

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
May 17, 2012

Meeting of the Board of Trustees of the Northeast Ohio Regional Sewer District was called to order at 12:32 p.m. by Darnell Brown.

I. Roll Call

PRESENT: D. Brown
R. Sulik
J. Bacci
T. DeGeeter
W. O'Malley
G. Starr

ABSENT: S. Kelly

The acting secretary informed the President that a quorum was in attendance.

II. Approval of Minutes

MOTION – Mr. O'Malley moved and Mayor Bacci seconded that the minutes of the May 3, 2012 Board meeting be approved. Without objection, the motion carried unanimously.

III. Public Session

Executive Director Ciaccia informed the Board that no members from the public registered to speak during Public Session.

IV. Executive Director's Report

Executive Director Ciaccia moved to the first report item regarding community benefits agreements. Executive Director Ciaccia indicated that he received a template of the proposed community benefits agreement, which was forwarded to the Board members for review. Executive Director Ciaccia clarified with Natoya Walker from the City of Cleveland and the Greater Cleveland Partnership that this is a template and that no agencies have entered into any official agreements at this point. Executive Director advised that he had some concerns with the existing document.

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Executive Director Ciaccia noted that the District engaged in internal discussions with respect to this organization's future impacts on the workforce as well as its need for a strong workforce in the Cleveland-area given the 25-year Capital Improvement Program (hereinafter "CIP").

Executive Director Ciaccia advised that since there will be costs associated with the implementation of a new program, the District should formulate a strategy for handling this particular issue and decide whether it is desirous of becoming involved with this type of program prior to next year's budget.

Executive Director Ciaccia moved to the next report item regarding litigation updates. The *KMM&K v. NEORS* Mill Creek Tunnel 3 (MCT-3) litigation matter has essentially been settled and was initially going to be an item for discussion during Executive Session at the conclusion of today's meeting, however, a few minor clarifications must be incorporated into the settlement agreement prior to being presented to the Board for consideration. Executive Director Ciaccia advised that staff intends bringing this matter to the Board at its June 7th meeting.

Executive Director Ciaccia moved to the *3320 Woodland v. NEORS* litigation matter. The judge continued this case until January 2013. Executive Director Ciaccia noted that this particular litigation matter has been ongoing for five years. Executive Director Ciaccia advised that the District reached settlement with Fabrizi Construction Company, the company which land filled on the Thompson's site. The settlement amount was Two Million Dollars (\$2,000,000.00). He noted that the check was received by the District. The District also reached settlement with Nerone & Sons, Inc. The remaining litigants include the property owners and their insurance company.

Executive Director Ciaccia moved discussion to the Stormwater Management Program (hereinafter "SMP") litigation matter. He advised that absent another appeal from the communities in opposition to the SMP and other parties related to the case, Judge Pokorny will reconvene a hearing on May 30, 2012. The purpose of said hearing is to incorporate Judge Pokorny's suggestions from his pre-ruling determination. Executive Director Ciaccia explained that the parties filed an appeal which essentially was denied since said appeal was based on Judge Pokorny's preliminary ruling. Those parties may appeal to the Supreme Court of Ohio, which could delay the hearing. Executive Director Ciaccia noted that at this time there has been no indication that this appeal will go forward. Meanwhile, the District is preparing for the May 30th hearing with hopes of moving forward with implementation of the SMP in its entirety.

Executive Director Ciaccia advised that the District is moving forward with the policies created as it relates to the Watershed Advisory Committee (hereinafter "WAC"). The

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District plans to establish WACs in each sub-watershed in the service area. The District expects each community to have representation for each watershed. The District crafted draft policies and those will be disseminated to the communities for a 30-day review and comment period. Executive Director Ciaccia noted that this will not result in a change to Title V of the Code.

Executive Director Ciaccia moved to the next report item regarding the District's finances. At the 33% benchmark, revenues were slightly behind at 31.9% which is not necessarily a trend since last month revenues were slightly higher.

Expenses were considerably lower than projected at 28.3%, which has been expended from the operating budget.

Executive Director Ciaccia referred to the bond project account which last year at this time was \$250 million and is now \$187 million. Executive Director Ciaccia noted that this is to be expected given the magnitude of the District's CIP. The District anticipates going back to the bond market early next year and preliminary discussions are underway regarding whether to move forward with a more gradual annual bond market issuance.

Executive Director Ciaccia noted that debt management will become a significant issue in the future.

