

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
AUGUST 2, 2012

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

I. Roll Call

PRESENT: D. Brown
R. Sulik
S. Kelly
J. Bacci
T. DeGeeter
W. O'Malley

ABSENT: G. Starr

The Secretary informed the President that a quorum was in attendance.

II. Approval of Minutes

MOTION – Mr. O'Malley moved and Mayor DeGeeter seconded that the minutes of the July 19, 2012, Board Meeting be approved. Without objection, the motion carried unanimously.

III. Public Session

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

IV. Executive Director's Report

Executive Director Ciaccia informed the Board that some appeals were received in regards to the final decision Judge Pokorny rendered on the Regional Stormwater Management Program (hereinafter "SMP"). The business interveners appealed based on the judge's ruling that the fee is not a tax but a fee for services.

The eleven (11) opposing Cuyahoga County communities filed an appeal. Executive Director Ciaccia advised that their arguments are essentially the same -- that the District

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does not have authority under Ohio Revised Code Section 6119 to carry out the program and that the fee is a tax.

Executive Director Ciaccia stated that the disappointing aspect of the process has been the inability to speak directly with the clients or mayors of the opposing communities; they have been shielded by attorneys. He was not sure what the prospects were to reach an agreement at this point. District staff will continue to try, but it is difficult without direct access to the parties involved.

Executive Director Ciaccia noted that the District also did not have direct contact with the mayors during the settlement discussions initiated by Cuyahoga County Executive Ed FitzGerald and mediated by Geoff Mearns. Discussions with Judge Pokorny were also only with attorneys. He indicated that the likelihood of reaching out to mayors is not high.

The only communication from the opposing communities was a letter from a Lyndhurst councilman in response to an opinion editorial from Executive Director Ciaccia published in *The Plain Dealer*. The letter was posted on *Cleveland.com* and was not published in the print version.

Executive Director Ciaccia stated that Councilman Patrick Ward raised legitimate points in his letter. Lyndhurst did make improvements in their community without regard to what it might have done to the region. He acknowledged that the current program does not credit Lyndhurst for those past improvements, although these were discussion items during mediation. They could have continued to pursue that in the interest of settlement but did not. Since discussions were with only attorneys, he did not know what was communicated back.

Executive Director Ciaccia stated that it was a good letter, but its final sentence summed it up: "It's bad politics." He explained that in his view, Councilman Ward exposed why certain communities are opposed. He continued to explain that for District staff, it is about what is good for water quality in the region.

Executive Director Ciaccia advised that 12 communities had originally opposed the SMP; however, the City of Broadview Heights dropped out of the case. The Summit County communities also appealed although there have been earnest discussions about settling. He explained that staff continues to hold discussions with the hope that they will drop out of the appeal. Documents and offers have been exchanged. A brief discussion transpired with one of their attorneys this week who expressed hope that they continue to pursue a reasonable settlement.

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Cross appeals are not anticipated at this time. He explained that there are issues in the judge's determination with which staff did not necessarily agree, including a 25% cost share and the declining block rate for larger customers. He stated that items such as those were not necessarily in the judge's purview regarding how the SMP will operate. District staff and the Board adopted them in good faith.

Executive Director Ciaccia advised that the attorneys estimate a decision on the appeals would likely occur sometime next year. Planning of the SMP will continue, including maintenance operations; the program will require entering into service agreements with communities. He stated that it will be interesting to see whether the communities in opposition will agree to allow the District to maintain anything in their communities. The fee will begin on January 1, 2013, absent a stay of execution, which staff does not believe would be successful and has not been asked for at this point.

Referencing the councilman's letter, Mr. Brown stated that it was absent of any understanding of the necessity of a regional approach to managing stormwater. The approach has always been to build infrastructure that collects stormwater and moves it downstream as quickly as possible with no thought to the impacts on downstream neighbors. He stated that if the opposing communities were at the bottom of the watersheds they may appreciate the value of a regional strategy. Investing in collaborative projects is a different approach than what has been done historically and there are opportunities to leverage those dollars to obtain funding at federal or state level.

Mr. Brown stated that while he appreciated the councilman's comments, they were short-sighted. All member communities are responsible for an annual community compliance report, which in effect tracks dollars spent on improvements in the system in order to be part of the system the District operates.

