

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
JUNE 2, 2016

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 Secretary informed the President that a quorum was in attendance.

II. Approval of Minutes

MOTION – Mayor Bacci moved and Mr. Sulik seconded to approve the minutes of the May 19, 2016, Board Meeting. Without objection, the motion carried unanimously.

III. Public Session

Chief Executive Officer (CEO) Ciaccia advised that no one signed up to speak on a specific item.

IV. Chief Executive Officer's Report

CEO Ciaccia reported that staff held two road-show meetings and explained some of the services the District provides and what rate structure is being contemplated for the years 2017 through 2021.

Additionally, a number of meetings relative to stormwater management have been held with the Richmond Heights Service Committee, Independence Community meeting, South Euclid City Council, Walton Hills Town Hall, Walton Hills business luncheon and Richmond Heights

Community roundtable. Some staff attended those meetings as well and responded to rate-related issues.

The District was notified by the U.S. EPA that the Woodland Central Green Infrastructure Project was awarded a \$200,000 grant for Brownfield cleanup of that site.

Closing the report, CEO Ciaccia recognized that Jim Davidson was retiring as the Manager of Safety and Security.

V. Action Items

Authorization to Advertise

Resolution No. 158-16	Advertise for Seven Heavy Duty Pick-Up Trucks with Utility Service Bodies for Sewer System Maintenance and Operation. Anticipated Expenditure: \$420,000.00.
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MOTION – Mayor Stefanik moved and Mayor Bacci seconded to adopt Resolution No. 158-16. After discussion and without objection, the motion carried unanimously.

Authorization to Issue Request for Proposals (RFPs)

Resolution No. 159-16	RFPs for the GJM Core Switch Upgrade Project. Anticipated Expenditure: \$150,000.00.
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MOTION – Mr. Sulik moved and Mr. O'Malley seconded to adopt Resolution No. 159-16. After discussion and without objection, the motion carried unanimously.

Authorization to Purchase

Resolution No. 160-16	Purchase Four Ford Explorer Sport Utility Vehicles and Ten John Deere Utility Carts Through the State of Ohio Procurement Program. Cost: Not-To-Exceed \$298,000.00.
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MOTION – Mayor Bacci moved and Mayor DeGeeter seconded to adopt Resolution No. 160-16. After discussion and without objection, the motion carried unanimously.

Authorization to Enter Into Contract

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advised that this is going to be one of the most sophisticated projects the District has done and staff wanted it under a program management environment. The District does not have the skill set to provide the services in-house. This contract is Phase I of professional services of multiple contracts to come. Although the contract is a 4-year duration, the program itself is expected to be about seven years. The total program value is closer to \$74.5 million and is a complete revamping of automation in the three plants and the collection system.

Mr. Brown inquired what \$74 million includes, to which Mr. Bunsey replied that it includes the professional services, construction, hardware, software, and improving and replacing the fiberoptic system that is the backbone for the system.

Mr. Brown questioned why the professional services are such a large percentage of such a small capital project. Mr. Bunsey explained that programmable-logic controllers (PLCs) are the brain trust of the system and the programming is held within the PLC which does all the automation for the wastewater treatment plants. The District has approximately 240 PLCs and approximately 25 will be replaced under Phase I at Westerly.

The program is needed because about 60% of PLCs are obsolete.

Mr. Bunsey explained that the PLCs are supported by power systems, power supplies and other components that support architecture. That support is aging and has not been touched uniformly since the 1990s. Under the automation master plan completed in 2015, a series of improvements were requested that is folded into this program. The current Operations & Maintenance staff is maintenance-driven and is able to take care of units but as they age and need to be replaced, they do not have the bandwidth or capacity to replace these units.

The Phase I program managers set the program into motion and will do the actual programming of the PLCs. They are going to do the design for construction under separate contracts so they can oversee the installation and manage it in the field and office.

The Engineering & Construction, Information Technology and Operations & Maintenance departments have been negotiating with the consultant in the RFP process to put together a committee to steer this from the management standpoint.

Phase I is a \$19.9 million contract. A hardware and software component will follow at around \$2.7 million and the Westerly PLC upgrades and miscellaneous improvements will total about \$27.8 million for the first phase. Much of the professional services that would normally be done under a construction job are no longer going to be in construction. They're going to be part of the program manager's responsibility and we're gaining the ability to have uniformity when we roll out multiple construction contracts.

Phase II is expected to begin sometime in 2019 and might be a continuation of the current

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contract or there is an off-ramp if staff wants to go in a different direction. That phase will be about \$20.8 million for professional services and hardware/software for \$1.4 million. That component will include purchasing work stations, support software and installation. Southerly PLC upgrades will be a construction contract while Easterly PLC upgrades, collection system upgrades, the rest of the PLCs and miscellaneous improvements will cost \$200,000.

The Phase II total is \$45.7 million for a total for the seven-year program of \$73.5 million.

Ms. Dumas inquired whether a large amount of professional service was anticipated when the technological upgrades were made. Mr. Bunsey stated that the construction component is less than professional services, but a large component of the programming and integration is normally in a construction contract. It is probably significantly more than 50% of the \$19.9 million contract.