Executive Director Ciaccia concluded his report by informing the Board that the District recently hosted a tour of the Southerly Wastewater Treatment Plant (hereinafter "WWTP"). Invitations were sent to public officials and the District received approximately ten attendees including two members from the Cuyahoga County Council and one state representative.

Southerly is a 270 acre facility and Executive Director Ciaccia believed that the tour's attendees learned much about the District's wastewater treatment process and management system. Executive Director Ciaccia believed that holding these types of educational events in the future bodes well for the District.

Executive Director Ciaccia was under the impression that not many people truly grasp the magnitude of the District's operations. The tour attendees had an opportunity to visit the Renewable Energy Facility (hereinafter "REF"), which is a \$170 million project. According to Executive Director Ciaccia, the REF construction site is quite impressive and continues to grow.

Going forward, there is an estimated \$100 million worth of projects to be bid at the Southerly WWTP. Therefore, it would be beneficial for the District to further its

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outreach and host additional tours for public and elected officials in an effort to educate them on the District's operations.

There were no questions for Executive Director Ciaccia.

V. Action Items

Authorization to Adopt Bylaws

Resolution No. 107-12

Recommendation to adopt bylaws of the Board of Trustees of the Northeast Ohio Regional Sewer District.

MOTION – After discussion, Mr. Sulik moved and Mayor DeGeeter seconded to adopt Resolution No. 107-12. Without objection, the motion carried unanimously.

Mr. Brown advised that at the April 5, 2012 Board meeting, the Governance Committee presented the Board with a packet of information for their review and comment. There were no comments submitted to the Committee. The Committee has therefore recommended the Board to move forward with the adoption of the Bylaws. Mr. Brown turned discussion over to the Board to entertain any questions.

Mayor Starr stated that he had questions with respect to the proposed changes to the Bylaws. He commented that it appeared some of the Board's oversight responsibility will be shifted to the Executive Director, which may have gotten the District into problems several years ago. Mayor Starr stated that the current practice is a traditional check and balances system between the Board and executive staff which included the preparation of basic reports and Board actions and duties. Mayor Starr stated that he did not believe this protocol to be burdensome. Mayor Starr indicated that he desired clarification on a few minor changes and one major change and that he believed this meeting to be the appropriate forum to address those concerns.

Mayor Starr referred to page eight of the "Table of Revisions to the Bylaws of the Board of Trustees" (hereinafter "Table"), line numbers 186-194, Section B. He questioned if the modification to the language, "the secretary shall be the proper person to certify any actions of the Board with regard to record management," removes power from the Board by transferring an initial Board function to an administrative function?

Director of Law, Marlene Sundheimer, explained that this modification was to clarify that the secretary of the Board is charged with all of the records and duties of the Board such as presenting agendas and preparing minutes. The secretary may delegate those tasks to a member of the District staff.

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Mr. Brown requested an example wherein Executive Director Ciaccia explained that the District has a manager of records which is at the direction of the Board. This amendment simply clarifies that the secretary to the Board is the direct link to manager of records.

Ms. Sundheimer added that there is a distinction between the records of the Board which include monthly meeting agendas, and activities and actions of the Board versus the records of the District. The Records Manager is an employee of the District who reports through the chain command through the Executive Director. Said person is designated by the Executive Director to manage the District's records, documents and day to day operations whereas the secretary of the Board is responsible for the records of the Board and Board activities.

Mr. Brown commented that this modification does not change the distinction regarding the role of the secretary of the Board; it simply clarifies the support District staff will provide to the secretary of the Board. Ms. Sundheimer affirmed.

Mayor Starr referred to page 12 of the Table, line numbers 261-265, Section B regarding the Executive Director's duty to report to the Board the hiring, discipline and discharge of the positions of Deputy Executive Director, Director of Finance and Director of Law. He questioned as to why the reporting responsibilities only apply to those three positions.

Ms. Sundheimer explained that the appointment of those positions require Board approval whereas others do not. Therefore, the Executive Director is required to bring any hiring, firing or disciplinary matters with respect to those positions to the Board's attention.

Mayor Star referred to pages 12 and 13 of the Table, Line items 266-279, Article X, "Authorization of Settlement and Release Agreements." Mayor Starr questioned if this modification would provide the Executive Director with the authority to settle contractual disputes under \$25,000 without Board approval. Ms. Sundheimer affirmed.

Mayor Starr questioned as to how many legal settlements occur annually wherein this provision would apply.