Mr. Brown stated that the comments essentially advocate continuing the status quo with the hope of a different outcome. The District did not begin the SMP process blindly or inadvisably; there has been due diligence to know what is being done and why. Director Ciaccia agreed.

Executive Director Ciaccia moved conversation to the topic of the Cleveland Water Department (hereinafter "CWD") billing agreement. He advised that staff continues to engage CWD and representatives were present to discuss the billing system. A meeting was scheduled yesterday but had to be rescheduled due to a meeting with their city council. The meeting has been rescheduled for August 13 and mutual goals were set to complete the agreement by the end of the year. Staff submitted a draft proposal for a billing agreement, including performance metrics. A response is expected shortly.

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On another matter, he advised that staff has reached a tentative collective bargaining agreement with Local 18S, which represents the 18 operating engineers in the District. The issue concerning work breaks with AFSME Local 2798 was not an issue because they do not have breaks in their contract. They have agreed to the same terms as AFSME. He anticipated wrapping that up shortly and discussions will begin with Local 860, which represents security. Staff does not anticipate long negotiations.

Moving to the next topic, Executive Director Ciaccia advised that the District has an extensive set of 13 student programs. He asked the Board to allow some of the students address the Board during his report instead of during Information Items. The Board consented.

Constance Haqq, Director of Administration & External Affairs, explained that a number of student programs operate year-round. During summer, the District is transformed by the presence of younger people. She considers that a benefit to staff and the community. Four students were present to speak to the Board and describe their experiences.

Eric Jiles stated that he was a senior at Martin De Porres High School and was currently a student assistant at the Easterly wastewater plant in the Maintenance department.

For three years he has worked at the George J. McMonagle Building through a corporate work study program through his school. He stated that he soon realized there was more to the District than filing and making Excel spreadsheets and labels. Going from an enclosed facility to an open one made him understand its true meaning of helping the environment and making it a better place.

He appreciated hands-on work such as pulling weeds, cutting grass and painting. Until the summer he did not realize there was so much more to the District. Everyone in Cleveland and the surrounding suburbs benefits from it.

He thanked Ramona Lowery, Darnella Robertson, Angela Jones and Mardele Cohen for showing him how to handle myself and be in the field. He was thankful for the opportunity and hoped to return next year.

Amanda Sacha stated that she will be a senior at Lakewood High School in the fall.

Ms. Sacha has worked in Fleet Services this summer. She stated that it was her first office job and she went into it a bit skeptical but had a great experience. Her tasks included timekeeping, work orders, and with fellow colleagues, updating material safety data sheets for EMSC and other buildings.

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Ms. Sacha stated that she will take away four major things from her experience. Time management is very important in any field. It is respectful to colleagues to complete tasks in a timely manner and set goals.

The second is communication. She answered phone calls, sent e-mails and spoke with colleagues, which she was not used to doing. It is important to have good communication skills and being able to speak confidently.

The third was to ask questions and know what you did, how you did it, and be able to explain it to someone else. Ms. Sacha explained that she knew nothing about vehicles and was somewhat nervous going into Fleet Services.

Setting goals provides the motivation to reach them. She stated that she appreciates what others do. Summer internships are important because they provide financial education for younger people, and she learned a lot from her first job experience.

Ms. Sacha stated that the program provides students with the opportunity to work with professionals in their fields who are very passionate. She noted that she had an amazing experience.

Ms. Sacha was proud to say her first job was with the District.

Douglas Dietzel stated that he was a recent graduate of Baldwin Wallace University. He works at EMSC under the supervision of Mark Citriglia in Analytical Services, specializing in total phosphorus, hexachrome and digestion, iron chromatography, metal, mercury and TKM preparation.

Mr. Dietzel explained that each day he did not know what to expect; different samples came in daily. This was his first real-life job experience, applying theories he learned in the classroom to the real world.

On weekends he does more work with QIS, performing beach monitoring and bioassay maintenance. The bioassay maintenance examines egg productivity of minnows and maintenance of the tanks and culturing, knowing those go into KCL studies and wet testing.

Mr. Dietzel explained that his experience showed him where he wants to work. He is a biologist by degree but he worked in chemistry, doing tests he did not think he would be able to do. Without this experience he would not have a goal to earn a Master's degree in chemistry or a place where he wishes to work.

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The District gave him the opportunity to develop as a person and his scientific and analytical skills. He thanked the District for what he learned.

