

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
MAY 16, 2013

Meeting of the Board of Trustees of the Northeast Ohio Regional Sewer District was called to order at 12:35 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.

Mr. Brown advised that the court reporter was held up in traffic due to an accident and that the audio will serve as a back-up record of the proceedings until she arrives.

II. Approval of Minutes

MOTION – Mr. O'Malley moved and Mayor Bacci seconded that the minutes of the May 2, 2013 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 at Public Session.

IV. Executive Director's Report

Executive Director Ciaccia moved to the first report item regarding the District's finances and he advised that the Director of Finance, Jennifer Demmerle, will provide the Board a financial update during the information items.

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Executive Director Ciaccia moved to the next report item and he advised that the Audit Committee (hereinafter "Committee") drafted a Charter. Staff is reviewing the document and will meet with Committee on June 14, 2013 to discuss. The District anticipates bringing the finalized Charter to the Board for consideration at its June 20, 2013 meeting. Executive Director Ciaccia noted that two of the Committee members are from the private sector and have a great deal of experience. The proposed Charter is an excellent working document but there are some public sector realities that must be incorporated into Charter. According to Executive Director Ciaccia, the Committee is a very active group that is determined to produce a very good work product and audits going forward.

Executive Director Ciaccia moved to the next report item and he advised that the stormwater litigation is in the appeals process. Oral arguments were heard and the District is awaiting the decision from the appellate court. Meanwhile, the District is moving forward with implementation of the Stormwater Management Program (hereinafter "SMP") and has held meetings with the communities and Watershed Advisory Committees (hereinafter "WACs").

Executive Director Ciaccia advised that the District had a meeting today with the Downtown Cleveland Alliance. He noted that Kyle Dreyfuss-Wells made a good presentation at said meeting.

Executive Director Ciaccia advised that the District received its first Community Cost Share Application from the City of Maple Heights. The District will assist in the repair of some equipment that the City utilizes for its local stormwater needs.

The District continues meeting with its local congressional delegation. Last week, Executive Director Ciaccia, Director of Administration and External Affairs, Constance Haqq, and Government Affairs Specialist, Darnella Robertson, met with local assistants of Congresswomen Marcia Fudge's office to discuss issues surrounding the District's construction employment at its construction sites. Executive Director Ciaccia noted that this topic was of special interest. A very frank and honest discussion was held to discuss the expectations, realities and proposed programs the District will offer in an effort to facilitate some of those concerns. According to Executive Director Ciaccia, the discussion went well and the District plans continued engagement with our local delegation.

Executive Director Ciaccia advised that on today's agenda is the request to issue a Request for Proposals (hereinafter "RFPs") for the estimated \$65 million Dugway West Interceptor Relief Sewer (hereinafter "DWIRS") project. The project will be constructed through the heart of Glenville. The District will be increasing its visibility and conducting much outreach in this neighborhood. It will be important for the District to

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engage its delegation to ensure the residents are satisfied or to address any concerns they may have.

Executive Director Ciaccia and Ms. Robertson will be joining other Northeast Ohio officials in Washington D.C. to participate in a conference presented by Congressmen David Joyce and Jim Renacci and supported by the Cleveland Development Foundation. Executive Director Ciaccia noted that much focus is currently being placed on regulatory and litigation advocacy initiatives since there are many limitations as it relates to funding from Washington. The parties want to ensure that sensible regulations are being established so that sewer and water utilities do not become overburdened.

Executive Director Ciaccia advised that the District is working with Senator Brown's office on the Affordability Bill, which includes some wet weather language. He advised that there is a big advocacy push with respect to regulatory components and much ongoing litigation in the industry surrounding those regulations.

Executive Director Ciaccia concluded his report by informing the Board that a movie is being filmed at the District's Southerly plant and Lakeview Dam. On today's agenda for the Board's consideration is an agreement between the District and film company.

Mayor Starr referred to Executive Director Ciaccia's comments regarding ongoing litigation and he stated that it can stall environmental goals and objectives. He inquired if the trend is coming from private companies, public groups or community groups?

Executive Director Ciaccia indicated that it is primarily coming from the environmental groups. Congress passed the Clean Water Act in 1972 and it was a broad reaching Act. (Note: Mr. Brown advised that the court reporter entered the proceedings.) The Environmental Protection Agency (hereinafter "EPA") was charged with the task of developing compliance regulations and worked with the public and private sectors to identify sensible regulations, which at times does not meet the goals of the environmental communities. Executive Director Ciaccia explained that much regulation that is promulgated ultimately results in litigation and is decided by a judge. Executive Director Ciaccia indicated that NACWA (National Association of Clean Water Agencies) spends more time on litigation matters than legislative matters. The District has now taken a more active role by showing its support with amicus briefs or joining lawsuits altogether. Executive Director Ciaccia used the sewer system incineration rules as an example and he reiterated that each regulation could ultimately end in court.