Ms. Sundheimer explained that she conducted a survey which indicated that about six settlements fitting that criteria occur annually. Those settlements range from customer account disputes and workers' compensation claims. Those have consistently not been brought to the Board for approval. Ms. Sundheimer recommended this modification be made for the reason of bringing clarity to the staff's authority with respect to settlements that can be made without having to obtain Board approval first. The check and balance is that a periodic report of all settlements regardless of the amount will be provided to the

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Board.

Executive Director Ciaccia noted that it was discovered that the settlements under \$25,000 were not being brought to the Board and staff's intent of incorporating this language into the Bylaws is to clarify that settlements under the state contracting limits of \$25,000 can be made without Board approval.

Mr. Brown added that when this discussion transpired during the Governance Committee meeting, it was explained that the Law Director would make recommendation for settlement subject to the approval of the Executive Director and therefore oversight is occurring at the executive level of this organization. The caveat is for staff to provide the Board with a report of all settlements, periodically.

Mayor Starr referred to pages 15 and 16 of the Table, lines 333 through 339, Section 2, "Purchases and Procurements in Excess of Twenty-Five Thousand Dollars (\$25,000)." He inquired as to how many purchases this provision would apply.

Ms. Sundheimer stated that the Board does not approve procurements under \$25,000 and that the Purchasing Manager would most likely have the annual statistics on procurements under \$25,000.

Mayor Starr inquired whether the District's previous administration followed the same protocol for expenditures over \$25,000. Ms. Sundheimer affirmed.

Mayor Starr requested an explanation of the modifications made under Section F, "Professional, Technical, Consulting, Real Estate, or Other Special Services and Design-Build Contracting."

Ms. Sundheimer explained that the language was added providing the District with the authority to utilize a design-build form of contracting. The passage of House Bill 153 now allows public entities such as the District to utilize design-build contracting. Prior to the passage of the HB 153 the District could be limited to the design, bid, and build contracting model.

Mayor Starr questioned if the proposed process would avoid conceptual or design services altogether by allowing for the builder to conduct his/her own design and build.

Executive Director Ciaccia explained that the design-build concept still requires designers and builders but they are coupled as a joint venture.

Mr. Brown requested an explanation as to why the District would engage in the design-build method and for staff to provide an example.

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Director of Engineering and Construction, Kellie Rotunno, replied that the design-build procurement model was previously presented to the Board and that said model is being applied to a District stream restoration project. This type of method allows for the design to evolve through the construction phase. The need to adjust design during construction as well as have single accountability from the design through completion of construction helps to mitigate the District's risk of changes that may result from the traditional design, bid and construction method whereby the contractor and designer are separate. Ms. Rotunno stated that sometimes it makes sense to make the marriage between the designer and contractor at the beginning and that the design build model allows for that union. Ms. Rotunno assured that the District carries the same level of scrutiny in both the design and construction phases and will not be relinquishing its power.

Mayor Starr commented that the old model allowed for architects or construction managers to be hired separately and that this distinct separation provided for extra oversight and independent eyes and ears on change orders and construction management. He was concerned if this same level of oversight will occur if the contract is one.

Mr. Brown added that design-build model is another tool the District can utilize for a particular purpose or outcome. Mr. Brown indicated that there are drivers for design-build which makes it somewhat unique. It is not a route application to be applied to each construction project.

Ms. Rotunno agreed and she stated that the design build method provides flexibility and that the negotiated guaranteed maximum price becomes the contract offset limit.

Ms. Sundheimer added that this Board authorizes a process for selecting consultants, a process which enables the District to solicit requests for quotations (RFQs). A team then evaluates the candidates and makes a determination of the best and most qualified team. Ms. Sundheimer stated that regardless of the contracting form used, the Board authorizes the District to engage with design-build consultant teams after going through the same rigorous selection process.

Mayor Starr referred to page 20 of the Table and he requested clarification on the language, "the Board authorizes the Executive Director to approve all work orders and construction change directives under which general contract allowance funds will be utilized."

Ms. Sundheimer stated that said language clarifies the Executive Director's authority with respect to the approval of work directives and any other usage of the general allowance funds. Contract modifications and the issuance of additional funds will still require Board authorization. The utilization of specific or general allowances within 10%

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of the base contract amount can be authorized by the Executive Director.

Mayor Starr commented that the previous administration had an “art form to finding what a change order was, what a general allowance was, what a cost overrun was” and he requested that staff explain this process to the Board.

