MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
MARCH 20, 2008

Meeting of the Board of Trustees of the Northeast Ohio Regional Sewer District was called to order at 12:30 p.m. by Mr. Brown.

I. Roll Call

PRESENT:  D. Brown  
G. Starr  
T. Longo  
R. Sulik  
D. DePiero  
A. Liberatore

Board Member Sheila J. Kelly was absent.

The Secretary informed the President a quorum was in attendance.

II. Approval of Minutes of March 6, 2008

MOTION – Mayor Longo moved and Mr. Liberatore seconded that the Minutes of March 6, 2008, be approved.

Mayor Starr explained that he was called by the Law Director, Marlene Sundheimer, and also the Court Reporter regarding clarification of the March 6, 2008 minutes. Mayor Starr specifically cited page 12, which refers to the Code of Conduct that was passed by the Board at the March 6, 2008 meeting, and the use of “censor”—(a suppression of material) versus “censure”—(a reprimand by a public body). Mayor Starr advised that for the March 6, 2008 Board of Trustees meeting minutes he was referring to both contexts and would like the record to indicate this.

Ms. Sundheimer confirmed that the minutes captured Mayor Starr’s meaning.

There being no further discussion the motion passed unanimously.

III. Public Session (no one registered to speak at the public session)
IV. Executive Director’s Report

Executive Director Ciaccia began with advising the Board that the Legal Department is continuing with the revisions to the draft of the By-Laws for the District. The By-Laws have now been reviewed at two (2) Governance Committee Meetings. Administration anticipates that it will be presenting to the Board, at the upcoming April 3, 2008 meeting, the final draft of By-Laws to discuss possible changes and revisions.

Executive Director Ciaccia indicated that included in the Board’s agenda packets is the litigation docket. This docket includes ongoing litigation matters. Each litigation matter is accompanied by a brief summary. Time has been set aside during Executive Session if the Board would like to discuss any of the litigation matters in detail.

Executive Director Ciaccia moved his discussion to the issue pertaining to stormwater consultants. He advised that Mr. Brown, at the March 6, 2008 meeting, requested a presentation be given regarding the status of stormwater consultants and its deliverables. This presentation is planned to go forward at one of the scheduled Board meetings in April. The contract itself is tracking on budget.

Executive Director Ciaccia’s third report item was that Administration met with the United States Environmental Protection Agency (hereinafter “US EPA”) the Ohio Environmental Protection Agency (hereinafter “Ohio EPA”) and the United States Department of Justice (hereinafter “US Dept. of Justice”) on Tuesday, March 18, 2008, pertaining to Combined Sewer Overflows (hereinafter “CSO”). The District turned over cost information for reducing overflows to zero at 23 identified CSO sites and discussed affordability as it relates to determining the typical cost of annual consumption trends amongst the District’s residential customers. These trends must be identified and included in the equation to determine affordability. The District will be required to conduct a survey of 1,000 residential customers involved with the Summer Sprinkling Program. Executive Director Ciaccia continued by stating that an additional issue discussed is how the District intends to fund its Capital Program. The District advised that it does have a 10-year Capital Program. Discussion relating to the 10-year Capital Program was whether it would be debt-financed in total or how much would be paid with operating revenue. Executive Director Ciaccia advised that there are remaining outstanding issues: 1) level of control; 2) no feasible alternative; and 3) term of the program. He reminded the Board that the District’s case is supported by the fact that the region is in an economic hardship situation, and how it relates to what our sewer bills will be in the future. He closed discussion by stating that the District is making progress and the meeting was positive.
Executive Director Ciaccia moved to the fourth report item under engineering specifically the emissions testing category. He advised the Board that, during the previous week, The Plain Dealer printed a report naming the largest air polluters in this region. This report alerted that Mittal Steel was responsible for emitting the most tonnage in air pollution in our region. The District’s Southerly incinerator was listed as the 9th largest air polluter in this region - emitting 155 tons into the air. However, the District is beginning the bid process for the new fluidized bed incinerators to be installed at the Southerly Wastewater Treatment Plant which, according to the District’s Engineers, will reduce emissions from 155 tons to approximately 70 tons. As a result, there will be considerable reduction in tonnage of air pollution once the fluidized bed incinerators are installed. However, this will move the District to number 22. Executive Director Ciaccia indicated that he will be working with District Engineers to determine other factors that could be utilized to lessen the Southerly Plant’s air pollution tonnage and at what cost.

Executive Director Ciaccia moved the discussion to his fifth report item regarding the Asset Management Project. The evaluation team has made a recommendation of Camp Dresser and McKee to carry out this project. The staff is currently in the process of negotiating fees and terms. Administration anticipates that this will be presented to the Board in April with a recommendation for award.

Executive Director Ciaccia moved the discussion to his sixth report item, finances. The District’s total revenue is currently tracking on target. He reminded the Board that revenues come in slower during the winter months compared to the summer usage season. He continued by advising the Board that the District is currently on track with the budget at 16.6%.

Executive Director Ciaccia moved discussion to his seventh report item and requested that the Board refer to the section pertaining to open bids and the Easterly Interceptor Lakeside Improvements. The bid was opened on March 3, 2008. The lowest bidder submitted a letter requesting his bid be withdrawn due to mathematical errors. This has been added as an Add-On Resolution to this meeting’s agenda, and will be discussed further during that portion of the meeting.

Executive Director Ciaccia moved discussion to his eighth report item regarding the District’s Strategic Business Plan, which will be modified. District staff will hold two internal retreats, in order to identify the District’s vision and mission and to develop the plan. The retreats are scheduled for April 15, 2008 and May 12, 2008. Executive Director Ciaccia invited all Board members to attend these retreats, and furthermore, he suggested that Board members be appointed to attend these retreats for the value of their
input. He advised that the District will draft a Strategic Plan which will be presented to the Board for review and input.

Executive Director Ciaccia moved discussion to his eighth report item involving government affairs. He advised the Board that the District’s 2009 Appropriations Request has been submitted to Senator Sherrod Brown, Senator George Voinovich and Congresswoman Stephanie Tubbs-Jones. Furthermore, Government Affairs Specialist Darnella Robertson will be presenting to the Board issues involving receipt of federal funding. Although the District has not been successful in obtaining federal funding, it continues to make an effort which will be covered in Ms. Robertson’s presentation.

Executive Director Ciaccia advised the Board that representatives from the Cleveland Water Department will make a presentation on the new billing system that Cleveland Water is undertaking.

Executive Director Ciaccia advised the Board that a third subpoena was issued to the District by the Federal Bureau of Investigation (“FBI”) for records pertaining to the previous general counsel and specifically to disks contained in the Law Department. The request has been reviewed and forwarded to Virginia Hearst, counsel retained to represent the District involving this matter. The District has complied with the FBI’s request.

Executive Director Ciaccia stated that Ron Czerski is in attendance at the meeting. Mr. Czerski will be presenting an overview of the water main break which took place at Public Square. A significant emergency contract will be required for work associated with this water main break.

This concluded Executive Director Ciaccia’s report.

Mr. Brown referred to the District’s continued discussions with the U.S. EPA, Ohio EPA and the U.S. Dept. of Justice regarding CSO strategy and the affordability issue, such as poverty and foreclosure, specifically within this region (Cuyahoga County) and its foreclosure rate being the highest in the State of Ohio. He continued by explaining that the former issues are compelling reasons to support the District’s strategy pertaining to affordability. He questioned if there are historical negotiations involving these issues that resulted in a positive outcome for the user community.