Mr. Bunsey advised that there was a previous instance in which the District had a program manager program and integrate three treatment plants and 12 to 14 different contracts. That was very successful and kept under one umbrella; it is staff's intent here is to keep these phases under one umbrella for consistency.

Mr. Brown questioned how many of the controllers will be addressed. Mr. Bunsey advised that of the 240 in the system about 150 need replacement. Phase I will replace 20.

Mr. Brown inquired whether there will be subsequent requests for similar amounts to replace the others. Mr. Bunsey explained that Phase II would include the construction of those controllers and professional services for the integration and the programming of them.

Mr. Brown questioned how long the useful life of the PLCs is. Mr. Bunsey stated that the current ones are over 20 years old and staff intends to maintain them once installed to last 15 to 20 years.

Ms. Dumas inquired whether staff anticipated the Operations & Maintenance staff to have the skill level to do this. Mr. Bunsey explained that bandwidth is the biggest issue. The full-time equivalence of programming during the hot time could be 12 to 14 individuals. The current staff that does programming with is only 2 or 3.

Mr. Brown stated that the design construction could be done in-house or externally but the IT piece is, probably the biggest component and the District does not have the ability to do. After that, someone has to take care of it. He asked staff to consider how to do this in a way that will not result in big hits in terms of project delivery for work that will be done at least two more times.

Mr. Bunsey further clarified that while the District has 240 PLCs, in a program environment the

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program manager can look across the facility for opportunities to condense those numbers so there is less equipment in the future.

Authorization of Contract Modification

Resolution No. 168-16

Modify Contract No. 15002089 with HDR Engineering, Inc. for the Southerly Second Stage Lift Station Improvements Project. Cost: An Increase in the Amount of \$799,537.00 Bringing the Total Contract Price to \$3,018,358.00.

MOTION – Mr. O’Malley moved and Mayor Stefanik seconded to adopt Resolution No. 168-16. After discussion and without objection, the motion carried unanimously.

Mr. Brown requested an explanation. Mr. Bunsey stated that staff realized that the coordination with the electrical service coming into the pump station could be optimized. The District was providing power under a different contract but this contract was driving the power needs.

That work was de-scoped for putting in transformers and motor control centers from another project -- resulting in a deduction elsewhere -- and added that to this project. The large component is the switchgear, transformers, motor control center, new electrical building and additional scope tied to this facility that was best coordinated with this project. The percentage of construction design-wise went significantly down.

Authorization to Ratify Expenditure

Resolution No. 169-16

Emergency Contract with Clean Harbors for the Jennings Road Combined Sewer Cleaning/Capacity Restoration Project. Contract Amount: \$747,817.92.

MOTION – Mr. Sulik moved and Mayor DeGeeter seconded to adopt Resolution No. 169-16. After discussion and without objection, the motion carried unanimously.

Authorization to Grant Credit

Resolution No. 170-16

Grant Sewer Account Credit to the City of Cleveland, Department of Public Utilities, for Excess Charges Resulting from a Metering Problem. Credit Amount: \$68,176.68.

Resolution No. 171-16

Grant Sewer Account Credit to MetroHealth

modified for the stormwater program, but that program's fee will be extended from 2017 through 2021.

CEO Ciaccia made clear that the resolution request does not approve any change in rates – it is simply for a 30-day notification period.

CEO Ciaccia advised that staff intends to continue to meet consent decree milestones and adhere to its schedule to avoid penalties, which contain significant financial implications. There was discussion on whether staff should try to create float in the schedules in terms of some projects and what the implications of delaying them would be.

Staff wants to meet certain financial objectives including avoiding default and maintaining the District's AA credit rating. There is some conflict between the targets for maintaining an AA rating and current Board financial policy that will need to be addressed at a later date.

These are the assumptions in creating the proposed rate modification that resulted in the 9.5% per year previously put forth to the Board.

CEO Ciaccia advised that the previous proposal included \$50 million per year in projects that might be eligible for the WPCLF loans from the State. Subsequently it was determined they have enough to fund much more than \$50 million and a much more favorable interest rate and a lower issuance cost. Staff wants to maximize that opportunity and will try to get 100% of the projects eligible to be funded through this program.

CEO Ciaccia explained that staff previously presented 13 scenarios during a working session but the current target scenario did not contemplate 100% WPCLF funds.

Staff is not recommending delaying CSO projects to the consent decree dates and believes the Board wants staff to maximize the affordability program. As a result, scenarios utilizing those actions should be removed from consideration, as well as the front-loaded rate structure. Staff does not recommend delaying or deferring operations and maintenance based on amount of the new infrastructure.

Scenario No. 11 contemplates delaying the CSO project in the use of the rate stabilization fund. The rate stabilization fund was created during the last rate period if there are problems meeting coverage. CEO Ciaccia indicated that rating agencies and the financial advisor have advised staff that it is not for holding down rates.

Jennifer Demmerle, Chief Financial Officer, explained that the rating agencies strongly discouraged the regular use of that fund; they want it replenished because it counts towards days of cash on hand. They view a recurring reliance on that fund as a credit weakness; however, even if it is used they will not count it towards coverage.