Mr. Brown suggested that the Board be updated periodically on issues that the District is either supporting or adverse to. The Board would also like to receive updates on issues from our lobbyists.

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Executive Director Ciaccia agreed that said information will be helpful. He proposed that the Board will be presented with an overview of the pending issues and especially those most relevant to the District such as the sewer system incineration litigation at an upcoming meeting.

Mr. Brown stated that NACWA represents larger organizations and that this Board would “like to know what positions are being espoused that we’re signing on to.”

Executive Director Ciaccia suggested that a NACWA representative attend the Board meeting to address the Board. Mr. Brown indicated that would be appropriate.

There were no further questions for Executive Director Ciaccia.

V. Action Items

Authorization to Advertise

Resolution No. 109-13 Dugway West Interceptor Relief Sewer Project. Engineer’s Opinion of Probable Construction Cost: \$65,000,000.00.

Resolution No. 110-13 East Branch Euclid Creek Stream Restoration Repairs Project. Engineer’s Opinion of Probable Construction Cost: \$715,000.00.

Resolution No. 111-13 One-Year Requirement Contract for Sludge Cake Removal at the Southerly and Westerly Wastewater Treatment Plants. Anticipated Expenditure: \$818,000.00.

MOTION – Mr. O’Malley moved and Mayor DeGeeter seconded to adopt Resolution Nos. 109-13 and 111-13. After discussion and without objection, the motion carried unanimously.

Mr. Brown requested an explanation on Resolution No. 109-13.

Director of Engineering and Construction, Kellie Rotunno, stated that the DWIRS project is the first of 10 years worth of projects that are slated to take place on the east side near Dugway Brook for CSO control as part of Project Clean Lake. Ms. Rotunno described the DWIRS project as a sister project to the Dugway East Interceptor Relief Sewer (hereinafter “DEIRS”) project, which was completed a few years ago. The DWIRS

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project will take place on the west side of the Dugway Brook to control CSOs currently discharged into the culvert to convey those into the Dugway Storage Tunnel (hereinafter "DST").

The DWIRS project consists primarily of micro-tunneling so there will be multiple shafts installed. Ms. Rotunno explained that although micro-tunneling is trenchless, the process still requires big holes in the ground in order to launch and extract the micro tunnel boring machine. Ms. Rotunno indicated that the project will be interesting and challenging not only from a construction perspective but for the neighborhood and community as well. Ms. Rotunno stated that Engineering has been working closely with Ms. Haqq and government affairs and much consideration has been factored into project with respect to community disruptions. Incorporated into the bid documents was the request for additional silencers on stationary generator sources, limiting truck routing and pavement restoration at the shaft sites and roads deteriorated from heavy truck traffic upon project completion.

Ms. Rotunno concluded by stating that the DWIRS project is part of the solution to address the bacteria issues along the Euclid Beach area.

Executive Director Ciaccia requested that Ms. Haqq inform the Board of her department's involvement on the outreach for the DWIRS project.

Ms. Haqq stated that several community meetings have been held and that the District plans meeting with Councilmen Kevin Conwell, Jeff Johnson and Eugene Miller. The District met with community development corporations, Glenville, Famicos, St. Aloysius Church and a Baptist church that will be impacted by construction. Ms. Haqq noted that these individuals are being taken on tours so they can observe the sites and expectations during construction. The District is identifying ways to partner with the community during construction since the project is anticipated to be disruptive to the community.

Mr. Brown appreciated the overview and he stated that this is the first of several projects that will be impacting one community and the District will learn many lessons as this project moves forward. It is a lot to ask for the District to be present in one community for 10 years, but we need to do this in a way that will add value to the community and region. It is important to understand the impacts this project will have on the community and the District must be considerate as to how the community will be left upon project completion.

Mayor Starr questioned on large projects such as this do the bidders come from the east coast, west coast, or Canada?

Ms. Rotunno stated that she anticipates bidders on the DWIRS project to be similar to

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those that bid on the DEIRS project in addition to newer bidders that bid on the District's underground tunneling projects. National firms will likely team with local firms since they know the local geology in the area. The MBE/WBE goal is 9% and the SBE goal is 9%. Ms. Rotunno explained that this is a micro-tunneling project and there are not a lot of local firms capable of handling this type of work, and we want the most experienced micro tunnel boring machine operators. Hopefully, in the future, there will be local firms capable of handling this type of construction.

Mayor Starr questioned if the firm can come from Europe or Asia wherein Ms. Rotunno affirmed. She explained that there is a very small circle of tunnelers that go where the work is. The District was fortunate to attract a lot of national talent on its Euclid Creek Tunnel (hereinafter "ECT") project, which brought expertise to Cleveland and that project is going very well.