Ms. Rotunno explained that the District’s construction contracts are under the traditional design, bid, and build approach. There is an upper limit of the contract which includes the 10% general allowance for contingencies. That 10% allowance permits the District to negotiate and compensate a contractor for differing site conditions that may arise during construction. The use of the general allowance fund is governed under the Bylaws and provides for the authorization by the Executive Director within that 10% amount. Amounts exceeding the 10% general allowance would be considered a contract modification and would require Board approval. Amounts within the 10% contingency allowance is within the Executive Director’s purview for approval in accordance with the Bylaws.

Executive Director Ciaccia noted that expenditures within the 10% allowance are considered work orders whereas expenditures exceeding the contract value are change orders resulting in contract modifications.

Mayor Starr referred to page 20 of the table, Section I, “Construction Contract Close-Out” and he inquired about the elimination of reporting to the Board “contract modifications and change orders and the final total price of the contracts.”

Ms. Rotunno explained that staff brings contract closeouts to the Board by way of resolution. This modification simply clarifies the existing process. The previous language suggested that an additional report was necessary.

Mayor Starr stated that the summaries of the reports are helpful wherein Ms. Rotunno explained that the language in the Bylaws stated that the Board was to receive a separate report when a project closes out. The practice is that a report is provided to the Board by way of resolution for every project close out. Additionally, the Board receives the information in the monthly CIP executive summary. There will be no deletions to the current reporting process. This modification was to simply clarify the language.

Mr. Brown thanked staff for the discussion.

The motion to adopt Resolution No. 107-12 was made by Mr. Sulik and seconded by Mayor DeGeeter. Without objection, the motion carried unanimously.

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Mr. Brown concluded discussion by recognizing the efforts made and the due diligence conducted by the Governance Committee and District staff. Mr. Brown stated that this Board and staff strive to bring clarity and achieve transparency with respect to rules of engagement and how business is conducted here at the District. The revisions made to the Bylaws are the most current recommendations. Mr. Brown thanked the Board and staff on their efforts and he stated that the questions were constructive and helped define and bring clarity to how business is conducted at the District.

Authorization to Issue Request for Proposals (RFPs)

Resolution No. 108-12 CSO-063 Relief/Consolidation Sewer project.

Resolution No. 109-12 Interceptor Inspection and Evaluation Contract (IIEC-2).

Resolution No. 110-12 Southerly First Stage Settling Improvements (SFSS-1) project.

MOTION – Mayor Bacci moved and Mr. O'Malley seconded to adopt Resolution Nos. 108-12 through 110-12. Without objection, the motion carried unanimously.

Authorization to Enter Into Agreement

Resolution No. 111-12 Agreements with the City of Cleveland and GreenCityBlueLake Institute of the Cleveland Museum of Natural History for the City of Cleveland's Youth Opportunity Unlimited Summer Jobs Program. Cost not to exceed \$24,986.39.

Resolution No. 112-12 Agreement with Cuyahoga County for the rental of laboratory space. Cost not to exceed \$40,000.00.

Resolution No. 113-12 Agreement with Saint Martin de Porres for their High School Corporate Work Study program. Cost not to exceed \$27,400.00.

MOTION – Mr. O'Malley moved and Mayor DeGeeter seconded to adopt Resolution Nos. 111-12 through 113-12. Without objection, the motion carried unanimously.

Authorization to Enter Into Contract

Resolution No. 114-12

Contract with Marra Services, Inc. for the Walworth Run Outfall Repair (WROR) project. Contract amount: \$1,724,524.70.

MOTION – Mr. O'Malley moved and Mayor DeGeeter seconded to adopt Resolution No. 114-12. Without objection, the motion carried unanimously.

Authorization of Contract Modification

Resolution No. 115-12

Modify Contract No. 9002575 with Burgess & Niple, Inc. for the East Branch Euclid Creek Dam Removal and Stream Restoration (EBDR-SR) project. A cost increase in the amount of \$65,200.00, bringing the total contract amount to \$187,200.00.

Resolution No. 116-12

Final adjustment and deduct order for Contract No. 10001990 with Bay Mechanical and Electrical Corporation for the Southerly, Easterly and Westerly Wastewater Treatment Plants Incinerator System Rehabilitation (IR-13B) project. A cost decrease in the amount of \$1,276,354.75, bringing the total contract amount to \$4,818,917.10.