Executive Director Ciaccia responded by stating that the EPA refers only to its guidance document to which the District will continue to abide. He continued by stating that he believes the District will be able to make its case. At this point, Executive Director
Ciaccia turned the discussion over to Director of Watershed Programs Frank Greenland to address the remaining issues of Mr. Brown’s inquiry.

Mr. Greenland began by stating that there are two (2) Consent Decrees that have provisions related to the program size and the length of schedule for implementation and how it coincides with affordability. For example, a few years ago Cincinnati signed a Consent Decree a which established a set maximum for investments related to CSO and a few other wet weather issues. From Mr. Greenland’s recollections, the maximum was $1.6 billion over the period of 18 years. Mr. Greenland stated that he does not have detailed information on how this number was established, but there was discussion related to Cincinnati’s affordability issues and what the community could bear in terms of annual expenditures over time. In the decree there was language that required Cincinnati to revise its plan and, if the plan exceeded $1.6 billion, there were provisions to enter to further discussions involving schedule extensions. Cincinnati is currently at $2 billion and is currently involved in discussions with the federal government regarding extension of the original 18-year schedule.

Mr. Greenland continued by referencing a second example. In Washington D.C. there have been discussions on the impact of the CSO program on certain areas of the Washington community related to affordability, median household income, etc. This resulted in a set dollar amount over 20 years. This is based on current economic factors and should economic factors change over time, renegotiation of the length of the implementation schedule would be allowed.

Mr. Greenland closed discussion by stating that the District has not gotten to this point with the Federal Government as of yet, but these discussions are upcoming.

Mr. Brown inquired as to the construction schedule for the installation of the new fluidized bed incinerators at the Southerly Wastewater Treatment Plant.

Executive Director Ciaccia deferred Mr. Brown’s question to Deputy Director of Engineering and Construction Gregory Binder.

Mr. Binder began by stating that it is the District’s intent to advertise for bids in June or July of 2008. In 2009, the District then will advertise for construction and installation of the fluidized bed incinerators. The entire construction process will be completed in 2012 to 2013.

Executive Director Ciaccia indicated that this is a $100 million plus investment.

Mr. Brown acknowledged his understanding.
Mr. Brown then commented on the Administration’s retreat pertaining to the District’s Strategic Plan.

Executive Director Ciaccia indicated that the District would suggest some, if not all, Board members to participate at the retreat pertaining to the development of the District’s Strategic Plan. Realizing that it may not be possible for every Board member to attend, a draft will be presented to the Board for discussion prior to finalization.

Mr. Brown recommended a course of action to ensure that there will be Board member participation in this process. At this point Mr. Brown requested participation of at least two (2) to three (3) Board members. Mr. Brown stated that, schedule permitting, he would volunteer to participate. Mayor Longo indicated that he would also volunteer to participate in this process and asked where the meetings are located. Director of Administration and External Affairs Constance Haqq indicated that the retreat will be held at EMSC.

Mayor Longo inquired about the emissions standards at the Southerly Plant and the proposed installation of new fluidized bed incinerators. He wanted clarification as to the District’s movement from #9 to #22 on The Plain Dealer report.

Executive Director Ciaccia explained that based on the Engineer’s conservative estimates, the District would decrease air pollution to 70 tons of emissions. After referring to the chart printed in The Plain Dealer, 70 tons of emissions would move the District further down the list from #9 to #22. Executive Director Ciaccia reiterated that this is contingent upon the cost and how much the District would want to spend to get down to #25 instead of #22.

V. Information Items

1. Water Billing System – Customer Information System Update

Mr. Ciaccia opened discussion regarding the Cleveland Water Department (hereinafter “CWD”) and its presentation on the new Water Billing System by emphasizing its extreme importance. He continued by explaining that CWD is the main billing agent for the District. CWD made recommendations to the District regarding the proposed new layout for the invoice as going from a double bill to a single bill. Executive Director Ciaccia introduced Interim Director of Utilities Barry Withers, Commissioner Chris Nielson, Assistant Commissioner Michael Rotunno, Assistant Commissioner Sharonda Denson, Assistant Commissioner Rolph Porter and Assistant Commissioner Melinda
Raimann. He closed by stating that the District has been involved in this process with CWD.

Mr. Nielson began by explaining that CWD is the billing agent for the District. He continued by explaining that bringing in revenue for both CWD and the District is important for the development and implementation of this project. TMG is a Program Management Consultant specializing in this field that has been retained for this project. Mr. Nielson introduced Project Manager Stan Harris and Peter Tomas, Project Manager for the integrator BearingPoint.

The current billing system has been used since 1986; therefore, the technology has been used for the past 20 years. Certain limitations have been posed due to the age of the current billing system such as not being able to internet bill and not being able to make minor changes to bills.

After surveying the users of the CWD’s billing system, TMG, which guided approximately 400 billing system implementations across the nation, was selected as the program manager for this project, which began late in 2005. BearingPoint, the selected integrator, proposed to use a software called SPL, which was purchased by Oracle and later renamed Customer Care and Billing (hereinafter “CC&B”).

A governance structure had been implemented for this project with Mr. Nielson as the lead point-person in conjunction with the District’s Deputy Executive Director F. Michael Bucci, Finance Director Jennifer Demmerle, and Manager of IT Project Management Humberto Sanchez. The CWD Program Directors are Ms. Denson, Ms. Raimann and Mr. Rotunno.

The proposed billing project must also be coordinated with the City of Cleveland Information Technology Systems.

At this point, Mr. Rotunno began by discussing the technical details of said project. He first explained that CWD began with the business process which includes the meter to cash process, customer service, and interfaces within this project. He continued by explaining that CWD is striving for a fully integrated system that fits within the current technology environment.

He continued by moving the discussion to the combined water and sewer bill proposal. During the feasibility study, it was proposed that the water and sewer bills be combined; currently there are two (2) separate bills. It was then decided that these bills would continue to be invoiced as two (2) separate bills. It was not until the CWD selected the Oracle product, got into the details of implementation and became more familiar with the
software, that it was able to determine that the Oracle software could be customized to implement combined invoicing of the water and sewer bills.

Mr. Rotunno continued by explaining the benefits of combining the sewer and water bills.

1. Less resources involved due to the use of one (1) envelope, one (1) stamp and less paper;
2. Decrease in the cost of postage because fewer bills are being mailed;
3. The Oracle product does not have to be modified in order to accommodate the combined billing;
4. Third Party Billing can be accommodated;
5. One account so Customer Service would have a greater ability to better service the customer;
6. Fewer remittances to process;
7. System handles payment allocation which will result in a reduction in human error; and
8. Defers equipment replacement costs pertaining to bill print.

Mr. Rotunno moved discussion to the comparative financial analysis of billing operations for the current process of separate quarterly bills. He explained that collection, bill production, customer service, remittance and community relations are the baseline. The implementation cost for this program will increase approximately $300,000. This does not include ongoing maintenance or modification.

Mr. Rotunno moved discussion to cost estimates of the combined quarterly bill. He stated that collection costs may increase as customers become familiar with the combined bill. Bill production costs are expected to decrease. Customer service estimated costs increase in the beginning due to the increased volume of calls as customers become familiar with the new billing system. It is anticipated that, in time, customer service costs will decrease. Remittance processing costs will decrease due to fewer remittances. Mr. Rotunno continued by stating that Community Relations, at this time, will not increase or decrease. CWD is looking into the idea of keeping separate brand identities for CWD and the District. There will be an overall reduction in the CC&B implementation costs. According to the comparative financial analysis, Mr. Rotunno advised that there will be an overall annual savings of over One Million Dollars ($1,000,000.00) in operation costs.