Executive Director Ciaccia anticipates that the DWIRS project will have substantial local participation and will most likely be a joint venture. One local contractor has expressed interest in this job and has indicated that it would be a joint venture since the company does not have micro tunneling expertise.

Mr. Brown was interested in how the District established goals on the DWIRS project. He indicated that he understood the micro tunneling aspect of it, but this project involves excavation, trucking, restoration and pavement work. He was confident that staff fully indentified the subcontracting opportunities and that the total goal of 18% is where we should be on this project.

Ms. Rotunno stated that she would be happy to present this information to the Board along with Contract Compliance Manager, Tiffany Jordan, to discuss how goals are established on specific projects. Ms. Rotunno stated that each project is different and that there is a very rigorous process in place in which the Office of Contract Compliance (hereinafter "OCC") plays an integral role.

Executive Director Ciaccia noted that staff will present how the subcontracting goals were established on the DWIRS project to the Board prior to the project going out for bid.

Mr. Brown requested an explanation on Resolution No. 111-13. He stated that the District's former agreement was over half million and that that the District only spent \$20,000. He inquired as to why the District is bidding out another large contract.

Executive Director Ciaccia first requested that Ms. Jordan address Mr. Brown's previous questions pertaining to the subcontracting goals.

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Ms. Jordan invited the Board members to “Contractor Connection” which will be hosted by the District in conjunction with the Better Opportunity Program on May 29th at the Great Lakes Science Center. The objective is for the certified firms, 9% MBE/WBE and 9% SBE, to meet with the larger firms interested in working on the DWIRS project.

Mr. Brown stated that he would be happy to attend the showcase and he requested that the invitation be sent to his office so it can be placed on his schedule.

Discussion was turned over to Deputy Director of Operation and Maintenance, Ronald Czerski, to address Mr. Brown’s question on Resolution No. 111-13 for sludge cake hauling. Mr. Czerski explained that this is related to the transitional period for putting in the Renewable Energy Facility (hereinafter “REF”). Different incinerators will be phased in and they cannot all be closed at once. The District did not spend the money previously because those incinerators were not up and running. A contingency was factored in so when the new incinerators are functioning and the old equipment is being decommissioned the District will have the funds to haul.

Authorization to Re-Bid

Resolution No. 112-13	Reject Bids and Rebid the Sewer Capacity Restoration and Repair Project. Engineer’s Opinion of Probable Construction Cost: \$565,000.00.
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MOTION – Mr. O’Malley moved and Mr. Sulik seconded to adopt Resolution No. 112-13. Without objection, the motion carried unanimously.

Authorization to Issue Request for Proposals (RFPs)

Resolution No. 113-13	RFPs for Internal Audit Professional Services 2013-2016. Cost: Not-to-Exceed \$635,000.00.
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MOTION – Mayor DeGeeter moved and Mayor Bacci seconded to adopt Resolution No. 113-13. Without objection, the motion carried unanimously.

Authorization to Enter Into Agreement

Resolution No. 114-13

Authorizing the Executive Director to Enter Into Regional Stormwater Management Program Community Cost-Share Program Agreements with Member Communities.

MOTION – Mayor Starr moved and Mr. O’Malley seconded to adopt Resolution No. 114-13. After discussion and without objection, the motion carried unanimously.

Mr. Brown questioned if these agreements were sent out for community comment. Discussion was turned over to Director of Watershed Program, Frank Greenland.

Mr. Greenland clarified that this is for implementation of the CCSP. The District is tracking revenue collection and 25% goes back to the communities. The communities apply for the CCSP and the District approves the application. The communities first complete the work and the District reimburses them. This simply allows us to implement the process.

Executive Director Ciaccia added that the District needs a resolution in order to distribute the funds.

Mr. Brown inquired if the agreements are circulating with the member communities for comment wherein Executive Director Ciaccia affirmed.

Mr. Brown commented that since this is for a reimbursement from the District, the project will have to be funded upfront by the communities prior to drawing down those funds. Mr. Brown suggested that the District be clear about the process since it may present a challenge for some of the member communities. Many communities have not completed stormwater projects in the past due to a lack of funding.

Authorization to Enter Into Contract

Resolution No. 115-13

One-Year Contract with URS for Professional Services for the Stormwater Inspection and Inventory Project. Contract Amount: \$1,749,636.00.

Resolution No. 116-13

Three-Year Contracts with Arcadis, MWH, and CH2M Hill to Provide Stormwater Technical Support and Professional Design Services for the Stream Restoration and Bank Stabilization General Engineering Services Project. Total Amount of Contracts: \$4,500,000.00.

Resolution No. 117-13

Five-Year Contract, Under the State Term Schedule, with AT&T Global Services for Opteman Telecommunications and Internet Services. Cost: \$486,225.00.