MOTION – After discussion, Mr. Sulik moved and Mayor DeGeeter seconded to adopt Resolution Nos. 115-12 and 116-12. Without objection, the motion carried unanimously.

Mr. Sulik referred to Resolution No. 116-12 and he inquired about the non-performance of the Southerly refractory wall repair and the Westerly refractory wall repair which resulted in approximately \$500,000.00 worth of work that was not completed on this contract.

Ms. Rotunno explained that based on the timing of the REF construction project the District chose not to perform one of the incinerators.

Mr. Brown questioned if this work extends the useful life of these facilities until such time as that the REF comes online and if the District has a level of comfort that we have

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accomplished that with this effort? Ms. Rotunno affirmed and stated that it extends the life of the incinerators at all three WWTPs until the REF comes online and Southerly's are decommissioned.

Mr. Brown commented that although deduct orders are positive he wanted to maintain a level of comfort that the items which were not performed under this contract were not necessary to support the useful items as the District decommissions the equipment.

Director of Operation and Maintenance, Dave McNeeley, stated that the District is confident that the risk associated with not performing additional work is acceptable.

VI. Information Items

1. Program Management Status Report and Update – April 2012.

Ms. Rotunno stated that the Euclid Creek Tunnel (hereinafter "ECT") construction site at Nine Mile Creek is quite impressive and loaded with equipment for the tunnel boring machine. Ms. Rotunno referred to a photograph of the 19-axle truck that transported the main drive of the tunnel boring machine, which weighed over 300,000 pounds. The equipment arrived at a port in Philadelphia and Ms. Rotunno noted that there was some difficulty obtaining transit permits in the state of Pennsylvania, but that we are still on schedule. Ms. Rotunno advised that the tunnel boring machine will be assembled once the front piece arrives. The cutting head and shield is projected to be launched and lowered the week of Memorial Day. There will be a commemorative event held and the Board is invited to view the lowering of this unit into the shaft.

Ms. Rotunno moved discussion to the REF. The passenger elevator and electrical feeder cables through the tunnels are being installed. The window curtain walls have been constructed and the complete alignment of the turbine generator and the Factory Acceptance Test on the second generator has been completed. Ms. Rotunno advised that startup is anticipated in the near future.

Ms. Rotunno referred to discussion held at a previous Board meeting whereby the District anticipates coming back to the Board for a contract modification. The general allowance initially established for the REF project was \$6 million, which was less than 10% of the overall contract amount of \$93 million. Ms. Rotunno noted that the District opted to go with the lower general allowance.

Ms. Rotunno referred to a graph and she explained that work orders approved and processed were depicted in blue. The District was at \$3 million as of May 11, 2012. Depicted in green was another \$3.3 million, which is being evaluated and expected to go forward as approved. As a result, the District anticipates exceeding the \$6 million

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threshold and therefore will need a contract modification. Ms. Rotunno advised that the District anticipates bringing a \$3 million contract modification to the Board for consideration in order to complete the project.

Executive Director Ciaccia explained that the REF project resulted in multiple contracts and that the pre-purchase of the incinerators may have caused the need for work orders and changes. In hindsight, the District would not have opted to unbundle the equipment purchase from the construction. The equipment contract is expected to be under the contract amount and therefore the District anticipates the modification to be less than what was presented today. Executive Director Ciaccia stated that the District intends keeping the numbers down and that staff wanted to apprise the Board of the situation in advance of the contract modification. Executive Director Ciaccia was willing to entertain any questions from the Board at this time. There were no questions.

Ms. Rotunno referred to a graph and stated that the District projects to top the \$6 million allowance by the third quarter of 2012. Staff anticipates bringing the contract modification to the Board around that time in order to increase the upper limit so work orders can be processed against the general allowance.

Executive Director Ciaccia noted that the increase will cover future startup and since the District does not know exactly what that entails, he was hopeful that the amount will be less.

Ms. Rotunno added that that is an estimated amount needed in order “cross the finish line.” The District will strive to keep the cost within the \$6.4 million allowance. She stated that the likelihood of changes during startup is not very high. The District’s intent on modifying the contract is to create a cushion and staff will be managing this as diligently as possible.

Mr. Brown stated that there were no specific questions at this point since the sums of money are hypothetical. He indicated that his concerns related to the issues within the process that caused the costs to rise and whether this would become a trend or if this could have been anticipated. Mr. Brown commented that although adjustments often times are made as you go along with respect to new technology, he still desired a general understanding as to challenges and the necessary adjustments.

