MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
MARCH 6, 2014

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
W. O’Malley
J. Bacci
T. DeGeeter
S. Dumas
R. Stefanik

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

II. Approval of Minutes

MOTION – Mr. O’Malley moved and Mayor DeGeeter seconded to approve the minutes of the February 20, 2014, Board Meeting. Without objection, the motion carried unanimously.

III. Installation of Board Members

Mr. Brown welcomed new Board members Ms. Dumas and Mayor Stefanik and advised that they were to be sworn in during today’s meeting.

Mr. Brown advised that due to the departure of Ms. Kelly there is a vacancy for the role of Secretary to the Board. Mr. Brown appointed Mr. O’Malley to serve as interim Secretary until the next election of officers.

Marlene Sundheimer, Director of Law, administered the Oaths of Office to Mr. O’Malley, Ms. Dumas and Mayor Stefanik.

Mr. Brown stated that long-serving Board members recently departed and during that time the District did a lot of good work with many important issues -- including the budget, the 10-year
financial forecast for the organization and issues related to the $3 billion Combined Sewer Overflow Long-Term Control Plan (hereinafter “CSO LTCP”) and green infrastructure. A lot of important work needs to be done to balance the needs of the environment with the needs of the region and the financial impacts it has on the ratepayers.

IV. Public Session

Executive Director Ciaccia informed the Board that no one signed up to speak about a specific agenda topic.

V. Executive Director’s Report

Executive Director Ciaccia welcomed Mayor Stefanik and Ms. Dumas to the organization. He noted that Channel 20 was present, which is the City of Cleveland’s channel. He welcomed their presence because much of the District’s work is relevant to Cleveland.

Moving to his report, he advised that the hot topic lately has been the news coverage from the Northeast Ohio Media Group and The Plain Dealer relative to the CSO LTCP consent decree and how green infrastructure will be applied within that program.

District staff was very progressive to include green infrastructure in the consent order; it includes the ability to commit $80 million to green infrastructure in the first eight years but also to trade and install more green in lieu of gray infrastructure under Appendix 4. Three years have transpired since the consent decree’s conception and there is a lot of work to be done and many opportunities for green infrastructure.

The impetus for the series of stories was a gentleman who asked why the District’s consent decree was not as green as Philadelphia’s plan. That individual “went down a rabbit hole ... and that is where he should stay,” because that is an invalid comparison, as Executive Director Ciaccia has explained on numerous occasions.

Executive Director Ciaccia stated that it is a shame that the reductions in overflows during the tenure of former District Executive Director Erwin Odeal continues to be dismissed. During his tenure half of the CSO overflows in the region were mitigated at a very competitive price, when grants were available and construction was cheaper. As a result, the District is in a much better position than Philadelphia from that standpoint. The gray in those days beats green financially.

Executive Director Ciaccia explained that a valid issue is what will be done from this point with the flexibility in the consent order. Appendix 3 contains $80 million worth of projects -- one of which is on the agenda today to award. There are also opportunities in Appendix 4 to trade gray for green and opportunities are already starting to present themselves. Whether they will be cheaper is debatable; however, they will be good for the community from a co-benefit
standpoint. Whether the community accepts some of the plans is not known and will require public engagement because there will be varying philosophies regarding what to do with vacant land.

Executive Director Ciaccia advised that a video roundtable recently took place on the subject of green infrastructure with him, a former Board member and Terry Schwarz [Director of Cleveland Urban Design Collaborative]. The former Board member was very critical that so far only 83 vacant properties have been accumulated of the 15,000 vacant properties in the city of Cleveland. Subsequently, Executive Director Ciaccia found out it was actually more than 100 properties had been acquired for green infrastructure projects.

Executive Director Ciaccia stated that it was presumptuous of a mayor of a suburban community to determine what Cleveland Mayor Jackson wants to do with the vacant lots in his community. This is a community debate on a neighborhood-by-neighborhood basis.

Executive Director Ciaccia stated that Ms. Schwarz did a fine job making those points. Staff will convene and engage with neighborhood groups. He did not know if The Plain Dealer attempted to interview them but they were not included in the stories. They did attempt to interview some of the community mayors and most of them did not want to talk about it.

The District has engaged on the neighborhood community level; however, a takeaway from the series of stories is that some external broad-thinking individuals need to be engaged better. Executive Director Ciaccia explained that staff will reorganize its messaging. Additionally, he and President Brown co-authored an op-ed that was posted on Cleveland.com and they feel confident about the position they have taken.