Resolution No. 118-13

Two-Year Requirement Contract with Emerald Environmental for Ash Removal at the Westerly Wastewater Treatment Plant. Cost: \$210,660.80.

MOTION – Mayor Bacci moved and Mr. Sulik seconded to adopt Resolution Nos. 115-13 through 118-13. Without objection, the motion carried unanimously.

Authorization of Contract Modification

Resolution No. 119-13

Modification and Final Adjustment of Contract No. 11002290 with Nerone and Sons, Inc. for the Rehabilitation of Automated Regulators (RAR-5) Project. Cost: A Decrease in the Amount of \$134,760.74 Bringing the Total Contract Price to \$1,519,239.26.

MOTION – Mayor DeGeeter moved and Mayor Starr seconded to adopt Resolution No. 119-13. Without objection, the motion carried unanimously.

Sewer Use Code Matters

Resolution No. 120-13

Authorizing the Hearing Examiner to Provide a Sewer Account Credit to Barbara Henninger for Sewer Account No. 8163050000. Cost: \$557.35.

Resolution No. 121-13

Adopting the Findings of the Hearing Examiner with Regard to the Sewer Account of Bruce Hotz, Sewer District Case No. 13-011.

MOTION – Mayor Bacci moved and Mr. O’Malley seconded to adopt Resolution Nos. 120-13 and 121-13. Without objection, the motion carried unanimously.

Authorization to Ratify Agreement

Resolution No. 122-13

Ratify Location Agreements with Vita-Ray Productions II, LLC for Temporary Lease of District Premises for Purposes of Filming.

MOTION – Mayor Bacci moved and Mr. Sulik seconded to adopt Resolution No. 122-13. Without objection, the motion carried unanimously.

VI. Information Items

1. Bill Separation Project Presentation.

City of the Cleveland, Director of Public Utilities, Paul Bender, was present to discuss the City’s bill separation plan. Executive Director Ciaccia requested the Board to consider allowing Mr. Bender to address his comments first since he is an external presenter. Executive Director Ciaccia’s request was granted by the Board.

Mr. Bender thanked the Board for inviting him and he stated that the City of Cleveland, Division of Water (hereinafter “CWD”) has many ongoing, exciting projects. The automated metering program is moving forward. Of the 420,000 meters that will be changed, 85,000 have been installed. Mr. Bender noted that 800 meters are changed daily and that the CWD is achieving significant billing improvements due to the actual meter readings.

The CWD is designing a new website which will include online billing applications. The automatic readings will be available for customers’ viewing. The commercial customers have shown a particular interest in this application because it enables them to monitor water usage and many companies are striving to be more efficient with water consumption. Mr. Bender noted that the website will go live at the end of 2013.

Mr. Bender advised that the CWD has decided to re-separate the water and sewer bills and he stated that the bills are getting larger, which is typical for utilities across the

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country. The CWD has received much feedback with respect to the quarterly bill. The water and sewer are handled by two separate entities, which caused some confusion for the customers. Mr. Bender advised that going back to a separate bill will enable the CWD and District to present the rationale behind the issues at each billing cycle. Mr. Bender advised that the project is underway and will go live at the end of 2013. The CWD also plans moving from quarterly billing to monthly billing in 2015. The automated metering program must be substantially completed first prior to that initiative and that will occur towards the end of 2014.

Mr. Bender entertained questions from the Board.

Mr. Sulik stated that the combined billing went into effect about three years ago and that money and time were expended in order to complete that initiative. He questioned as to the estimated amount the CWD will be spending in order to re-separate the bills. Mr. Sulik stated that it seemed senseless to spend money to combine the bills and then re-separate the bills three year later.

Mr. Bender explained that the new billing system is modern and will involve some re-configuration and very little cost is associated with that aspect of the change. Most of the cost will be associated with changes in the processes and billing operations. The CWD wants to ensure that the calls are being handled properly in order ensure a good customer experience.

Mr. Sulik questioned, "Wouldn't the paper be doubled and the postage be doubled and the envelopes be doubled and the processing be doubled?"

Mr. Bender stated that currently the CWD can accept online payments; however, with the implementation of the new online billing system customers will have the capability to conduct online billing and access information that is currently not available to them. Mr. Bender advised that 70,000 customers pay online and that number is expected to increase with the development of a more modern website and online applications. There will be no cost increases for online billing since those bills are not mailed. There will be costs associated for customers receiving paper bills, which will primarily be postage costs. Mr. Bender noted that this amount is relatively small when compared to the savings.

Mr. Sulik inquired about the anticipated savings.

Mr. Bender advised that the CWD employs 55 meter readers and the automated metering application will result in a reduction of meter readers. The CWD plans keeping three or four meter readers while transitioning the remaining into other positions. Mr. Bender stated that there are approximately 60 people handling customer service issues mostly related to the billing questions. The volume of calls is expected to decrease with the

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implementation of the automated metering system. Mr. Bender advised that the CWD estimates millions of dollars in savings due to the ongoing projects.