Mr. Rotunno explained that meter readings and field activities do not change. Meters will continue to read quarterly. CWD proposed that it continue with quarterly billing for implementation planned for early 2009.
Mr. Rotunno emphasized that the recommendation be to move forward with the combined bill. Implementing this process in the beginning will result in: 1) elimination of software modification; 2) elimination of reconfiguration at a later date; and, 3) streamlining business processes.

Mr. Rotunno explained that branding and customer services expectations between CWD and the District may blur, but CWD anticipates that it can mitigate this issue.

The software can accommodate monthly billing. Mr. Rotunno continued by stating that quarterly meter readings would impact the monthly billing proposal; however, an estimation model similar to gas and electric providers can be used. CWD does prefer to use the quarterly billing model. CWD is currently undertaking an automated meter reading program. Therefore, the monthly billing model and meter readings may be implemented by 2010.

CWD does understand that the District may be ready for monthly bill prior to 2010. Therefore, CWD proposed that they continue to quarterly bill by dividing the payment into thirds. This is not an estimation model but will be able to accommodate the District’s monthly billing. However, if CWD is ready to implement monthly billing first, then it will wait until the District is onboard before changing over to monthly billing.

Mr. Rotunno discussed critical success factors related to combined billing, and presented the Board with a proposed sample invoice. In this example, the bill is segmented, billing for three (3) utility services: natural gas, electric, water/sewer. Logos were used to differentiate each organization even though they are billed on a combined bill. Messages can be included on the bill either as a header or in each separate segment.

Mr. Rotunno further explained that the Expanded Use of Interactive Voice Response Integration is the CWD phone system and the use of automated attendants and call routing. It is the intent of CWD to provide the customer with the ability to address basic requests such as account information through a self service automated system.

Mr. Rotunno continued by explaining that the Use of Electronic Bill Presentation of Payment will enable customers the ability to retrieve account information via the internet. There is a significant amount of customers who expressed an interest in the ability to view account information and make payments over the internet. The electronic billing model will also enable CWD to use an e-billing model for customers who do not wish to receive a paper bill. This will result in a significant reduction in overall operation costs.
At this point, the presentation turned over to Mr. Nielson who explained that the anticipated schedule for the CWD billing project to make its conversion will be President's Day 2009. Currently, CWD is two (2) weeks delayed. CWD is confident that it will get back on schedule in time for the conversion. If CWD does not, the conversion date will be delayed.

Mr. Nielson moved discussion to the budget. The implementation cost, consultant’s fee and design total Twenty Three Million Dollars ($23,000,000.00). CWD is planning to retain a consultant to prepare, print and mail invoices through a third party service. He explained that the economics to retain a consultant for the invoice preparation and billing is favorable; therefore, CWD recommends it move forward as soon as possible. CWD is also proposing to retain a consultant to host its computer and billing systems, but will not be able to make this determination until CWD gets further into the development of the computer system.

Mr. Nielson credited dedicated involvement as the key factor in making the new billing system a success. He complimented his staff and the District for their hard work and involvement. He further acknowledged that the City of Cleveland Division of Fiscal Control, which is the remittance and audit agent, is going through a strategic business planning process to update its system and how it handles cash flow. He explained that CWD will also need to coordinate with the City of Cleveland IT Department to comply with the standards of the City.

Mr. Brown at this time asked the Board if there were any questions.

Mayor DePiero first thanked Mr. Nielson for the presentation. He commented that the combined billing program makes common sense for the consumer and both entities. He questioned which entity is responsible for paying the Twenty Three Million Dollars ($23,000,000.00) cost of implementation of said program.

Mr. Nielson responded to Mayor DePiero that CWD has budgeted for this project and anticipates that the billing service agreement will help recoup some of these costs; however, the primary responsibility of the billing system is with CWD.

Executive Director Ciaccia explained that it is the intent of the District to revisit the billing agreement with CWD.

Mr. Brown questioned if the billing agreement sets rates based on the number of transactions.
Executive Director Ciaccia explained that the rates are determined by the cost formula used by the City of Cleveland Division of Fiscal Control for the services it provides to the District annually. This process was first negotiated in the early 1980’s, and there has been some contention regarding this formula.

Mr. Sulik questioned if the District would be responsible for handling its delinquent accounts. Mr. Nielson replied that CWD will act as the agent for billing and collections.

Mr. Sulik inquired if monthly billing would negate the savings on resources such as postage, paper, etc. Mr. Nielson explained that one of the significant advantages of monthly billing would be to help customers manage their accounts. With combined billing, invoice amounts will increase. If CWD continues to bill quarterly, it is feared that customers would not budget properly and more accounts will go to collections. There are advantages to switch to monthly billing such as account management and the ability to address system leaks. Mr. Nielson agreed with Mr. Sulik that monthly billing will increase the cost; however, there are tradeoffs. Automated meter reading is a very expensive process. Aside from the capital investment of implementing the system, this could potentially save money in the future. There have been significant discussions pertaining to monthly billing. Due to the combined billing changes and cost to implement this proposal, it has been advised to hold off on the monthly billing for now.

Mr. Brown questioned if due diligence was used to determine best practices. Mr. Nielson explained that CWD surveyed approximately one thousand (1,000) of its customers and received an overwhelmingly response in favor of combined billing and not as many in favor of monthly billing. Thirty-seven percent of the systems nationwide continue to bill on a quarterly basis while most systems are using combined bills for water and sewer.

Mayor Longo suggested including customers who use Cleveland Public Power on the bill also. Mr. Nielson explained that Cleveland Public Power currently uses a relatively newer billing system utilizing a different platform. Integrating the two systems for the sake of 15% to 18% of CWD’s customers was not prudent. However, in the future, when Cleveland Public Power switches billing systems, this can be addressed at that time.

Mayor Longo inquired about electronic billing and whether the payment can be taken directly from a customer’s bank account.

Mr. Nielson confirmed that this was the intent of the electronic billing model.

Mr. Brown commented that Cleveland Public Power currently bills its customers monthly.
Mayor Starr questioned as to why the District does not have its own billing department. Executive Director Ciaccia explained that it was a redundancy issue because the District’s bills are based on water consumption. This was used as an effort to not duplicate resources. Thus far, it has been a good arrangement between the two (2) agencies.

Mr. Bucci explained that during the early 1980’s the District completed a study on this issue. Since the bills are based on water consumption, the District would be financially obligated to purchase CWD’s meter reads, which is the largest portion of the fee. At that point, it was determined not to be financially prudent, and is most likely the case today.

Mr. Nielson reminded Mr. Bucci that, at that point, the study included the cost of each entity doing separate billing, which was the most expensive option.

Once the billing system is implemented, Mayor Starr questioned what the typical complaints of the rate payers might be.

Mr. Nielson advised that the anticipated issue will be the customer getting acclimated to the new bill. As a result, CWD is putting much emphasis towards its communication plan.

Mayor Starr inquired if the sample bill provided by CWD will be the same layout of the proposed combined bill.

Mr. Nielson explained that CWD’s bill will be combined and include logos from each entity and/or third-party biller. The proposed paper size is 8 ½ x 14 inches. Message space for each entity will be integrated. Consumption history will be incorporated as well. The remittance stub will be located at the bottom leaving the customer with an 8 ½ x 11 inch sheet after detached.

Mayor Starr advised that he was questioning quantitative information such as CCFs and its layout.

Mr. Nielson explained that one section will include the District’s consumption, summer sprinkling savings, etc., while a separate section will integrate CWD information.

Mayor Starr inquired if the bill will include the CCF charge and usage.