Monica Lawes stated that she was a junior finance major at Kent State University and had the honor of working this summer in the finance department under the supervision of Kenneth Duplay.

As a finance co-op, she learned to appreciate organizations that clean wastewater in their finance department. After the learning the process of cleaning wastewater, she wished more people would tour the wastewater facilities. She believes it would change the viewpoint some people have on wastewater treatment and the funds needed to clean it effectively.

Ms. Lawes explained that from her experience she learned simple but important elements such as accurate data, good communication and teamwork. She performed data and report analysis in accounting, purchasing and other systems. She also worked with Oracle, researching customer accounts and making sure customers were billed correctly. Ms. Lawes had the opportunity to see how consolidated annual financial statements are billed and gained more respect for accountants.

Ms. Lawes stated that without the internship she would have dropped out of college. She had given up hope due to the high percentage of college graduates who were underemployed or jobless. Her internship with the District provided hope that a degree would be more than a piece of paper. She has faith that she will have a career and be established in the near future.

Ms. Lawes stated that was an honor to intern at the District and she had the privilege of working under wonderful mentors, including Kenneth Duplay, Robert Radd and Vanessa Byrd. She was grateful to be chosen to experience the internship and will hold onto the experience for the rest of her life. She thanked the District for the experience.

Mr. Brown appreciated the students' comments. He was pleased by what the students were taking from their experiences and believed they would do well in places of employment, understanding the value of employment and what it takes to make a business successful. The Board continues to hope that it was of value to them.

Ms. Kelly stated that the students' presence was the highlight of the meeting. She thanked them again.

V. Action Items

Authorization to Issue Request for Proposals (RFPs)

Resolution No. 184-12	RFPs for Implementation of a District-Wide SharePoint Platform and Initial Applications.
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MOTION – Mr. Sulik moved and Mr. O'Malley seconded to adopt Resolution No. 184-12. After discussion and without objection, the motion carried unanimously.

Authorization to Enter Into Contract

Resolution No. 185-12	Eighteen Month Requirement Contract with JCI Jones Chemicals, Inc. for Sodium Bisulfite for Use at All Wastewater Treatment Plants. Cost: \$391,072.00.
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Resolution No. 186-12	Contract with CDM Smith for Professional Services for Phase 1 of the Stormwater Master Plan Standards Development Project and Pilot Project. Contract Amount: \$974,354.00.
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Resolution No. 187-12	Contract with Hatch Mott MacDonald for Professional Services for the Woodland Avenue Storm Sewer Design Project. Contract Amount: \$184,743.00.
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Resolution No. 188-12	One-Year Contract with Q-mation/Wonderware North for the Purchase of Wonderware Software Maintenance for Various District Facilities. Cost: \$86,025.00.
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MOTION – Ms. Kelly moved and Mayor DeGeeter seconded to adopt Resolution Nos. 185-12 through 188-12. After discussion and without objection, the motion carried unanimously.

Authorization to Pay Dues

Resolution No. 189-12	Renew Membership with the Northeast Ohio Areawide Coordinating Agency
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(NOACA) for the year 2013. Cost:
\$54,834.00.

MOTION – Mr. O'Malley moved and Mayor Bacci seconded to adopt Resolution No. 189-12. After discussion and without objection, the motion carried unanimously.

Executive Director Ciaccia informed the Board that the Northeast Ohio Areawide Coordinating Agency (hereinafter "NOACA") has a new executive director. Longtime executive director Howard Maier retired and was replaced by Grace Gallucci, who has returned to Cleveland after serving with the Chicago transit authority.

Executive Director Ciaccia had a meeting with Ms. Gallucci last week and discussed things he thinks are important. NOACA has been a transportation organization, as Mayor DeGeeter knows as he is a Board member along with him. Executive Director Ciaccia advised that he and Ms. Gallucci discussed opportunities for more water planning issues. The District pays them \$54,000 per year and he would like them to be more active trying to bridge gaps between the sub-regions in the area.

Authorization of Contract Modification

Resolution No. 190-12

Modify Contract No. 10000024 with Walsh Construction Company for the Southerly Wastewater Treatment Center Renewable Energy Facility (REF) Project. Cost: An Increase in the Amount of \$3,000,000.00 Bringing the Total Contract Amount to \$95,329,000.00.