Mr. Sulik questioned if those savings will result in a reduction to the customer's bills.

Mr. Bender replied that it will reduce the cost of service which will impact the fees charged to the District and communities for billing services provided by the CWD. He explained that the CWD rates are based on cost recovery; therefore, when the CWD's costs are down, then the rates are down.

Mayor Bacci commented that he was unsure whether Mr. Sulik's initial question was adequately answered and he questioned why is the CWD taking one bill and making it two? He congratulated Mr. Bender on the projected cost saving measures with respect to the billing, however, the CWD is "raising a cost that we're not sure is necessary in splitting the bill."

Mr. Bender indicated that there will be additional cost for postage.

Mayor Bacci questioned, "What is the reason for splitting the bills?"

Mr. Bender stated, "Size of the bill and clarity." He advised that the bill is becoming large and that the CWD receives many questions about the size of the bill. The CWD has to explain the amount of the bill and the customers are confused as to which utility handles each service. It will be very clear with two bills and the amount will be reduced as well. If a customer has water-related concerns, then those can be addressed separately and the same applies for sewer inquiries.

Mayor Bacci questioned if the local charges will be on the water bill?

Mr. Bender replied that the local charges will remain on the water bill for the time being, however, discussions have ensued as to whether the sewer charges should be combined on one bill. Mr. Bender explained it would be a relatively simple task to achieve if that is what the interested parties decide.

Mayor Bacci questioned if the customers will become re-confused with the new process.

Mr. Bender believed that the separate bills will improve clarity and that it will be much easier for the customers to understand, which supports the City's decision to move forward with its decision.

Mr. Sulik questioned whether the City conducted customer surveys wherein Mr. Bender affirmed.

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Mr. Sulik questioned whether “one bill was a customer recommendation?” Mr. Bender advised that he was not aware of that particular finding. The survey results indicated that most customers believe that the CWD provides the sewer services.

Mayor Starr questioned if the combined bill clearly explains the water, sewer and stormwater components. Mayor Starr commented that the District engaged in a marvelous marketing plan to explain the new stormwater fee, so customers can differentiate between water, sewer and stormwater.

Mr. Bender advised that he was not aware of the City including an explanation in each bill and that can be simply achieved by issuing separate bills.

Mayor Starr commented that the desired outcome is to educate the average person on which agency to credit or blame.

Executive Director Ciaccia noted that the current combined bill does differentiate between the water, sewer and local charges. Mr. Bender agreed and stated that the charges for each utility are clearly identified.

Mayor DeGeeter stated that three years ago the public was advised that combining the bills would be more efficient and cost effective and he questioned if that information was contrary to the proposed initiative. Mayor DeGeeter commented that the public does not favor change.

Mr. Bender indicated that he was not employed by the CWD at the time of the initial rollout of the combined billing. He is therefore uncertain of the analyses or the rationale that supported moving to the combined billing system. Mr. Bender believed that the driving factor was cost savings and he agreed that there is postage savings with a combined bill. However, it is a relatively small amount compared to the total cost of billing and efficiencies the CWD will gain. Those need to be balanced and certainly there will be some additional costs associated with the separate bill.

Mr. Brown commented that the Board raised some valid points. He suggested that the Board revisit the District’s study findings on the marketing impacts. The customers were familiar with the CWD and the District; however, they were unsure as to which utility handled which service. Mr. Brown advised that the need to provide clarity should be a principal driver and that much outreach efforts are necessary in order to achieve that outcome.

Executive Director Ciaccia agreed that it will be a constant challenge. The customer service survey findings indicated that there is much confusion amongst the customers as

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to which agency handles the utilities, but this is not limited to the District and the CWD, it also includes city and county governments. Sewers, for example, can be maintained by the District or owned by the communities and serviced by the county. It creates confusion for the customers and as a result these challenges will not be addressed simply by having effective branding on a bill. At some point, the District will have to decide whether it is worth spending the money on a public campaign to address those issues.

Mr. Brown commented that there are costs associated with the District's CSO program, Stormwater Management Program, and regular operation and those initiatives certainly improve the environment. In the last 30 years, Mr. Brown observed that the District is an entity that has done a lot of good work for this environment, unnoticed. It would be good for the District if the customers associate the improvements that are occurring with the appropriate entity. Executive Director Ciaccia agreed.

There were no more questions for Mr. Bender.

Executive Director Ciaccia commented that the Mike McGing was assigned to spearhead this project with the CWD and that the agencies are working well together.

Mr. Brown concluded that the District and the CWD are two great regional assets and although it may take a few years, the customers will see the long-term benefits of these initiatives.