Mr. Nielson confirmed.
Mayor Starr inquired if the third-party billing was specific to cities that charge for sewer maintenance.

Mr. Nielson advised that CWD currently third-party bills for cities that have its own sewer treatment facilities, local water charges, local sewer charges, refuse charges, etc.

Mayor Starr inquired as to the time frame it will take for a consumer to reach a live person when they contact customer service.

Mr. Nielson explained that, generally speaking, this may depend on the specific day of the month or time of day. One of the features CWD is proposing to incorporate is self-service for routine calls such as account balance, when payment is due, 30-day extension, etc. This will reduce the waiting period for callers who wish to speak to a live agent.

Mr. Bucci explained that the option of a customer hitting zero “0” which will bring them to a live agent is currently being discussed.

Mr. Brown questioned if CWD used due diligence to arrive at the conclusion of anticipated customer service inquiries.

Mr. Nielson affirmed. He further explained that with the rise of the new generation, electronic billing will increase in the next 10 – 20 years.

Mr. Brown questioned Executive Director Ciaccia and Mr. Nielson as to what action, if any, was requested of the Board.

Executive Director Ciaccia explained that no action was requested at this time from the Board. The District recommends moving forward with this project and getting a consensus from the Board in that regard. He continued by acknowledging that this matter is important and needed to be presented to the Board for their input.

Mayor Longo agreed that, from his recollection, the cost for the District to bill independent of CWD was not financially prudent. From his standpoint, the combined billing system seems like a very logical course other than the District taking over CWD.

Mr. Brown stated that CWD will be implementing a new billing system regardless, and that resources are being dedicated to accommodate this. He further stated that, in the future, it may be desirable to implement monthly billing contingent upon automated meter reading to prevent estimated billing. He acknowledged that enlightening the Board to these proposals is important. Mr. Brown stated that, based on the comments received from the Board at this meeting, the District and CWD should continue to pursue the
proposed new billing system. The Board requested to continue to be notified of time
lines and any other factors pertaining to this project.


Executive Director Ciaccia opened discussion by reminding the Board that it is the
District’s intent to keep the Board abreast of the issues involving the audit. He further
stated that the District must comply with all items requested by May.

At this point, discussions were turned over to Mr. Bucci. Mr. Bucci began by stating that
the District is on schedule. He then advised the Board to refer to the summary page
included in its agenda packet. The summary page layout is as follows: The Finding, the
District’s Response Action Plan, Due Date, Responsibilities, Who is Responsible and the
Status. The staff level procedures and policies, for the most part, have been
implemented.

The District will be making a recommendation to the Board in April regarding District’s
policies including, for example, change orders. The District recommends one or two
Special Board Meeting sessions to be scheduled in May upon completion of the audit.
The first session’s discussion will be emergency contracting policies and procedures.
The second session will cover Board-level policy decisions such as contract allowances.

Mr. Bucci continued the discussion by advising the Board that the District is preparing a
Contact Procedures Manual. He requested that the Board schedule a special work session
in May to discuss policy level decisions.

Mr. Brown agreed that a special work session is needed so there is an understanding
between the Board and the District as to the final recommendations on policies.

Mayor Starr referred to number two (2) on Mr. Bucci’s summary whether the Internal
Auditor Manager will audit invoices. He then questioned if there are three (3) Internal
Auditors. Mr. Bucci confirmed.

Mayor Starr continued by questioning what the future plan is in terms of expanding that
department.

Mr. Bucci replied that the District expanded by hiring two (2) Internal Auditors. In
January and February the District presented an audit plan which included set parameters
specifying when to audit, for example, if a contract exceeds a certain percentage of
modification.
Mayor Starr inquired as to what are the set parameters pertaining to the percentages of contract modification—5%, 10%, 30%.

Mr. Bucci advised Mayor Starr that he will follow up with him regarding the percentages.

Executive Director Ciaccia explained that the District, through the Manager of Internal Audit, is authorized to retain outside auditors. The District is currently utilizing Jefferson Wells.

Mr. Bucci advised that Jefferson Wells is contracted for under Twenty Four Thousand ($24,000.00) to assist in the audit of the contracting area. He further explained that the District is developing an RFP for an internal audit to include contracting, payroll, etc. Firms may bid on all functions combined or one specific function.

Mayor Starr questioned as to what type of continuing education training the auditors will be receiving specifically in the fraud area.

Mr. Bucci advised that there is an Institute of Internal Auditors for Northeast Ohio. Manager of Internal Audit John Wasko is the previous president of said organization. He continued by stating that one auditor was hired from Jefferson Wells, and is one of the leaders in construction audit. The second auditor was hired from the City of Cleveland, and was very active in the Harvard Yards audit.

Mayor Starr advised that there are specific auditors that specialize and certify in fraud detection.

Mr. Bucci advised that one of the functions of the RFP will request a certified fraud auditor. He is unsure if that specific expertise will be available in-house or if there will be a need for it on an ongoing basis.

Mayor Starr suggested that, due to the ongoing investigation, it is important to require and/or obtain fraud detection certification, or at least, make it a goal.

Mr. Bucci stated that the RFP will be presented to the Board, and confirmed that this request will be included.

Mayor Starr asked if the Board will receive reports from the internal audit.

Mr. Bucci advised that the Board will receive quarterly reports from the internal auditor. He stated that the first report will most likely be provided to the Board at the second meeting in April.
Mayor Starr stated that the State’s audit includes random sampling. Mayor Starr cited as an example every 10 to 15 invoices. Mr. Bucci agreed, and stated that the District’s internal audit will be more extensive than that.

3. History of District Federal Funding and Overview of Water Trust Fund

Executive Director Ciaccia opened discussion by reminding the Board of the District’s commitment to CSOs. It is the intent of the Administration to advise the Board as to what the District has done, and continues to strive for, in terms of federal funding. Executive Director Ciaccia further explained that he will need direction from the Board pertaining to proposed trust funds.

The Executive Director introduced Darnella Robertson, the District’s Government Affairs Specialist, who opened discussion by introducing the topic of the District’s federal funding, specifically: what has happened in the past, what we see today and what is anticipated for the future.

Ms. Robertson continued discussion by advising the Board that the District’s total investment to date is approximately 2.2 billion dollars which has been comprised of earmarks, US EPA and Ohio EPA revolving fund loans, construction grants, etc.

Ms. Robertson then advised the Board that the second graph depicts the same information in percentages. She pointed out the yellow and light purple which is approximately 30% of free money that the District has received. The other funding received has been through loans, revenue bonds and notes, and user charges.

In the past, the District received fifty five (55) individual construction grants through the 1972 Clean Water Act Construction Grants Program. Projects undertaken by the District and funded by said grants include significant work to the Westerly Wastewater Treatment Plant, and the Heights Hilltop Interceptor.

Due to the 1987 amendments of the Clean Water Act, Congress advised that 1990 would be the last year that grant funds would be appropriated for the Construction Grants Program. As a result, the EPA provided loans through the State Revolving Loans Fund. Ms. Robertson explained that federal funds, along with 20% state matches, are used to capitalize revolving loan fund pools in each state. Therefore, as the loans are paid back to the fund, the money revolves as new loans to other recipients. As a result, the federal investment lasts longer. Ms. Robertson explained that, in Ohio, the Ohio EPA administers these monies under the Water Pollution Control Loan Fund (hereinafter “WPCLF”).
The District received its first WPCLF loan in 1991. To date, the District has received fifty four (54) loans which represent over Six Hundred Forty-Six Million Dollars ($646,000,000.00) in project financing and close to half of the District’s cost in 1991 when the grant program ended.