Resolution No. 191-12

Final Adjustment and Deduct Order for Contract No. 09002832 with Bay Mechanical & Electrical Corporation for the Southerly Substation Replacement (SSR-1) Project. Cost: A Decrease in the Amount of \$942,976.54 Bringing the Total Contract Amount to \$15,760,223.46.

MOTION – Mr. Sulik moved and Mayor DeGeeter seconded to adopt Resolution Nos. 190-12 and 191-12. After discussion and without objection, the motion carried unanimously.

Regarding Resolution No. 190-12, Mr. Brown inquired about the original engineer's estimate and the original contract amount. Kellie Rotunno, Director of Engineering &

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Construction, stated that she did not have that information at her fingertips but would supply them. However, the bid was significantly lower than the engineer's estimate, which was over \$100 million.

Mr. Brown understood this project was a first of its endeavor and that Ms. Rotunno explained early in the process that adjustments may be necessary. He questioned whether additional significant change orders should be anticipated. Ms. Rotunno advised that this is the first and final change order. Since 2008 more than \$800 million of construction has been awarded. Of the projects closed so far, all have been without contract modifications and used less than half of the general allowance on the aggregate.

Ms. Rotunno stated that general allowances for projects have been very low and she did not think it was indicative of bids coming in lower than the engineer's estimate; it is a problem related to the pre-procurement of incinerators and equipment under one contract and installation of the incinerators under a second contract.

Mr. Brown inquired whether the issue was discussed during a previous Board meeting. Ms. Rotunno affirmed and referenced items of coordination that "fell between the cracks."

Regarding Resolution No. 191-12, Mr. Brown inquired what occurred to necessitate a deduction or whether work was not performed. Ms. Rotunno explained that the \$695,000 of the \$942,000 deduction is half of the general allowance that was unused. There are smaller deducts from line items that were not spent.

Authorization of Easement

Resolution No. 192-12

Acquire from the Greater Cleveland Community Improvement Corporation One Permanent Easement (Part of Cuyahoga County Permanent Parcel Nos. 131-12-004 and 131-13-004) Necessary for Continued Maintenance of the Morgana Run Culvert. Consideration: \$1.00.

MOTION – Mayor Bacci moved and Mr. Sulik seconded to adopt Resolution No. 192-12. After discussion and without objection, the motion carried unanimously.

Sewer Use Code Matters

Resolution No. 193-12

Adopting the Findings of the Hearing Examiner with Regard to the Sewer

Account of Jon Barry Post, Sewer District
Case No. 12-007.

MOTION – Mr. O'Malley moved and Mayor Bacci seconded to adopt Resolution No. 193-12. After discussion and without objection, the motion carried unanimously.

VI. Information Items

1. Northeast Ohio Regional Sewer District Financial Report and Investment Advisor Performance Report for the Six-Month Period Ending June 30, 2012

Jennifer Demmerle, Director of Finance, stated that she would provide a brief overview of the District's financial position as of June 30, 2012, and how actual results compare to the rate study projections conducted from 2010 to 2011. She would also discuss how operating revenues and expenses are tracking against the budget and compare them to this time last year. The report will conclude with a look at the cash position and investments.

Ms. Demmerle advised that revenue was slightly under projections. The rate study projected a 3% decrease in consumption; however, this year a more conservative 6% decrease was budgeted because decreases in the past few years have not been 3%.

The District also completed an agreement with Summit County that decreased the percentage they are charged from their flow from 80% to 70%. The percentage will decrease to 50% over the next five years.

Declining revenue necessitated adjusting operating expenses to meet debt service coverage. The actual figures were \$44 million compared to the rate study projection of \$54 million.

Debt service appears slightly ahead of the rate study projections. She indicated that was a timing issue and is still on target with what the projection for the end of the year.

Ms. Demmerle advised that \$44 million, or 42% of the \$106 million budget, had been spent as of June 30 -- well within budget and projected within budget by year-end. She noted at this point last year the District had spent \$45.4 million, mainly due to renegotiation of electric and gas rates at the end of 2011.

Salaries and benefits continue to make up 60% of the budget.

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Operating revenues were \$93 million, or 51% of the budget. She advised that rate revenue was 7% higher than the \$86.6 million last year. The average rate increase is 12% to 13%, and when coupled with the decrease in consumption, 7% is on target.