2. Northeast Ohio Regional Sewer District Financial Report and Investment Advisor Performance Report for the Three Month Period Ending March 31, 2013.

Ms. Demmerle presented the Board with an overview of the District's first quarter financials and she advised that the entire financial report was in the Board packet.

The overview will consist of how first quarter financials are tracking against our benchmarks. One benchmark is how we are tracking against the rate study projections developed from the 2011 rate study. Ms. Demmerle presented the Board with an update on how revenues and expenses are tracking against the operating budget, and compare those of prior years, and the tracking of the Capital Improvement Program (hereinafter "CIP") spending against capital cash flow projections Ms. Demmerle advised that she will discuss the CCSP amounts collected as of March 31, 2013 and the allocation of those funds. She will also present the investment portfolio and financial metrics.

Ms. Demmerle moved discussion to the March 31st results against the 2011 rate study projections. Sewer rate revenue is tracking well against those projections. The operations and maintenance (hereinafter "O&M") expenses as well as debt service

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payments are tracking slightly under. Overall, the District is operating in a positive variance against rate study projections.

Ms. Demmerle moved discussion to the total operating budget wherein she advised that the wastewater budget is \$223 million of which \$206 million is for sewer and \$17 million is for stormwater. As of March 31st, sewer revenue is \$52 million and stormwater revenue is \$5 million. The District is tracking well at 26% of the budget. Operating revenues are up \$7 million when compared to past years and this increase is mainly due to stormwater fees.

Ms. Demmerle moved discussion to the District's expenses compared with the operating budget and she advised that as of March 31st the District spent \$24 million on sewer and \$100,000 on stormwater. Those amounts are expected to increase as contracts are awarded, but the District is operating within budget. Ms. Demmerle advised that as of March 31st, the District spent \$23.9 million compared to \$22.5 million in 2012. The major increase in expenses is due to the implementation of the SMP. The District spent about \$200,000 for the Stormwater Master Plan and General Engineering Services for stormwater designing. The District hired additional personnel toward the end of 2012 to transition internal resources to handle Program Management functions as said program nears completion.

Ms. Demmerle referred to a chart of the Engineering and Construction CIP. The purple line represented CIP cash flow projections whereas the black line showed actual cash payments as well as District projections. The District anticipates spending \$237 million for its CIP. The blue line indicated capital cash balance, which is slowly decreasing. The District received \$250 million of bond proceeds in April, which represented the increase up to \$350 million, which slowly decreases as the District continues its CIP. The District anticipates ending 2013 with \$211 million cash.

Ms. Demmerle referred to a chart which showed the CCSP and she advised that the District collected \$611,000. The District is one month behind in cash collection so this amount represents what was collected through February. Ms. Demmerle noted that to date, the District collected \$4.3 million and has about \$1.1 million in CCSP. Ms. Demmerle advised that page 26 of the financial report lists the communities and those cost share allocations as of March.

Ms. Demmerle moved discussion the investment portfolio and she advised that as of March 31st, the District has \$204 million invested of which 74% of those investments are in government agencies. The rate of return is .07% which is exceeding the District's benchmark of .05%.

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Ms. Demmerle referred to a chart depicting the remaining financial metrics and she advised that the District is meeting its targets. Ms. Demmerle noted that the District is meeting its debt service coverage, which was highlighted in yellow.

Ms. Demmerle concluded her presentation and advised that as of March 31st, the District is meeting its targets and rate study projections. The District is operating within budget and its financial metrics.

Mr. Brown commented that Ms. Demmerle provided the Board with a good report and there were no questions for Ms. Demmerle.

3. Tuition Assistance Program Presentation.

Ms. Haqq introduced Gina Camiola, internal OED Consultant, who presented the Board with an overview of the Tuition Assistance Program (hereinafter "TAP").

Ms. Camiola stated that she was pleased to discuss TAP and the benefits it provides to District employees. Today's discussion included an overview of TAP, administration of the program and the recent statistics and usage of the program. Three employees shared their personal TAP experience and the benefits associated with being a TAP participant.

Ms. Camiola advised that organizations choose to offer tuition assistance benefits for a variety of strategic reasons. First, it helps to attract talent into our workforce. Many job seekers look for opportunities to continue their education. They desire employment with organizations that provide financial assistance so that they may achieve desired degree and career opportunities. TAP also helps retain employees and Ms. Camiola advised that employees completing coursework towards an undergraduate or graduate degree tend to stay with the District while completing their degree. TAP occasionally provides an employee with an opportunity to move from one area of the District to another. For instance, if a WQIS investigator would like to work in Finance, he or she may decide to pursue an MBA in order to move into that part of the organization. TAP also helps build the skills and capabilities of our workforce, which positions the District for future success.

Ms. Camiola stated that the world is rapidly evolving and technology is continuously changing. It is therefore important for our workforce to stay current and when employees are committed to continuing their education, they are able to acquire new skills through colleges and universities which keep the skills of the workforce current.