Ms. Rotunno assured that the Board will be provided with a detailed breakdown as well as a “lessons learned” prior to the request for consideration of a contract modification. Ms. Rotunno stated that the pre-procurement of massive equipment that was purchased and installed by a different contractor led to a “chasm of detail between those two contracts” and that “engineering and due diligence being imperfect resulted in items “falling between the cracks.”

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Mr. Brown referred to Executive Director Ciaccia's previous comments regarding the District's choice to unbundle the contracts and that the District chose this method because of the certain level of expertise needed for the work being performed. Mr. Brown indicated that he would be interested in learning more about the rationale behind the District's choice to unbundle the project, the outcome and whether staff has a similar or differing opinion from the one at the project's onset.

Ms. Rotunno replied that she would be happy to report on those items prior to making a request for contract modification.

Ms. Rotunno moved to the next report item regarding the transition of Program Management (hereinafter "PM") to District staff. Funds under the CH2MHill contract will be expended in 2013. Ms. Rotunno provided the Board with an overview of the PM services from 2009 through 2013.

Ms. Rotunno noted that with respect to the REF project one program manager assisted with the design phase in 2009 and that PM staff did not peak until 2011 and 2012. There are now eight full time program managers assisting with the REF construction management. Ms. Rotunno stated that when REF construction is completed in 2013, two staff members will remain and that the District does not anticipate the need to augment staff in order to make up for that program management tail off.

Ms. Rotunno moved discussion to process controls and automated workflow which involves cash management and schedule management. Ms. Rotunno explained that there is an abundance of paperwork involved with tracking construction projects. This area peaked in 2011 with as many as 15 full time employees working on those processes. This amount has since reduced given the development of certain processes. The District augmented its staff and by 2013 will have 11 staff members in this area. The District hired a manager of process and controls, three document control leads, three document control associates, and one process analyst. Ms. Rotunno advised that by 2013 the District will have 11 full time equivalents to manage this area and that she does not anticipate increasing that amount to 15 in the foreseeable future.

Ms. Rotunno moved PM discussion to the area of technical delivery which includes helping to write RFPs and review designs. This area peaked in 2012 with ten program managers being integrated into the engineering staff. By 2013, Ms. Rotunno anticipates that the District will augment its staff by three in order to manage this area. Additionally, there will more than likely be a need to contract out to assist with the management and technical components going forward particularly on the CSO Program.

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Ms. Rotunno moved discuss to the Key Performance Indicators (hereinafter "KPIs") and she advised that the District is still behind on its KPI for procuring the CIP. The District is working on designs and conducting value engineering, which Ms. Rotunno explained takes longer and as a result has delayed the bids on some projects. The District anticipates awarding \$82 million by the end of July, which brings the District to \$93 million of its \$100 million goal. Ms. Rotunno noted that she does not foresee any problems with reaching this year end goal.

Ms. Rotunno moved discussion to the KPI for the engineer's estimate of probable construction cost. Two bids opened in 2012 and more are expected for June and July. The bid for the Walworth Run Outfall Repair (WROR) project was near the engineer's estimate, which helped this KPI. The District is averaging 11.6% under the engineer's estimate of probable construction cost.

Ms. Rotunno moved discussion to the KPI for cash flow which and she stated the District is tracking and executing according to plan.

Ms. Rotunno moved discussion to the KPI for construction management to 95% of the contract upper limit. Cumulatively, the District is spending 86.6% which includes non-performance of some bid items. The District is achieving its KPI goal of 95% or less.

Ms. Rotunno moved discussion to the business opportunity goals. The Flats East Bank Development Phase 3 (FED-3) project closed out within its KPI. Ms. Rotunno noted that the District may not meet its goals on the Dugway East Interceptor Relief Sewer (DEIRS) project. The DEIRS project is a legacy project and was bid under the former MBE/WBE program with 15% MBE and 5% WBE goals. Ms. Rotunno advised that she will discuss this matter further once she brings this project to the Board for close out.

Ms. Rotunno referred to a graphic wherein she advised that the gray bar represented the planned goals whereas the green bar represented actual goals. Ms. Rotunno stated that the contractors are doing a good job or projecting MBE and WBE engagement and when payment will be made to those subcontractors.

Ms. Rotunno concluded her report with a quote by Will Rogers: "Even if you're on the right track, you'll get run over if you just sit there."