The cash balance as of June 30 is \$336 million. \$109 million is in reserves and that balance is projected to drop to \$184 million by the end of the year. Subtracting the reserves leaves \$75 million in the capital account, meaning the District will likely return to the bond market probably at the beginning of 2013.

Ms. Demmerle explained that 65% of the cash balance is invested in government agencies. The annual rate on return of those investments is 0.24%, which is above the 0.04% benchmark of the Treasury bill. Merrill Lynch is at 0.18%.

In summary, Ms. Demmerle stated that the District is working within the rate study projections and operating within the budget. Cash balances will continue to be drawn down, necessitating a return to the bond market next year and the rate of return is meeting staff's benchmark.

Mr. Brown complimented Ms. Demmerle and her team for doing a good job providing a forecast and implementing a good spending plan.

2. Status of Cleveland Water Billing System

Mr. Brown stated during the previous Board meeting questions were raised regarding the viability of the relationship between the District and the Cleveland Water Department (hereinafter "CWD") due to billing challenges and what should reasonably be expected as it relates to performing at a high level.

Given that the District is such a large partner with CWD, he stated that it may be advisable to have their staff speak about what they have accomplished and to answer questions the Board might have about the future of the relationship or the investment they have made over the last year. They made a similar presentation yesterday to Cleveland City Council.

At that time, Mr. Brown introduced Paul Bender. He asked Mr. Bender to discuss his background and role in the process. Also present were Barry Withers, Utilities Director, and Jason Wood, an assistant director in the Department of Public Utilities.

Mr. Bender stated that he would discuss the project underway and provide an update on the Automated Meter Reading program (hereinafter "AMR").

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The project was initiated by Cleveland Mayor Frank Jackson, approved by City Council, under the direction of an oversight committee appointed by the Mayor. The oversight committee included Mr. Brown, Mr. Withers and Assistant Director Ollie Shaw. He noted there was significant involvement from City leadership.

Mr. Bender advised that the oversight committee hired Black & Veatch, who are experts in the billing system that was implemented. He was hired independently by the City as a project manager to oversee the project.

Mr. Bender stated that he will discuss the work plan, the work performed, highlights of the results and where it stands today. The project allows the organization to function at a high level, but significant improvements need to be performed over the next several years.

Some of the high-level issues were the complexity of billing operations. CWD runs very complex customer service and billing operations, including 72 jurisdictions and around 30 different rate structures – one of the biggest in the country. They are currently in the process of implementing SMP billing for the District and trash billings for other general fund agencies.

Mr. Bender stated that the organization structure was not set up many years ago to address the level of customer service issues and the complexity of the operation.

The implementation of the technology is very good and up to date; it is one of two primary types of billing systems used by utilities. Implementation, however, experienced some difficulty.

The system is a computer system and does not solve customer problems on its own. The work processes had not been redesigned to work with the system. Mr. Bender explained that an attempt was made to use the new system with old processes, which did not perform very well. There was a lack of metrics in terms of what was coming out of the system, the number of bills to be sent each day and those actually sent and many high priority and uncoordinated projects. The primary project was the AMR, which was scheduled to initiate in August 2011.

Mr. Bender advised that CWD completed 251 specific work items, including improving the work process, work flow in the call center and how calls are handled. There were many changes to the system. The project itself commenced with only 190 items that needed to be resolved over a one-year period, primarily due to AMR. The AMR needed to be integrated into the customer service operation and not seen as a project independent of customer service.

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The vast majority of the improvements were yielded from working with the organization. Four staff organizations were established to provide support for IT, human resources, public affairs and finance. Support is provided for the entire department instead of imbedding those functions within the divisions. He stated that consolidating those resources has proven very successful.

Mr. Bender advised that the call center was consolidated from three different areas to one. Billing operations was also comprised of two units. Meter reading and the AMR were run separately and is now under one manager. There are 60 employees answering the phones.

Mr. Bender stated that improving the customer account management group has been important. Five of the most successful customer service representatives were tasked with responding to calls that slip through the cracks. With 427,000 accounts, an average of 1,500 to 2,000 calls are received per day. The call center cannot resolve every call effectively and an escalation process is needed to address them quickly and to understand what would cause those issues.

Four business analyst roles were established that had previously been performed by consultants. These roles help the organization develop expertise and maintain it internally. A backlog team was formed to address the substantial amount of backlogs. He stated that there has been improvement working with the District with one point of contact.