Ms. Camiola moved discussion to the administration of TAP. She advised that the Office of Employee Development (hereinafter "OED") administers the District's TAP which is a benefit available to all employees who meet certain eligibility criteria. Employees need

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to be full-time and in good standing. The employee must obtain approval from his or her manager or supervisor to take courses covered under TAP. Ms. Camiola advised that the courses must be part of a degree or certificate program, which commonly means that people are working toward an undergraduate or a graduate degree. The coursework must be aligned with District objectives. She provided the Board with the example that if an employee desired to obtain a Master's Degree in French, then that coursework would not be approved since foreign language "is not necessarily something that's applicable to the work we do here at the District." If an employee pursues a degree in engineering, finance or public administration, then "those are all degrees that would make sense and could contribute to the work we do here."

Ms. Camiola moved discussion to the TAP process. Employees complete a form explaining the reasoning for their desired coursework on how that will be applicable to the District's developmental needs. He or she then obtains the appropriate approvals which include consent from their supervisor, Ms. Camiola and Ms. Haqq. Upon completion of the course, the employee submits paperwork and includes his or her final grade. Ms. Camiola advised that there are expectations with respect to the grades. There are also limits established for graduate and undergraduate degrees. Employees are eligible to receive up to \$5,100 for undergraduate degrees per calendar year, and just under \$6,300 for graduate degrees per year.

Ms. Camiola moved discussion to the statistics for the last three full calendar years. In 2010, the District spent approximately \$161,000 in tuition reimbursement for 58 employees who took advantage of TAP. In 2011, the District spent \$193,000 for 69 employees participating in TAP. In 2012, the District spent \$156,000 for 64 employees participating in TAP. The District spent about \$40,000 in reimbursements through April 2013, which annualized is around \$120,000.

Ms. Camiola advised that TAP was introduced as a benefit to District employees in 1992 and since its inception, almost 350 employees completed coursework through TAP. Ms. Camiola advised that she received "really great feedback about how people have personally benefited from being able to utilize tuition assistance to better themselves and their opportunities in terms of their career," the impacts to the District and how those learned skills and abilities have applied to the individual's work.

Ms. Camiola then turned discussion over to three employees to share their success stories with the Board. Ms. Camiola stated that these are "outstanding examples of individuals who have had the commitment to furthering their education and their career opportunities." Ms. Camiola introduced Brian Anielski, plant maintenance manager at Southerly, Kathryn Crestani, unit process manager at Southerly, and Tana Powell, executive assistant to the Director of Human Resources.

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Mr. Anielski advised that he is a plant maintenance manager at Southerly and began employment with the District in 2003. He first participated in TAP to earn two certificates; one through a District core learning program and the other was a Dale Carnegie communications course. From there, he earned his Bachelor's Degree in Public Safety Management at Cleveland State University (hereinafter "CSU"). He continued on to earn a Master's Degree in Public Administration from CSU as well. Although TAP did not cover all of his classes, it provided him with much financial assistance. Mr. Anielski was promoted to maintenance supervisor at Southerly and was recently promoted to maintenance manager. Mr. Anielski advised that CSU provided him with many skills including critical thinking, which he uses daily. He noted that he will be preparing an annual budget for his unit.

Ms. Crestani advised that she is a unit process manager at Southerly, a position which she has held for eight months. Prior to that, she spent eight years in Water Quality and Industrial Surveillance (hereinafter "WQIS"). Ms. Crestani indicated that she appreciates TAP because without it she would not be able to work towards her MBA, which she is currently pursuing through CSU since August of 2010. Ms. Crestani advised that she wanted to invest her personal time and energy into this degree, but was missing the funding and TAP has provided her with that.

Ms. Crestani stated that working on her MBA has helped enhance her professionalism. She noted that the MBA curriculum involves presentations, group projects, reporting skills and documentation, which are all skills that Ms. Crestani uses in her daily work at the District.

Ms. Crestani stated that multitasking, prioritization and stress management are all skills she has acquired and uses those daily to manage an active family, busy career and coursework.

Ms. Crestani referred to the comments previously made by Ms. Camiola regarding the correlation between TAP and employee retention and she stated that she is "proud to work for an organization that puts this kind of investment into its employees."

Ms. Powell advised that she is executive assistant to the Director of HR, Douglas Dykes. She began her career 13 years ago in the District's Legal Department as a legal assistant. Ms. Powell indicated that she always wanted to obtain a degree and began coursework towards her Associates Degree in Business in 2008, which she completed in 2009. Ms. Powell obtained her Bachelor's Degree in Management in 2011. Ms. Powell indicated that she decided to enhance her credibility as an HR professional by obtaining her PHR Certification in 2012.