Executive Director Ciaccia stated that it was an appropriate time to have this discussion and he does not begrudge having it. Overall the stories were balanced but it took a while to get there in each story.

Executive Director Ciaccia advised that there was a healthy discussion regarding the financial obligations to carry out the program and how it affects ratepayers. Staff put the U.S. Environmental Protection Agency (hereinafter “EPA”) on notice that it intends to exercise an integrated planning approach under the CSO consent decree for future discussion with them. The consultant, Wade Trim, which is doing advanced facilities planning, has been engaged to begin integrated planning by bringing in other community issues that will be faced related to clean water, air standards, nutrients and other issues.

Staff wants to avoid pyramiding regulations and will put it together in a logical fashion that balances where the water quality benefits come from. Whether the integrated planning approach results in a reduction in the level of CSO control mandate might be a stretch for the government. Perhaps it could mean more time to carry out the programs.
Staff met with the legal firm of McMahon & DeGulis, which specializes in these kinds of deals and helped Cincinnati with their plan. A recommendation will likely be brought to the Board at the next meeting to engage them. Engineering has already done a lot of work in this area. Green infrastructure, the CSO LTCP and the Stormwater Management Program (hereinafter “SMP”) all affect the rates, as do increasing rates the Cleveland Division of Water charges.

Staff is putting together a plan. Many good things came from the series run by *The Plain Dealer* and there is a better understanding on their end of what the District is going through.

Executive Director Ciaccia stated that he had a discussion with Mayor Kurtz of Independence before this meeting. Mayor Kurtz is also the current president of the Suburban Mayors and Managers Association. They discussed possibly convening a meeting because the District needs them and Cleveland so the EPA hears everyone in the community. The entire community must be unified to have any effect on the EPA to change the consent order.

Executive Director Ciaccia stated that the Ohio Supreme Court accepted the District’s appeal of the stormwater litigation. Staff is organizing around the communities that were in support of the District’s appeal and will be asking them for amicus briefs.

Mr. Brown stated that the consent decree has been discussed since the early 2000s. There are a couple of “openers” contained wherein for green infrastructure and they also anticipated at an appropriate time having a discussion with the government about the cost to get to achieve the final percentages of removal in the system. Furthermore, they anticipated discussing whether there was an appreciable cost benefit to that percentage to achieve that outcome so money is not spent needlessly for incremental benefit.

Mr. Brown stated that all agree the Board and staff has a responsibility protecting the environment but there is always the issue of cost. The economic projections that determined affordability have not panned out and the local regional economy is not doing as well as was assumed when the consent order was consummated. These are important factors that affect what rate structure should be.

The budget hearing was an eye-opener because rates are continuing to increase and will be of concern to the community. The revenue required to complete these projects increases exponentially after 2017 or 2018. The District has a tough role ahead in terms of how to right-size this so it makes sense for the federal government, the organization and the ratepayers.

Executive Director Ciaccia stated that from a financial standpoint it is important to emphasize that the District is a capital-driven organization. It is important to be efficient and keep Operations & Maintenance costs in line; however, the focus should be on the capital side and its mandates and to not get whipsawed into believing a political statement that they are not efficient. That is why we have to get to the table with the government.
There is movement in Congress as Senator Sherrod Brown has been steadfastly trying to get a new affordability bill passed. Staff is on board with that notion as are some members of the House of Representatives.

VI. Action Items

Authorization to Amend Resolution

Resolution No. 36-14

Amend Resolution No. 154-13 and Adopt 2014 Operating and Capital Budgets (Subject to Change per Review at Finance Committee Meeting).

MOTION – Mr. Sulik moved and Mr. O’Malley seconded to adopt Resolution No. 36-14. After discussion and without objection, the motion carried unanimously.

Mr. Brown asked the chairman of the Finance Committee to comment.

Mr. Sulik stated that the Finance Committee met on March 4 to review the 2014 budget and the 10-Year Long-Term Financial Plan. The net revenue increase is approximately $10 million over 2013 and is mainly due to the rate increase.

The total budget expenses increase by about $8 million. Major factors are salaries and related benefits, solids handlings for the Renewable Energy Facility (hereinafter “REF”) -- an anticipated allowance for $6 million that hopefully that will not have to be used – and chemicals for the REF sludge dewatering polymers of $2 million. These costs have been offset somewhat by the reduction in professional services of $5.5 million due to the SMP being put on hold.