Ms. Robertson further explained that over the past several years the US EPA has continued to decrease funding to this program. The percentage of federal funding for wastewater infrastructure has decreased from 78%, in 1978, to approximately 3% today. As such, Ohio EPA had to make significant changes to its program such as imposing a per community borrowing cap. In 2007, the cap was Twenty Five Million Dollars ($25,000,000.00). In 2008, the cap will be Thirty Five Million Dollars ($35,000,000.00).

Ms. Robertson explained that in the 1990’s special grant awards (a.k.a. earmarks) were woven into the financial equation. In order to obtain these, the District has and continues to work with the D.C. lobbyists, BUGC-(Build up Greater Cleveland), and the Ohio delegation and its staff. Each year, the District completes and submits questionnaires detailing projects for which the District seeks funding. The District has received approximately Ninety One Million Dollars ($91,000,000.00) in earmarks. Generally, these grants require a 45% local share match. 1999 was the last year the District received an earmark. The District will continue to submit the annual questionnaires.

Ms. Robertson explained that federal funding is diminishing while infrastructure needs continue to rise. On January 16, 2008, the US EPA released its 2004 Clean Watersheds Needs Survey which revealed that national water infrastructure needs for up to a twenty (20) year period are estimated at $202.5 billion dollars. Ohio is estimated at over $10 billion dollars.

Jobs and water quality are both impacted as well. In 2005, it was estimated that the lack of funding resulted in One Thousand Three Hundred Fifteen (1,315) fewer jobs as a result of projects not moving forward.

Ms. Robertson advised that a potential funding solution may be available. Congressman Blumenauer of Oregon will be proposing legislation in April to create a water trust fund. Supporters of this trust fund advise that it is needed due to EPA’s lack of funding. The trust fund’s mission is to provide a deficit neutral, consistent and firewalled source of revenue to states to support replacement, repair and rehabilitation of clean water and drinking water infrastructure. The funding would be similar to the clean water and drinking water state revolving loan fund such as requiring a match to local recipients and comparable projects would be eligible.
Also, being contemplated is green infrastructure projects for environmental concerns and issues.

Ms. Robertson further explained that advocates have struggled to identify a viable funding source for the trust fund. For example, the highway trust fund extracted monies from taxes on motor fuels, sales of trucks and tires and the use of heavy vehicles. The General Accounting Office (hereinafter “GAO”) is currently examining options including its revenue raising potential.

Ms. Robertson advised that National Association of Clean Water Agencies (hereinafter “NACWA”) has been a primary mover of this concept and that the District participated as well by contributing time and resources.

At this point, Ms. Robertson turned the discussion over to Executive Director Ciaccia. Executive Director Ciaccia began by stating that, while he was employed by CWD, federal funding programs had been pursued. During the Clinton Administration, while there was a surplus, the Water Infrastructure Network (hereinafter “WIN”) was established. WIN was a combination of water and wastewater organizations as well as contracting groups. The goal was to make a case that some surplus monies be allocated to fund water and wastewater infrastructure. Due to the current federal budget deficit and ongoing war, the District is not hopeful that federal funding will be available.

NACWA began a trust fund and the District was instrumental in the development of this idea. Previous General Counsel was an advocate as well. The utilities in the wastewater industry were asked to voluntarily contribute funds toward developing this effort. Since 2002, the District has supplied One Hundred Eighty Thousand Dollars ($180,000.00) into this effort.

Executive Director Ciaccia advised that he and other members on the drinking water agenda did not embrace this particular effort, and had to testify in a Congressional hearing on this issue specifically relative to concerns as to how and where this will be funded. There was discussion of a potential bottled beverage tax which raised concerns as to what amount the fund would actually receive from Washington.

Executive Director Ciaccia advised that he currently sits on the NACWA Board. He provided the Board with a list of utilities that have voluntarily contributed to this effort. Specifically Cleveland, Columbus and Akron contributed almost 30% of the money towards this issue. Executive Director Ciaccia advised the Board that he intends on making this an issue with the NACWA Board. He is not against the trust fund but suggests that other utilities become involved with the funding of this program. Additional lobbying efforts will be needed. Executive Director Ciaccia further explained that the District, at this point, has paid its share.
The second issue is that Congressman Blumenauer’s request asks the GAO to research the container fee, bottled water beverage tax on certain flushable products, high penalties for industrial discharges, corporate and environmental taxes, and taxes on agricultural chemicals. Executive Director Ciaccia explained that utilities are not supporting this effort because it is a new tax and not being taken from existing taxes during the surplus as was originally planned when discussions began.

Executive Director Ciaccia reiterated that this is an initiative that the NACWA Board has adopted. The issue will be raised as to equity and volunteerism. Executive Director Ciaccia requested input from the Board as to whether these mechanisms will be supported.

Mr. Liberatore advised that he had attended the construction exhibition held in Nevada. He commended Executive Director Ciaccia and the NACWA organization on its 2.5 million square feet of exhibition space. The display was informative and addressed the issues being raised by Executive Director Ciaccia. He again commended the NACWA organization on its pro-activity.

Mayor Longo commented that without efforts such as this, nothing will be resolved. November’s election may bring forth changes in philosophy, funding sources, etc. He continued by stating that the squeaky wheel will get the grease, and if the District is not squeaky, it will receive nothing.

Mr. Brown added that his concern is the approach, and understands that the District will need to lobby for its interest. He stated that he understands the ultimate outcome is to find a way to obtain additional resources through this trust fund. However, he inquired if the current Board of NACWA suggests any other means of funding.

Executive Director Ciaccia replied by stating that NACWA seemingly continues to support this program; however, the level of voluntary support is questionable. The main issue is that many people do not support new taxes for this effort.

Mr. Brown commented that agencies that have not invested in this stand to gain as much as entities that have, and he believes this is unfair. He was hopeful that the NACWA Board will revisit this issue.

Executive Director Ciaccia stated that he will raise the equity issue.

Mayor Starr questioned if the District is the biggest contributor.
Executive Director Ciaccia affirmed.

Mayor Starr commented that he does not see Los Angeles or New York on the list. He questioned if these cities have rejected the effort.

Executive Director Ciaccia explained that, at this point, he is unsure. He continued by explaining that he had a discussion with the Executive Director of NACWA on Wednesday, March 19, 2008, and he explained that some entities have a difficult time getting the annual dues approved through its Boards and Councils. Executive Director Ciaccia explained that some West Coast communities do not support this effort. He continued by stating that he is unsure if Los Angeles does, but that the current Law Director is the Board president.

Mayor Starr commented that these are lobbying fees.

Executive Director Ciaccia advised that this is a development of a strategy for a lobbying effort.

Mayor Starr commented that the strategizing a lobbying effort is not a bad idea stating that we all have special interests.

Mayor Starr suggested that the Board be able to help through its political clout, specifically by lobbying their own delegations. The US Senators are Northeast Ohioans as well as the US Congressional Delegates. He continued by naming Steve LaTourette as an influential lobbyist for road improvements and other earmarks such as sewers, sanitary projects in the Lake County Area. Collectively, the Board can assist. Mayor Starr stated that he will certainly volunteer towards this effort. He requested information be presented to the Board pertaining to past history, specifically federal funds the District received and for which project the funds were allocated to. He also requested that the presentation and/or notes be provided to the Board as well.

Executive Director Ciaccia affirmed.