There were no questions for Ms. Rotunno.

Ms. Sundheimer advised that after discussion of Resolution Nos. 115-12 and 116-12, the Board failed to move for the adoption of those items. At this time, Mr. Sulik moved and Mayor DeGeeter seconded the motion to adopt Resolution Nos. 115-12 and 116-12. Without objection, the motion carried unanimously.

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2. Financial Report and Investment Advisor Performance Report for the First Three Months Ending March 31, 2012.

Director of Finance, Jennifer Demmerle, advised that the first page of the financial statements provides a summary of today's discussion.

The District has \$2.3 billion in assets of which \$1.8 billion is in infrastructure and WWTP improvements. The \$200 million increase results from the ECT and REF construction projects. Non-current assets are mostly long-term investments of bond proceeds to support the CIP. Ms. Demmerle explained that construction funds decrease as investments mature and bond proceeds are spent. Those amounts will continue to decrease until the District goes back to the market for the issuance of more bonds, which is anticipated to occur at the beginning of 2013, as mentioned previously by Executive Director Ciaccia.

Ms. Demmerle moved discussion to the District's long-term liabilities, which is outstanding debt on bonds and loans. The District has \$935 million in outstanding debt. The increase resulted from the new issuance of water pollution control loan funds (hereinafter "WPCLF") in the amount of \$35 million.

Ms. Demmerle advised that there was an increase in current liabilities, which are the amounts the District owes to construction vendors and on everyday purchases. Ms. Demmerle noted that what remains outstanding are the years of payment on debt services. The increase results from the amounts of invoices the District receives. For example, the District was invoiced for \$15 million for the ECT project, which is an increase over last year.

Ms. Demmerle advised that total revenues decreased over last year. The District received the remainder of its stimulus funding at the beginning of 2011. Operating revenues, which are primarily user chargers, is up 6% from last year, which was projected for the 2012 budget. Total expenses are up 4.5% and this increase is mainly related to professional and contractual services. For example, ash hauling commenced over the first quarter of 2012 which was not the case in 2011.

Ms. Demmerle referred to the financial metrics on page seven and she advised that this information is now being incorporated into the quarterly statements. The rating agencies examine those metrics when going to the bond market. The two most important ratios include senior debt service coverage and total debt service coverage. Ms. Demmerle noted that the District is reaching those targets as of the end of March.

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Ms. Demmerle referred to the investment performance report and advised that the \$354 million was invested as of the end of March. Those investments are mostly in governmental agencies. The earnings on the District's portfolio are .16%, which is not the best, but is pretty good when compared with the .01% earnings on the 91-day Treasury bill. Ms. Demmerle noted that interest rates are not expected to turn around until 2014.

There were no questions for Ms. Demmerle.

VII. Open Session (any subject matter)

There were no items for discussion.

VIII. Public Session

No members from the public registered to speak at Public Session.

IX. Executive Session

Mr. Brown stated that there were items for discussion in Executive Session.

MOTION – Mayor Bacci moved to enter into Executive Session to discuss AFSCME 2798 mediation, a fact finding matter, and Executive Director Ciaccia's performance review and contract renewal. Mayor Bacci stated that discussion of these matters in Executive Session are permitted as specific exceptions to the Public Meetings Act pursuant to Ohio Revised Code §121.22(G)(3) and he specifically designated all matters discussed in Executive Session to be protected from public disclosure in accordance with Ohio Revised Code §121.22(G), and attorney-client privilege. A roll call vote was taken and the motion carried unanimously to adjourn into Executive Session.

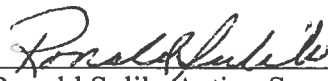
The Board met in Executive Session from 1:35 p.m. to 2:03 p.m.

X. Approval of Item from Executive Session

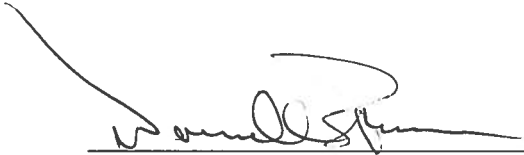
Mr. Brown advised that there were no items for approval from Executive Session.

XI. Adjournment

MOTION – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mr. Sulik moved and Mr. O'Malley seconded the motion to adjourn at 2:04 p.m. Without objection, the motion carried unanimously.



Ronald Sulik, Acting Secretary
Board of Trustees
Northeast Ohio Regional Sewer District



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