The 10-Year Long-Term Financial Plan was reviewed with great apprehension. Projected Operations & Maintenance expenses escalated $57 million over 10 years. Capital improvement projects over the 10-year period are projected to cost $2.2 billion with expenditures of over $250 million from 2015 through 2019. The annual debt will rise from $78 million in 2014 to $162 million by 2023. An estimated average annual increase of 9.8% would be needed to meet these expenditures.

Mr. Sulik advised that the Finance Committee asked the Executive Director and senior staff to reevaluate all expenditures and to meet with respective government agencies regarding the affordability of the projected projects in relationship to the current economic conditions in the service area.

That Committee recommended the passage of the 2014 budget.
Authorization to Advertise

Resolution No. 37-14
Two-Year Requirement Contract for Grit and Screenings Disposal at All Wastewater Treatment Plants. Anticipated Expenditure: $920,000.00.

Resolution No. 38-14
Three-Year Requirement Contract for Industrial Gases for Use at All Wastewater Treatment Plants, Water Quality and Industrial Surveillance Department and Analytical Services Department. Anticipated Expenditure: $170,000.00.

MOTION – Mayor Bacci moved and Mayor DeGeeter seconded to adopt Resolution Nos. 37-14 and 38-14. After discussion and without objection, the motion carried unanimously.

Authorization of to Issue Request for Proposals (RFPs)

Resolution No. 39-14
RFPs for Professional Services for Information Technology Organizational Assessment.

Resolution No. 40-14
RFPs for Professional Services for the CSO-045 Preliminary Design Project.

Resolution No. 41-14
RFPs for Design and Construction Administration/Resident Project Representation Services for the Superior-Stones-Canal CSO Improvements Project.

MOTION – Mr. Sulik moved and Mayor Bacci seconded to adopt Resolution Nos. 39-14 through 41-14. After discussion and without objection, the motion carried unanimously.

Mr. Brown stated that these are projects are affiliated with the CSO LTCP and have a relationship with the City of Cleveland. Each has pump stations that are part of this infrastructure the District is taking ownership, upgrading and improving by adding storage tanks to capture flow and reduce the discharge.

He stated that these critical projects are part of the consent order and staff is moving rapidly to complete what is required in terms of limiting the discharge to the environment. However, the District does not own or control all of the facilities or land, which necessitates a negotiation process.
Authorization to Enter Into Agreement

Resolution No. 42-14

Resolution No. 43-14
Agreement to Purchase Wetland Mitigation Bank Credits from Ohio Wetlands Foundation for the SFSS-1 Wetland Mitigation Project. Agreement Amount: $10,000.00.

MOTION – Mayor DeGeeter moved and Mr. Sulik seconded to adopt Resolution Nos. 42-14 and 43-14. After discussion and without objection, the motion carried unanimously.

Authorization of Enter Into Contract

Resolution No. 44-14
Contract with HDR Engineering, Inc. for Design and Construction Administration/Resident Project Representation Services for the Mary Street Pump Station Upgrade Project. Contract Amount: $1,720,258.00.

Resolution No. 45-14

MOTION – Mr. O’Malley moved and Mayor Bacci seconded to adopt Resolution Nos. 44-14 and 45-14. After discussion and without objection, the motion carried unanimously.

Regarding Resolution No. 45-14, Executive Director Ciaccia stated that staff recommended the second-lowest bidder, which was less than $8,000 difference on a contract over $200 million. The subcontracting opportunity presented by Nerone was substantially more than the lowest bidder.

The level of effort into securing subcontractors was significant and since the overall dollar value being nominal, staff recommended Nerone as the lowest and best bidder. Executive Director Ciaccia explained that staff will need to examine how goals are set on such projects. Staff would like non-traditional contractors to get work and he was not sure there was an even playing field for these types of jobs.
VII.  Information Items

There were no Information Items.

VIII.  Public Session (any subject matter)

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

IX.  Open Session

There were no items for discussion.

X.  Executive Session

There were no items for discussion.

XI.  Adjournment

MOTION – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved and Mr. Sulik seconded the motion to adjourn at 1:05 p.m. Without objection, the motion carried unanimously.

Walter O’Malley, Secretary
Board of Trustees
Northeast Ohio Regional Sewer District

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