Mayor DePiero commended Ms. Robertson on an enlightening, informative presentation that provided a good historical perspective on funding. He commented that he is Mayor of an inner-suburb with millions of dollars of infrastructure issues not being addressed. He continued by stating that the lack of funding issue is near and dear to him. He agreed with Mayor Starr and added that, on behalf of his community, annually he travels to Washington D.C. to meet with Ohio’s Representatives and Senators to discuss earmarks. He continued by stating that, in his opinion, being a member of NACWA is a good investment. However, if the District finds that it has not been a good investment, then the
District should redirect its efforts into lobbying in Washington D.C. on a quarterly basis. He suggested the District visit Northeast Ohio Senators LaTourette and Kucinich and encourage them to push for earmarks. For example, an issue such as combined sewer overflow could make a good case for the District to handle its own lobbying efforts which may be more successful rather than investing more money into NACWA.

Executive Director Ciaccia stated to Mayor DePiero that his ideas were good and that the District would appreciate any help the Board may provide. He agreed that visits to Washington D.C. may be productive.

VI. Consent Agenda

Mr. Brown advised the Board that there are no Consent Agenda items.

VII. Action Items

Requests to Award bids

Mr. Ciaccia advised the Board the Resolution No. 83-08 is to award a contract to Airgas Great Lakes for laboratory quality gases. He advised the Board that this was the lowest bid received of two (2) bidders used in the District’s analytical services group.

MOTION – Mayor Longo moved and Mr. Sulik seconded to adopt Resolution Nos. 83-08 and 84-08. Without objection, the motion carried unanimously.

Request to Rebid

Executive Director Ciaccia began discussion by advising the Board that Resolution No. 85-08 is a request to rebid the Valley Belt Gravity Sewer Project. The Engineer’s estimate was $5.5 million. This was previously bid as a microtunneling job. Two (2) of the lowest bidders bid this job as a conventional tunneling job. Executive Director Ciaccia further stated that it was the determination of the District to reject all bids. He advised the Board that the previous Executive Director wanted to refocus on the type of tunneling and determine whether this job was needed, or if a rehabilitation of the pump station would better serve its interests. According to the Engineering Department, it was determined that it would be most cost effective to deal with the issues, and abandoning the pump station is less costly than refurbishing it. Executive Director Ciaccia advised the Board that microtunneling is the preferred method. Therefore, the District requested the Valley Belt Gravity Sewer Project be rebid as a microtunneling job.
Mr. Brown asked if the District received only one (1) competitive bid at this point. He continued by stating that the competitive bid received is significantly lower than the Engineer's estimate which is an issue.

Executive Director Ciaccia commented that this will continue to be an ongoing issue. He further explained that this job was bid early 2007. Two (2) out of three (3) bids did not meet the bid specifications. The job could have been awarded to the lowest bidder at that time; however, the previous Executive Director wanted to review the entire project. He continued by stating that the previous Executive Director was not convinced that this particular job was needed. Furthermore, at that time, the previous Executive Director believed that rehabbing or re-enhancing the pump station would be more prudent. However, the Engineers decided microtunneling continues to be the preferred approach.

Mayor Longo questioned if Executive Director Ciaccia preferred to rebid the Valley Belt Gravity Sewer Project. Executive Director Ciaccia affirmed.

MOTION – Mayor Longo moved and Mr. Liberatore seconded to adopt Resolution No. 85-08. Without objection, the motion carried unanimously.

Request for Contract Modification

Executive Director Ciaccia advised that Board that Resolution No. 86-08 is a request to modify the contact of CH2M-Hill in the amount of Twenty Four Thousand Five Hundred Dollars ($24,500.00). CH2M-Hill is working on the GIS Project for the District totaling over $2.6 million. Said project is near completion; however, a GIS software upgrade is needed. Executive Director Ciaccia advised that it would be prudent to modify the contract, rather than procure another company to assist in the GIS software upgrade.

MOTION – Mr. Liberatore moved and Mr. Sulik seconded to adopt Resolution No. 86-08. Without objection, the motion carried unanimously.

Requests for Progress Payments

Executive Director Ciaccia began discussion by explaining to the Board that Resolution No. 87-08 is the final payment to Montgomery Watson Harza pertaining to the Huntington Garage Project. He reminded the Board that this project resulted from destruction caused by acids from etching companies that were previously located in this area. He stated that the District is now moving into the design phase and ultimately a bid phase for remediation of this project.
MOTION – Mr. Liberatore moved and Mayor Longo seconded to adopt Resolution Nos. 87-08 and 88-08. Without objection, the motion carried unanimously.

Change Orders

Executive Director Ciaccia asked Mr. Brown if he may speak on this issue. He further stated that the motion was appreciated.

Mr. Brown commented that he is not concerned about the change order.

Executive Director Ciaccia deferred to the Board that it may want to vote on the change order before or after discussion. It was the Board’s decision. He explained that the East 49th Street storm sewer extension is complete, and this change order is deducting Seven Thousand Dollars ($7,000.00) from the final contract thereby closing it out.

Executive Director Ciaccia stated his intent was to advise the Board of the scope of issues associated with this project that he has been made aware of since joining the District.

Executive Director Ciaccia began the discussion by explaining that the property in question is located at the northeast corner of the Southerly Wastewater Treatment Plant by the EMSC building. The District purchased this land in 1985. The property has a culvert leading into it. The culvert is under the railroad tracks and extends to the Nicky Boulevard Road landfill which is owned by Boyas. This culvert is continuously plugged up from debris from the landfill. In 2003, the District became involved by removing landfill debris from the culvert, and attempted to remove debris from the District’s property as well. The project began as an emergency job and later resulted in a bid project.

Executive Director Ciaccia stated that during the course of this project, change orders were issued to remove more debris from the culvert. He also advised the Board that, in addition, the District created a wetland in the peat bog area. As a result, this wetland became a full scale pond with thriving plants, and the District maintains it continuously at an annual cost of approximately Two Hundred Thousand Dollars ($200,000.00).

Executive Director Ciaccia advised that he engaged the Law Department to challenge the property owner to remediate the continuous problems the District faces relating to the debris blocking the culvert.

Executive Director Ciaccia stated that it was his intent to advise the Board of this situation because the District’s pursuit of this issue may cause angst to certain entities such as the Village of Cuyahoga Heights—where the issue resides—and the landfill
owner. He further stated that the District has $5 million into this project to remediate the situation.

Mayor Longo inquired if Executive Director Ciaccia met with newly elected Mayor Bacci of the Village of Cuyahoga Heights and the property owner to discuss the problem.

Executive Director Ciaccia advised that the District has met with the Village of Cuyahoga Heights in the past, and intends to do so again soon.

Mayor Longo requested Executive Director Ciaccia advise him of the meeting because he does have contact with Mayor Bacci.

Executive Director Ciaccia affirmed that he will advise Mayor Longo. He further stated that this situation is a significant issue that the Board needed to be made aware of especially when negotiations begin.

Mayor Starr questioned if the culvert is used for stormwater drainage.

Mr. Ciaccia affirmed.

Mayor Starr questioned how long this has been going on.

Executive Director Ciaccia stated that this problem has been ongoing for years. He explained that, according to the District’s staff, in 2003, when former Mayor Lou Bacci was in office, he advised the District that the culvert issue needed to be addressed because it was backing up onto the landowner’s property. The culvert is owned by the railroad. Executive Director Ciaccia stated that he is unclear as to how the District became involved and as to why it was required to remediate the problem. In the District’s opinion this problem was the landowner’s issue to resolve.

Mayor Starr questioned if in this case, the landowner was the railroad or Boyas. Executive Director Ciaccia stated Boyas, if not the railroad.