The Chief Financial Officer handles the rates and financial reporting issues for various jurisdictions for which CWD provides services and anticipates future needs.

Mr. Bender explained that a collections plan was implemented that focused on the quality of the system and whether it operating the way as intended and 40 specific items to stabilize it.

Many standard operating procedures had not been documented. Mr. Bender explained that 12 rate changes were made, including a structure change for CWD and NEORSD. The old billing system was retired and the AMR commencement date was delayed.

Mr. Bender advised that response times for incoming phone calls improved immediately. Some wait times had been reported over an hour after implementation in 2009. That had decreased to three minutes.

Some wait times for phone calls were in the 20- to 30-minute range; the average is now under 30 seconds and 80% are answered within 30 seconds. Mr. Bender indicated the averages had varied but he now thinks it is sustainable. With the exception of peak

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hours, virtually all calls are answered on the first or second ring and the abandoned call rate has declined from 20% to 30% to 2 to 3%. He advised that 5% and below is the goal.

Mr. Bender advised that during the third quarter of 2010, 400,000 bills were sent. That number subsequently increased to a peak of 419,000 before dropping.

Mr. Bender explained that each time fewer bills are sent than the following quarter, they are referred to as backlog bills. After several process changes, billing is more consistent. There are 427,000 properties receiving water service. Two thirds are receiving service from the District and other wastewater providers. That figure should be consistent each quarter.

Mr. Bender stated that the first quarter after completion will conclude at the end of September. CWD is estimated to receive \$3 million more in annual revenue. He indicated that the District would also benefit from corresponding improvements and may be something that was not budgeted.

Backlogs totaling 206,000 have resulted in additional bills. The project included a comprehensive review of the operation and identified 50 places where backlogs occur. An example would be a "high-low," which is a meter reading that is higher than historical usage. Backlogs had been accumulating since implementation. Today they are down to about 1,000 and will be resolved completely within the next couple of months.

Pended bills, such as a failed high-low, totaled 5,000. There were also 12,000 adjustment requests from customers. He advised that bankruptcy and change of ownership were a hardship for property transfers within the region. They have all been completed.

Collection was another high priority that has improved. Accounts receivable is comprised of three types of balances. Most current customers pay their bills on time.

Mr. Bender stated that inactive accounts have been finalized and need to be written off for a collections process. After two billings with no payment, the collections process begins with delinquent notices and disconnection notices. Ultimately, accounts that are not paid will be disconnected.

The collections process was suspended when the system was implemented in 2009 and then reinstituted in August 2011. The District's accounts receivable had dropped to about \$5 million in the 10 months since implementation. Water receivables have declined to about \$6 million. Before implementation, balances were climbing every month.

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Mr. Bender stated that disconnection is the ultimate collections tool and applies to many services. He indicated that the District should also perform disconnecting. Prior to 2008, CWD had been disconnecting between 14,000 and 15,000 accounts a year -- a relatively small percentage but key to the collections rate. The collections rate was 98% to 99%. The rate decreased when collections and disconnecting was suspended.

Mr. Bender advised that the turnaround project was complete but ample work remains. The AMR, online meter readings and leak detection will bring tremendous improvement for customers. Notices may be sent proactively if the readings spike. Debt has accumulated over a long period of time and needed to be cleaned out. The SMP billing project will be implemented in early 2013. There are also other rates projects and the computer hosting contract will be rebid.

Mr. Bender explained that about 60,000 meters out of 425,000 do not work. There is currently no meter replacement program. Meters are equipment usually with a 10- to 20-year lifespan.

Mr. Bender advised that the AMR is the solution to new meters. When new meters are put in the latest meter-reading technology is installed. The technology has been used for well over ten years and is radio transmission using data lines that allow for readings from a device to a central computer.

The benefits of the technology include accurate billing that virtually eliminates estimation. Most utilities experience a 99.5% actual reading rate. Actual billing can reveal the exact day any leak or other issue that may be associated with old housing occurred. Another benefit is monthly billing at no additional cost, which is planned to go into effect in 2014. Detailed water consumption history will be especially valuable for commercial customers.

Mr. Bender stated that the installation process involves extensive customer communication. There is a 24-hour call center for customer support and 15 CWD meter operations staff as liaisons to the installers out in the field to make sure any issues that come up are addressed quickly.