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CEO Ciaccia indicated that Scenario No. 10 was also removed from consideration because it would delay CSO projects.

Scenario No. 11 would delay CSO projects and the rate stabilization fund. Number 12 would delay CSO projects and the uncommitted capital improvement projects which are not CSO-related projects. Staff certainly does not want to get into bad asset management practices. Lastly, Scenario No. 13 was removed because it would delay CSO projects, phase in the MCIP and use the rate stabilization fund.

CEO Ciaccia advised that the scenarios remaining are better than the 9.5% scenario formerly had on the table because of the utilization of more WPCLF funds.

The other scenarios encompass 100% WPCLF loans and phase in the Member Community Infrastructure Program. Another option is to not include the MCIP, although doing so does not have any effect in this rate period. Another option would be to use the rate stabilization fund one time during the rate period in 2017 and replenish it during the rate period, which would be a rate increase of 8.3% but a little bit higher during the next rate period. Finally, another scenario has 100% loans, phases in the MCIP, uses the rate stabilization fund once in 2017, if needed, and replenishes it within the rate period.

CEO Ciaccia advised that these scenarios are as low and as comfortable as staff can make them from a risk standpoint because they want to maintain the AA rating credit rating and avoid a spike in rates during the next rate period as well. Staff finds that scenarios 8B or 8C would strike the right balance and feels comfortable managing and maintaining the District's strong financial position with either.

CEO Ciaccia advised that the notice to member communities would include a scenario with rates plugged in. He reiterated that the Board is not adopting any rates and staff will assure everyone that the Board is taking no action on the rates at this point.

Mr. Sulik inquired whether member communities would be given the five scenarios under consideration. CEO Ciaccia replied that one particular scenario would need to be chosen for notification. He noted that there are some timing issues in terms of providing figures to the Cleveland Water Department to plug into their billing system, which is moving to monthly billing and going live January 1.

Mr. Brown questioned whether this action is being done to be in compliance with the bylaws. CEO Ciaccia affirmed and stated that the bylaws require giving a 30-day notice to member communities any time there is a change to any title.

Mr. Brown stated that the original proposed rate increase was 9.5% per year and it is now 8.3%

or 8.5% and is headed in the right direction but he was not ready to vote.

Mayor DeGeeter questioned whether the Board was supposed to choose a scenario today, to which Mr. Brown stated that was what he believed CEO Ciaccia was requesting. However, he did not think he was prepared to do so at this time.

CEO Ciaccia stated that if a scenario was not chosen then the 30-day clock will begin later. He further indicated that the scenarios presented offer the best chance of succeeding during the rate period without modifications. Mr. Brown stated that the Board appreciates that sentiment but it has worked collaboratively with staff to get to this point and he was not ready to select a scenario today.

Mr. Sulik questioned whether the notice would have to be sent again if the Board was to select one scenario and then change to a different scenario later. CEO Ciaccia advised that a new notice would not be necessary because it would have provided the notice for intent to modify Title I.

Mr. Brown stated that a 9.5% per year increase was presented before and now other things came through discussion and engagement to the lower figure. CEO Ciaccia stated that he did not have another scenario that would lower rates without creating substantial risk.

Mayor DeGeeter suggested the Board schedule another special working session.

Ms. Dumas stated that although she was comfortable with one of the scenarios she did not want to get the sense that staff was tired of discussing them. CEO Ciaccia advised that he did not want that sense either but was honest in saying staff worked very hard to come to the conclusions and he did not know of another scenario that would lower rates and meet the District's obligations. The District is against a federal mandate that will require continual rate rates.

Mr. Brown stated that the Board did not necessarily expect a new scenario but another special working session to discuss them was reasonable because ultimately they bear that responsibility.

Mayor Stefanik questioned whether two more weeks would make a big difference in terms of timing. CEO Ciaccia indicated it would not make a big difference.

Mayor DeGeeter and Mayor Stefanik withdrew their motions.

After discussion, the Board agreed to meet for a special working session at 9:00 a.m. on June 14.

VI. Information Items

There were no items.

VII. Open Session

Mr. Brown appointed Mr. Sulik and Mayor Bacci to the nominating committee, as the Board is due to elect officers in July.

VIII. Public Session (any subject matter)

There were no items.

IX. Executive Session

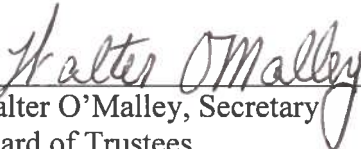
There were no items.

X. Approval of Items from Executive Session

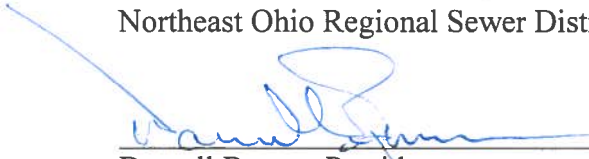
There were no items.

IX. Adjournment

MOTION – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved and Mayor DeGeeter seconded the motion to adjourn at 1:40 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