Mayor Starr questioned which railroad was in question. Executive Director Ciaccia stated CSX.

Mayor Starr asked if the District spent $5 million of its own money. Executive Director Ciaccia responded that the District spend in excess of $5 million.

Mayor Starr questioned if this will be a continuous problem—the landfill collapsing or material and/or debris going into the culvert and blocking it. Executive Director Ciaccia
explained that it is the current issue, and discussions were held to consider plugging the culvert. However, the issue then becomes the permitted wetland will dry up.

Mr. Brown asked who holds the permit for the wetland. Executive Director Ciaccia advised that the District does. He further explained that the wetland existed as a peat bog, not a pond.

Mayor Starr questioned who initiated the administrative action to spend money to remedy a situation that was not the District. Executive Director Ciaccia stated that he was unsure of the direct answer to Mayor Starr’s question.

Mayor Starr then questioned if anyone from the audience knew the answer to his question. Executive Director Ciaccia then asked Mr. Bucci if he knew who authorized spending the money to remedy this situation. Mr. Bucci stated that he did not know who was responsible. Executive Director Ciaccia then explained that the authorization had to obviously come from the former Executive Director.

Mayor Longo advised that former Mayor Bacci and Pete Boyas passed away years ago.

Mayor Starr asked Executive Director Ciaccia if he was familiar with any other property owners in this area. Executive Director Ciaccia responded Willow Parkway Industrial Park which is located in the Village of Cuyahoga Heights.

Mayor Starr stated that he appreciated the disclosure from Executive Director Ciaccia on this issue. He further advised Executive Director Ciaccia that he completely supports him on the District’s intent to pursue the culvert issue legally. He then asked Executive Director Ciaccia if the District’s intent was to legally pursue recouping the money. Executive Director Ciaccia affirmed, but stated that the District will first, as Mayor Longo suggested, meet with the involved parties, specifically newly elected Mayor Bacci, to make them aware of the situation.

Mayor Starr commented that he found it embarrassing to have voted on spending $5 million to correct a situation that the District did not cause. He stated that, until this meeting, the Board had not received a clear explanation of this culvert situation. He commented that, as a Trustee, he should have been made aware, and questioned why the former Executive Staff did not explain this situation as thoroughly as Executive Director Ciaccia.

Mr. Brown suggested that the Board review how this information was initially presented. This may help the Board receive clearer insight as to how this situation occurred. Executive Director Ciaccia explained, in order to reconstruct the situation,
Administration will conduct research, including a review of the minutes and all other pertinent information.

Mr. Brown agreed with Mayor Starr’s perspective. He added that the intent is to look out for the best interests of the District. If the situation needs to be remedied, then this will continue while they pursue discussion with the stakeholders. He reiterated that it would be helpful to better understand how this situation evolved.

Mayor Longo commented that the real question is that the District spent $5 million, and the culvert needs to be continuously cleaned out. Mr. Brown explained to Mayor Longo that the District is the permit holder for the wetland which needs to be maintained.

**MOTION** – Mayor Longo moved and Mr. Liberatore seconded to adopt Resolution Nos. 89-08, 90-08, and 91-08. Without objection, the motion carried unanimously.

**Request to Adopt Budget**

Executive Director Ciaccia turned the discussion over to Finance Director Jennifer Demmerle.

Ms. Demmerle began the discussion by stating that a Board Budget Review Meeting was held on March 4, 2008 to cover: 1) the five (5) year capital plan; 2) budgets of the three (3) wastewater treatment plants; 3) the budget of Department of Watersheds which included analytical services and waste quality industrial surveillance; 4) the budget for the Department of Administrative and External Affairs; and 5) the budget for the Legal Department. Present at the meeting were Board Members Mr. Brown, Mr. Liberatore and Ms. Kelly. Discussions focused on larger expenditures for the three (3) treatment plants such as staffing and any significant changes in the budget compared to 2007. Presentations were made by Department of Administration and External Affairs, Legal Department and the Watershed Program pertaining to reorganization. The 2008 operating budget is $98.7 million which is 3% higher than 2007, however, below the proposed rate study.

Ms. Demmerle continued by stating that the methodology for appropriating funds for the capital budget has changed. Funds were appropriated by basic cash flow analysis which was $116 million as opposed to what was done in the past, the complete capital program, which was approximately $162 million. She reminded the Board that the District has a large capital program and will need to develop financing around a cash flow analysis rather than basing projected funds on the capital program and awarding of those projects.
Ms. Demmerle advised the Board that, as part of this effort, the District will hopefully be moving towards Program Management and attempt a more cash flow analysis for the year. Questions were received from the Board. Ms. Demmerle suggested the District’s budget be presented, without any changes, to the Board for adoption. Ms. Demmerle advised the Board that a summarization of the meeting minutes are enclosed in its agenda packet and that she would be available for any questions related to the budget.

Mayor DePiero commended Ms. Demmerle on the 2008 budget. He requested clarification from Ms. Demmerle regarding the net reduction in staffing compared to 2007. Ms. Demmerle affirmed that two (2) budgeted positions were reduced.

Mayor Starr requested clarification on the process from the preliminary budget to the proposed budget, specifically $6 million in cuts in the operating budget expenses. He questioned if this process is completed administratively inside and/or reviewed by the Executive Director. Executive Director Ciaccia confirmed that these changes were made prior to presenting the budget to the Board.

Ms. Demmerle affirmed and explained to Mayor Starr that the budget review process began October/November 2007 when the Budget Center Heads are required to submit their budget requests, which was $104.9 million. Next, a Finance Department review was performed which involved Budget Center Heads and the Finance staff going through the budget by line item reviewing past history and what was spent in the past three (3) to four (4) years. Finance will then begin making cuts. The budget is then reviewed by the Executive Director, Deputy Executive Director, the Finance Director and the Budget Center Heads. At this time the Executive and Deputy Executive Directors will review the budget by line item and make any additional cuts.

Mayor Starr commented that this process is similar to City budgets including wish lists. He further explained that from 2003 to 2004 there was a 5.8% increase in spending; from 2004 to 2005 there was a 9.64% increase in spending; and back down to 5.45% increase in spending. He inquired if the District is doing everything within its power to control spending.

Ms. Demmerle affirmed and explained to Mayor Starr that the majority of the budget is personnel and utilities. She advised that every personnel position must be reviewed by finance to ensure that the funds are appropriated. Utilities are another large expense, and the District continues to review utility rates. She further advised that the District was under a ten (10) year contract, which has since expired, and are actively pursuing different proposals.
Mr. Bucci advised the Board that he and Executive Director Ciaccia advised Finance to keep the budget under rate study projections. Although there were challenges not anticipated by District staff that occurred while preparing the budget, he explained that the District is $3 million under rate study projections. These challenges were the $1.5 million ash lagoon cleaning and the $1.5 million in watershed programs. The District will be reimbursed for the watershed programs; however, due to changes in the accounting rules, the District had to incorporate this as income and expenses.

Mayor Starr inquired if Mr. Bucci is referring to the rate study of the five (5) year increase at 10% per year. Mr. Bucci explained that the District first projected a 10% increase, but was revised to 7.9%. Ms. Demmerle further explained that the operating expenses, included in the rate study, incorporated a 5.2% increase from 2007 to 2011. Mayor Starr then questioned if the 5.2% increase was for spending. Ms. Demmerle affirmed and stated that this increase is low considering the impact of utilities and inflation.