A 25,000-meter test is expected to be completed by November. Installations are limited to 100 per day because 10 processes are required for the system to work well. Testing the manual meter reading processes and the networking process should be complete by November. Those without plumbing issues should be completed by the end of 2013.

Mr. Bender explained that CWD has a two-month period during which to perform installations. Installations cannot occur when billing is going out. Scheduling takes place by area and will be adjusted as the testing phase transpires. The logo clearly

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identifies contractor vehicles as the CWD meter reading system and branded as "Clear Reads."

Mr. Bender stated that customer communication focused on customer benefits and to clearly explain issues that may arise. He explained that some customers' bills will increase because they will be actual readings. The average residential bill region-wide is from \$200 to \$250. That figure may seem exorbitant to those with an old meter that may have typically produced a \$100 bill. The issue is receiving water at a lower rate for a long period of time. This will likely be an issue for less than 10% of customers.

Mr. Bender advised that meter adjustments will be addressed in the customer's favor. 50,000 meters have been estimated and it would be nearly impossible to perform manually. That process has been automated. Customers that receive new meters will receive bills that are partially estimated and partially an actual reading.

Appointment availability has been a concern. He explained that CWD will likely encounter plumbing concerns with older galvanized plumbing when the old meter perhaps cannot be replaced.

Mr. Bender informed the Board that there had been extensive communication with various stakeholders, including Cleveland City Council, suburban mayors and others forums interested in an explanation of the project.

Each customer will be communicated to explain the project before it goes into effect and again before installation. After installation, they are provided with a packet explaining what happened, the system and who to call if there are questions or concerns. We had a media day and various electronic community meetings. He advised that Mr. Wood led the extensive community outreach.

Mr. Sulik inquired if monthly billing was a possibility once the electronic meters are installed. Mr. Bender affirmed. Mr. Sulik stated that the increase in rates makes a transition to monthly billing from quarterly more pressing. Mr. Bender advised that transitioning to monthly billing would triple the meter reading cost. There is no cost with the AMR.

Mr. Bender explained that a plan is being formulated. There needs to be an 85% to 90% saturation rate before moving to monthly billing because the meters that have not been installed will be read three times as often. He projected monthly billing to begin in mid-2014.

Ms. Kelly questioned what would happen when an older meter cannot be replaced due to galvanized plumbing. Mr. Bender advised that on occasion there are instances when the

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plumbing is in such disrepair that replacing the meter would flood the house. CWD will work with those customers to upgrade the plumbing.

Ms. Kelly inquired whether there was a program for customers in need of upgraded plumbing -- particularly senior citizens, the unemployed and those who are financially unable to handle the expense. Mr. Bender explained that CWD staff is working on the issue and there was no program in place before this project began. Their staff is coordinating with the City Law Department to determine whether it could contribute funds, project costs or loans. In the meantime, he explained that customers in those situations will be contacted at a later date, based on the review of the program.

Executive Director Ciaccia stated that CWD participates in the Cleveland Housing Network program and contribute to it as the District does. If a customer qualifies for the program they would become eligible for those repairs.

Ms. Kelly inquired what the average percentage increase is when an old meter with estimated bills is replaced. She stated that she had an old meter, received a new one and the bills are significantly higher. Mr. Bender advised that the average is zero because about half are overestimated and half are underestimated. Residential bills should vary much because usage is typically 1.5 to 3 MCFs, which covers 90% of usage. The issue is when an estimated bill is 1 MCF and actual use is 2 MCFs -- that is 100% increase.

F. Michael Bucci, Deputy Executive Director, referenced data on slide 11 with the change in the wastewater bills 180 days past due. He requested Mr. Bender to inform the District Finance Department of the source of that wastewater figure because staff receives a monthly accounts receivable aging report with vastly different numbers. He was not sure whether the report is very accurate; it may include credits or other adjusted numbers. Mr. Bender agreed to follow up on that.

Executive Director Ciaccia questioned whether there was a written policy about AMR change out adjustments. Mr. Bender affirmed. Executive Director Ciaccia requested a copy of that written policy. Mr. Bender agreed.

Mr. Brown stated that it was unfortunate that his colleague who asked the question was not present to hear the answer. He will receive a copy of the transcript and minutes, which will hopefully answer any questions.

VII. Public Session (any subject matter)

No members of the public registered to speak during Public Session.