Ms. Powell stated that, “Combining my strength as an administrator and my passion towards helping people to pursue their own success, I decided that I wanted to continue to be a great fit in HR, developing as a transformational leader and my goal continues to be a strategic HR business partner inside of the organization.”

Ms. Powell concluded by showing appreciation to the District, former OED Consultant, Russ Rys, Mr. Dykes, HR team members and her family for their help and support.

Discussion was turned over to Ms. Camiola who concluded her presentation by stating that each TAP participant has their own unique perspective of the program and has achieved benefits that positively impact them as well as the entire organization. Some TAP participants have been able to advance their careers within the District.

Mr. Brown thanked those employees for sharing their great success stories with the Board and he stated that it sounds like a great program.

There were no questions for Ms. Camiola.

4. Program Management Status Report and Update – April, 2013.

Ms. Rotunno referred to the monthly summary included in the Board packet and she advised that on the back page was a pie chart listing the current projects. According to the chart, there is \$624 million worth of active construction contracts and \$141 million in active professional services contracts, bringing it to a total of over \$765 million active CIP projects being managed by the District. Ms. Rotunno noted that with respect to the annual cash flow of \$230 million, the District is managing much more on a daily basis.

Ms. Rotunno moved discussion to Project Clean Lake and she advised that the ECT project is moving along with more than 50% of the tunnel length mined. The Tunnel Boring Machine (hereinafter “TBM”) mined under Lake Erie and back without incident. Ms. Rotunno stated that the ECT project is going well.

The District continues excavation at Shaft 2 and Shaft 3, near Beulah Park, and started the final concrete lining of Shaft 5, which will be the exit shaft for the TBM.

Community involvement with Beulah Park residents and the surrounding neighborhood is ongoing. The District holds monthly meetings and updates the residents through blogs and email.

Ms. Rotunno advised that the cavern for the Easterly Tunnel Dewatering Pump Station (hereinafter “ETPS”) has slowed production. The pincushion for the rock bolts in the ceiling has not yielded movement. Consequently, the engineer specified increasing the

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bolt length and increasing the amount of bolts. Those bolts have been ordered and the contractor will be able to install the final support system once those arrive. The contractor remains productive as the final layer of shotcrete is being applied. Additional instrumentation will be installed to monitor the movement of the rock. Meanwhile, the District continues evaluating the schedule and any financial or commercial impacts that may result from the delay of the bolts. Ms. Rotunno noted that the District and contractor are working closely together. Although it is not contentious at this point, once those bolts arrive on site, there may be reduced production and potential delay issues that will need to be addressed.

Ms. Rotunno moved discussion to the REF and she advised that the project is adequately moving along. The contractor conducted the Boil Out/Bake Out (hereinafter "BOBO") of Boiler Number 3. The District had hoped to incinerate sludge the third week of May. That has been delayed however due to start up issues involving the make up water in the boilers. Ms. Rotunno noted that the District continues working with two contractors that are responsible for independent pieces of the project that have to somehow work together. It appears that the REF is proceeding within budget of the additional authorization granted by the Board.

Ms. Rotunno moved discussion to the Key Performance Indicators (hereinafter "KPIs") and she advised that the District is slightly behind on its cash flow and this is mainly attributed to the reduced production at the ETDPS and REF projects. There are also contractors invoicing late on a few projects.

Ms. Rotunno moved discussion to the business opportunity goals and she advised that this cash flow is lagging as well.

Ms. Rotunno moved discussion to construction project close outs wherein she advised that she resurrected a former graphic used to detail individual project close outs. The goals established by the District, depicted in blue, were compared with the goal upon completion. Ms. Rotunno was pleased to note that the first three projects exceeded the District's goals for business opportunity participation.

Ms. Rotunno noted that there was nothing new to report on the bid, design, and value engineering KPIs and that there were no additional construction project close outs.

Ms. Rotunno advised that the Easterly Aerated Grit project was rewarded on time.

Ms. Rotunno moved discussion to the KPI for the delivery of closed projects and she advised that the cumulative average variance is approximately 303 days which includes the Mill Creek Tunnel Phase 3 and Lee Road Relief Sewer projects.

Ms. Rotunno concluded her presentation with a quote by former President Theodore Roosevelt, "The only man who makes no mistake is the person who does nothing."

Mr. Brown complimented Ms. Rotunno's report and he advised that the Board appreciates having this tool to help track the CIP.

VII. Public Session

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

VIII. Open Session

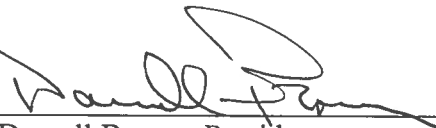
There were no items for discussion.

IX. Adjournment

MOTION – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved and Mr. O'Malley seconded the motion to adjourn at 1:51 p.m. Without objection, the motion carried unanimously.



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



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