Mayor Starr stated that upon review of the finance history dating back to 1972, which was supplied by the District, why did the District decide to switch from cash to an accrual basis. Mr. Bucci explained that all governmental entities were required to switch from cash to accrual contingent upon population, and the District implemented this in 1993, but would have been required to do the changeover during the late 1990’s. Mayor Starr inquired if this was a mandate and stated that a number of cities still continue on a cash basis. Mr. Bucci explained that municipalities are required to file accrual based reports.

Mayor Starr asked if the budget represented a true and honest reflection of the District’s expenses. Ms. Demmerle affirmed and stated that it was a tight budget considering possible impacts to utilities due to weather such as the rainy and dry seasons.

Mayor Starr asked about the February 26, 2008 memorandum referring to a committee of the Board to study the budget and listen to the hearings. He questioned the meaning of a “non-public review.” Ms. Demmerle replied that, from her understanding, if more than three (3) Board members attended, it would be considered a quorum. She then stated that she was unsure and could not answer Mayor Starr’s question. Ms. Demmerle further stated that it had to be an oversight because these documents are published for public review.

Mr. Brown asked Mayor Starr if Ms. Demmerle’s response addressed his question in which Mayor Starr replied that it did not.

Mayor Starr requested clarification on whether this Board review meeting was open to the public, and if the media had been notified. He continued by explaining that nonpublic
means that one is not allowed to attend a three (3) committee board session. He further explained that a committee of three (3), both case and statutory laws states, is a public meeting and must comply with the open meetings law. Ms. Demmerle advised that this was an oversight on her behalf. Mayor Starr requested that others should explain what happened.

Mr. Brown informed Mayor Starr that he participated in these budget review meetings on several occasions and does not recall the public being invited or uninvited. He continued by acknowledging that this oversight has been incorporated in the record. In the future, this issue will be addressed.

Executive Director Ciaccia agreed with Mayor Starr and confirmed that this was clearly an oversight. It was an example of falling into the “this is how we have always done it mode”. He suggested that budget review meetings be treated the same as Ad Hoc Committee meetings because they both include three (3) Board Members.

Mayor Starr referred to the Ohio Sunshine Law Manual which was obtained from the Auditor and the Attorney General. Mr. Brown interjected by stating that the Board recognized the error that occurred. He further stated that the Board understands what it is required to do at this point.

Mayor Starr then questioned Director of Law Marlene Sundheimer as to what impact, if any, this oversight has on the validity of passing the budget. Ms. Sundheimer replied that she would need to research this information in order to answer Mayor Starr’s question completely.

Mayor Starr referred to Ohio Revised Code §121.22(b)(2) which states that the Finance Committee is a public body and in and of itself must separately comply with open meetings law.

Mr. Liberatore stated that, as an attendee of the budget meeting, he publicly would like to express his gratification for being a part of this organization. He commended everyone who participated in the budget review especially the District’s award winning Finance Department.

Mayor Longo asked Ms. Demmerle if any formal action was taken on the budget during these hearings. Ms. Demmerle confirmed that no action was taken during the Board Review meeting. Changes were made in the actual column which will continue until the audit is complete. Ms. Demmerle stated that no changes were made to the budget since she presented it to the Board in February.
MOTION – Mayor Longo moved and Mr. Sulik seconded to adopt Resolution No. 92-08. The Secretary called the roll, and the motion carried with one dissenting vote by Mayor Starr.

Sewer Use Code Matters

Executive Director Ciaccia advised the Board that this item would normally appear on the consent agenda but was left on the regular agenda.

MOTION – Mayor Longo moved and Mr. Liberatore seconded to adopt Resolution No. 93-08. Without objection, the motion carried unanimously.

Add-On Resolution – Request to Reject all Bids and to Rebid

Executive Director Ciaccia explained that it is the District’s intent to reject all bids on the Easterly Interceptor Lakeside Improvement contract at East 55th Street and retake bids for this project.

MOTION – Mayor Starr moved and Mr. Sulik seconded to adopt Resolution No. 17a-08. Without objection, the motion carried unanimously.

VIII. Open Session

Executive Director Ciaccia turned discussion over to Assistant Superintendent of Maintenance Services Ron Czerski to discuss the emergency contract which resulted from the March 6, 2008 water main break at the intersection of Ontario Street and Superior Avenue.

Mr. Czerski began the discussion by explaining that, as a result of the March 6, 2008 water main break at the intersection of Ontario and Superior, a large volume of water flushed into the Easterly Interceptor sewer line, the Easterly Wastewater Treatment Plant and Lake Erie. Large amounts of debris were found in the sewers, and will ultimately land in the District’s regulator and interceptor.

The sewers were inundated with grit. Cleveland’s Ontario sewer feeds directly into the Lakeside regulator. The amount of grit found in this regulator would extend from about Ontario to East 16th Street. The regulator normally diverts flow into the easterly interceptor and any overflow diverts into Lake Erie. Mr. Czerski continued by explaining that proper functioning of this regulator is required to keep debris out of the interceptor and eliminate any unnecessary overflow into Lake Erie.
At this point, Mr. Czerski pointed out various chunks of debris that were found in the regulator such as bricks, rocks and concrete. The debris was large enough to require manhole entry and also cranes.

Mr. Czerski advised that immediately following the water main break, the District went to assess the situation and began clean up and removal of debris. Clean up began in the Ontario sewer to prevent it from travelling back into the interceptor. Water Pollution Control (hereinafter “WPC”) was working at Rockwell going towards Superior. According to WPC, a large amount of debris has already been removed from this location and they continue to remove more debris.

Grit has also been removed from the regulator. After heavy rainfall, grit from the Ontario sewer will travel into the regulator and also the Easterly Interceptor. Grit was removed last week approximately 60 feet upstream from the regulator. Mr. Czerski further stated that the water main break did not impact the stormwater outlet emptying into Lake Erie.

Mr. Czerski advised the Board that this is a big project, and recommended that the District contract out the clean-up required to remedy the situation. He suggested that the District clean the Ontario sewer. If this is not done, the District risks plugging the regulator and inundating the interceptor with debris. He explained to the Board that the District will need to remove debris from the regulator and Easterly Interceptor from Ontario to East 16th Street.

The District has currently received two (2) estimates after speaking with five (5) contractors. Mr. Czerski stated that the estimated cost to clean Ontario and remove debris from the regulator is approximately $65,000 to $85,000. Two (2) estimates were received to clean the Easterly Interceptor. The first estimate was approximately $775,000. The second estimate of over $500,000 was received from a contractor that specializes in moving this type of debris.

Mr. Czerski closed discussion by advising the Board that the District will re-evaluate whether everything must be removed between Ontario and Lakeside.

Executive Director Ciaccia explained that it was the intent of Administration to make the Board aware of the situation. Discussions will continue at the next Board meeting and if needed, authorization to move forward on any contracts.

Mr. Liberatore asked how long before the District see significant damage. Mr. Czerski replied that if debris is present, there is a risk of it flowing into the interceptor, specifically the bricks and grit.
IX. Public Session (no requests from the public)

X. Executive Session

Mr. Brown indicated there was a personnel matter for discussion at Executive Session.

MOTION – Mayor Longo moved and Mr. Liberatore seconded the motion to go into Executive Session. Without objection, the motion carried unanimously.

Board met in Executive Session from 2:58 p.m. until 3:06 p.m.

XI. Adjournment

MOTION – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mr. Sulik moved and Mr. Liberatore seconded the motion to adjourn at 3:08 p.m. Without objection, the motion carried unanimously.

[Signatures]

Dean E. DePiero, Secretary
Board of Trustees
Northeast Ohio Regional Sewer District

Darnell Brown, President
Board of Trustees
Northeast Ohio Regional Sewer District