VIII. Open Session

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Ms. Kelly had a comment about the Business Opportunity Program. She prefaced her comments by stating they were in the spirit of enhancing it. She was on the committee when the diversity study was performed and the program was created. Those involved were committed to thinking outside the box and establishing a program that would be equitable, enhance opportunities and bring in new small business contractors.

Staff has done an excellent job in terms of outreach and support with small businesses, but she stated it had come to her attention that there may be areas to improve upon in terms of the small business operator competing with large institutions. She did not think it was fair because there is a perception that an SBE, WBE or MBE must compete against institutions.

Ms. Kelly stated that sometimes the perception is a large institution's size and resources make it better, but that is not necessarily the case. She wanted to enhance opportunities for small businesses.

Once an SBE reaches a certain size and revenue, they cannot "play in the arena of small business enterprise" and "have to swim in the big pond" with institutions competing against smaller companies for small contracts. She stated they do not stand a chance. The perception would eliminate activity because contractors feel there is no opportunity.

Ms. Kelly asked the Board to consider a policy on small contracts so small contractors could compete with each other and not an institution. She stated that benefits to this action would include expanding the opportunity for contractors and promote the perception that the District is doing more outreach to bring equity and opportunities to small business contractors.

Executive Director Ciaccia stated that staff will certainly consider that. He was aware of the most recent procurement when the issue she raised was discussed. Staff has developed ways with procurement on engineering contracts to deal with it. There are smaller contracts and if the bigger firms are competing for them with their resources it makes it difficult for smaller firms. Staff found an economic way of fashioning it without limiting the competition to the degree where it is not a good product. He advised that staff hears what she was saying and will review it.

Mr. Brown seconded that sentiment. He stated that to Ms. Kelly's point, staff has done an outstanding job with outreach. SBEs have been invited to the District, staff has said the playing field is level and to please understand the process, and there are situations where, all things being equal, an institution receives "bias points" because they are "the big fish" when there is probably minimal risk giving the other companies an opportunity. This is about creating opportunities and a level playing field.

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Mr. Brown stated that he would leave it to the staff to think creatively about how to facilitate a discussion with the Board as to what is plausible in this area.

Executive Director Ciaccia stated that he was not sure about biases, but on some of the small contracts, a large institution or company with ample resources is willing to give an enhanced proposal because they can take the additional risk -- especially financial. That is what the smaller companies are competing against. He advised that it is difficult for staff performing the evaluations to overlook a quality proposal. Unless financial means of evaluating are created, the best proposal for professional services is determined.

Mr. Brown stated that he recognized his point but Ms. Kelly raised a legitimate concern. He asked Executive Director Ciaccia to take it to his staff, conduct an internal review and return to the Board for a conversation.

Executive Director Ciaccia advised that there is no resistance on the part of staff and they will do that. He was speaking to the issue of bias versus the reality of competition between larger institutions and smaller ones. A program that limits contracts to local firms cuts down competition and pricing. Staff found a way to do it on some engineering projects and can find a way to accomplish it on other projects.

Mayor Bacci asked Ms. Kelly if she had a ceiling in mind in terms of small contracts. Ms. Kelly stated that she had not given consideration to the ceiling, but was concerned that most of the professional services contracts are small. There is a pool of small business entities that are qualified to handle them and are not getting the opportunity. Whether it is real or perceived, the opportunity is lost.

Mayor Bacci stated that he was trying to gauge the small contracts because contracts range from hundreds of millions to thousands. Ms. Kelly stated that she did not know the full range of contracts, but they are usually under \$100,000 or \$200,000. The perception is there is no opportunity for small businesses.

Ms. Kelly stated that the program was put together with a commitment to thinking outside the box under the direction of the Executive Director. She did not want the same program from the past and there is a different program in place. The program is a work in progress and there is always an opportunity for improvement.

IX. Executive Session

Mr. Brown stated that there was one matter for discussion in Executive Session.

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MOTION – Mayor Bacci moved to enter into Executive Session to discuss the Northeast Ohio Regional Sewer District versus 3320 Woodland Avenue litigation. 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), (G)(1) and (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 1:56 p.m. to 2:16 p.m.

X. 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 2:16 p.m. Without objection, the motion carried unanimously.



Sheila J. Kelly, Secretary
Board of Trustees
Northeast Ohio Regional Sewer District



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