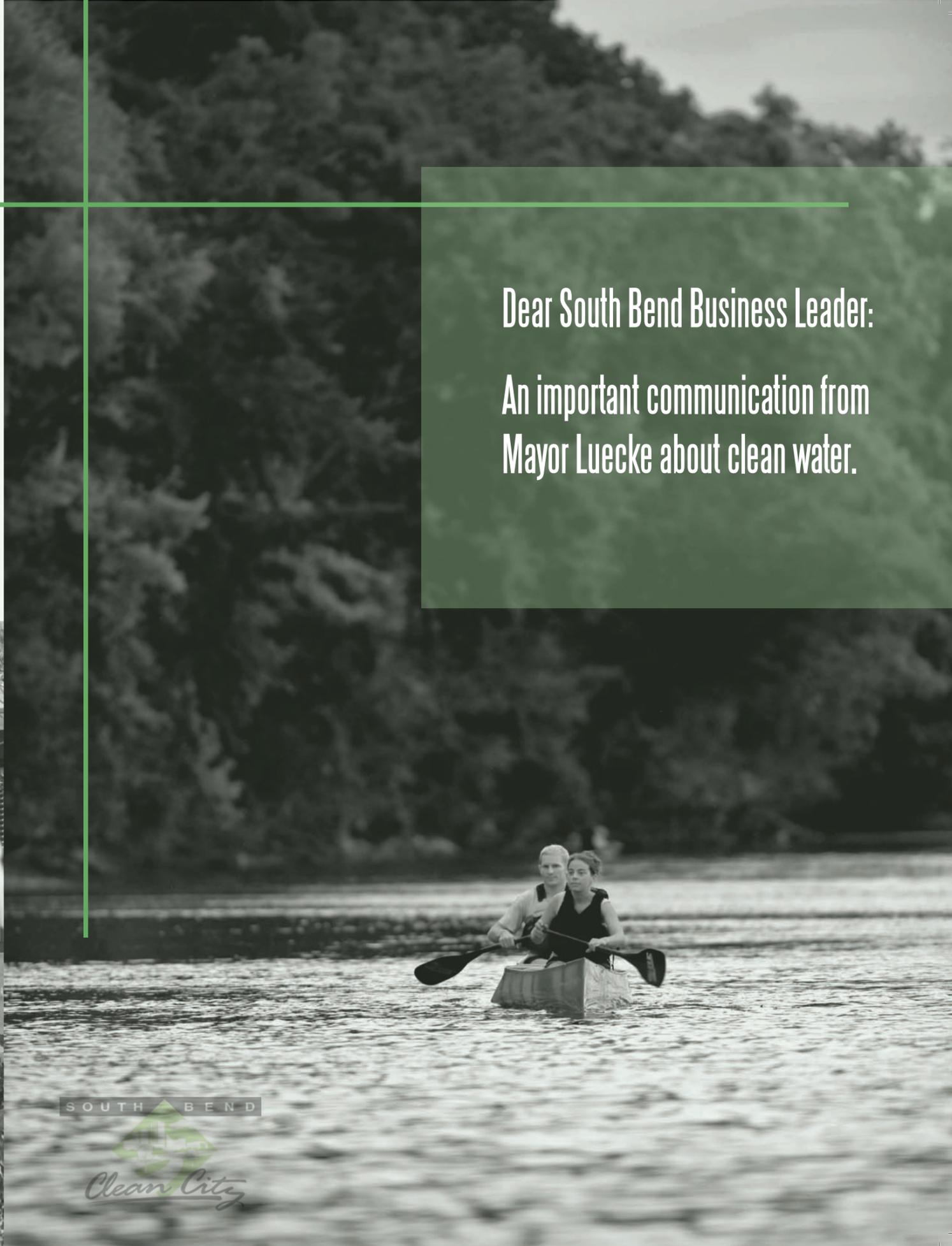
Dear South Bend Business Leader:

An important communication from
Mayor Luecke about clean water.



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June 2010

Dear Business Leader,

The City of South Bend, along with nearly 800 other U.S. cities, **must act on federal mandates regarding combined sewer overflows (CSOs) through the Clean Water Act, enforced by the U.S. Environmental Protection Agency.** Toward that end we have been making investments in our wastewater treatment plant and our sewer system. Four years ago we instituted a series of rate hikes, which raised \$43 million for capital. Stepped increases occurred annually to fund work on the City of South Bend's largest environmental infrastructure project ever – a 20-year challenge to solve chronic sewage backups in basements and eliminate raw sewage overflows into the St. Joseph River. This was the first stage of our 20-year CSO long-term control plan, which ultimately could exceed \$400 million.

I wanted to alert you that we are entering the second of five, four-year phases in this plan. I am proposing that we increase sewer rates to pay for the next \$56 million of investment required by the EPA. **The South Bend Common Council will soon consider increases of 8 percent in 2010 (beginning July 1) and 9 percent annually in 2011-13. For the average homeowner, it will mean an annual increase of about a dime per day.**

As we plan for this long-term investment in our public infrastructure, we are taking steps to hold the annual increases to single digits so customers can manage their budgets.

- First, an administrative change will help us generate nearly \$12 million in capital for the long-term control plan. The South Bend Sewer Utility makes a payment in lieu of taxes (PILOT) to the City's operating budget. That payment will be capped at 5% annual growth to allow the utility to self-fund some of the needed capital investment.
- Second, the City of South Bend will pledge \$10 million in Economic Development Income Tax (EDIT) funds over the next four years, to buffer the rate increase and to support economic development-related investment in the long-term control plan.

Even with the proposed increases, South Bend sewer rates still will be lower than current rates in Mishawaka and other Indiana cities. When one includes water rates, South Bend's charges continue to be very competitive.

We need to meet both federal targets and our citizens' expectations to address public-health concerns and preserve the beauty of the river, our most treasured environmental asset. During consent-decree negotiations the EPA and Department of Justice have been clear: Regardless of the economic hardship in our community, we must make substantial progress toward the goal or face the threat of legal action and daily noncompliance fines. There is not an option to stall compliance with the Clean Water Act.

What we have done to date has been significant. We have expanded the capacity of our 54-year-old Wastewater Treatment Plant. We have separated some combined storm and sanitary sewers while building new capacity for additional storage of storm water. **The number of basement backups declined by 20 percent last year, and overflow to the St. Joseph River was 60 million gallons less in 2009 than it was in 2005.**

For some communities, a significant challenge like this could mean a crisis. For South Bend, it represents an opportunity to demonstrate how we can be even more efficient through innovation and ingenuity. Let me mention three ways in which that is happening:



smart valve

SAVING A PROJECTED \$120 MILLION WITH TECHNOLOGY

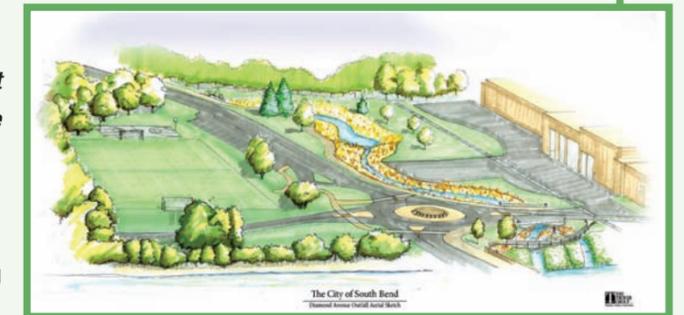
Working with partners in the private sector and researchers at Notre Dame and Purdue, South Bend is implementing CSOnet – **becoming the world's first city to control CSOs on a 24/7 basis with remote monitors.** We are installing "smart valves" with motorized controls. This wireless computer technology will allow us to dynamically allocate storage capacity within our existing sewer system. Instead of building more holding tanks or deep tunnels, we can handle some wet-weather flow within our existing pipes and storage facilities. That will enable us to save \$120 million by avoiding capital costs we otherwise would incur.

BEING ENVIRONMENTAL STEWARDS

We are working with one of the nation's leading ecological firms to design public-works projects that detain storm runoff as close to its original source as possible. **We are replicating natural features to restore storm water to the groundwater table, rather than building expensive infrastructure** to convey it to the Wastewater Treatment Plant.

ENHANCING QUALITY OF LIFE

In this next phase, **we are solving stormwater management concerns by creating a community amenity for the same cost as traditional infrastructure solutions.** At Angela Boulevard and Riverside Drive, storm water from the Diamond Avenue corridor will flow to the St. Joseph River through an open channel resembling a natural creek. Landscaped with meandering paths, the channel will carry water past a Riverside Trail overlook before cascading into the St. Joseph River.



Riverside Drive and Angela Boulevard

I wanted to give you an update on our progress with meeting Clean Water Act goals and advance notice of the rate increase which has been filed. As business leaders you are aware of the challenges presented by legacy issues and federal mandates. We are doing our best to manage this requirement. I ask for your understanding of the City of South Bend's proposed sewer rate increases to fund our CSO long-term control plan. We need the support of civic leaders for our efforts to be proactive in preserving public health and quality of life as well as to abide by the spirit of our federal mandates. If you have any questions, please call me.

Thank you for your leadership and support,

Stephen J. Luecke
Mayor of South Bend