

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
JANUARY 16, 2014

Meeting of the Board of Trustees of the Northeast Ohio Regional Sewer District was called to order at 12:33 p.m. by Ronald Sulik.

I. Roll Call

PRESENT: R. Sulik
J. Bacci
T. DeGeeter
S. Kelly
W. O'Malley
G. Starr

ABSENT: D. Brown

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 December 19, 2013 Board meeting be approved. Without objection, the motion carried unanimously.

III. Public Session

Executive Director Ciaccia informed the Board that Bill Kitson from the United Way registered to speak during Public Session on a non-agenda related topic. Mr. Sulik agreed to suspend the rules and requested that Mr. Kitson proceed to the podium and address his comments to the Board.

Mr. Kitson advised that he is the President/CEO of the United Way of Greater Cleveland and he wanted to personally thank the District for its support. The United Way does not take for granted the people who make contributions to this organization. District employees continue to do a stellar job and this year's results were so exemplary that Mr. Kitson wanted to personally take the time to thank the District for its support during a public session.

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 2 of 18

Mr. Kitson advised that the employees contributed \$86,775.00 to our community including the United Way, Community Shares and the United Negro College Fund. The donations increased 13% from last year. The District has nearly doubled its campaign contributions in four years. Mr. Kitson stated that The United Way uses those dollars to invest in education within our community, help families receive financial stability, and ensure that the health needs of our community are being met.

Mr. Kitson advised that The United Way continues to focus and fine tune those areas of support so that donors across our community know exactly where their contributions are being applied.

Mr. Kitson wanted to publicly thank Executive Director Ciaccia, the Board and the staff for their help and support.

Mr. Sulik thanked Mr. Kitson and he advised that the Board is proud of the contributions and support made by the employees.

IV. Executive Director's Report

Executive Director Ciaccia moved to the first report item wherein he advised that the Board summary for budget year through December 31, 2013 was included in the Board packets. This is a preliminary report however since some invoices are still outstanding. Executive Director Ciaccia stated that revenues were close to the budget at 99.2%. Expenses were at 97.5% at \$97 million. As of today, an additional \$1 million has been accounted for since this report was prepared. Executive Director Ciaccia noted that the expense side is going to be close, which is unusual for this organization. He explained that the District assumed the expenses from the Stormwater Management Program (hereinafter "SMP") and fortunately there was enough of a cushion in the budget to accommodate those costs. Executive Director Ciaccia noted that he was satisfied with the budget year.

Executive Director Ciaccia moved to the next report item regarding stormwater litigation and he advised that the District won the class action lawsuit filed by attorneys demanding that the \$20 million in stormwater fees currently being held in an interest-bearing escrow account be moved to the court and to have the court hire administrators to refund the fees. Judge Richard McMonagle ruled in the District's favor on the refunding issue and denied the Plaintiff's motion to certify the class.

The District plans on refunding the money to its customers should the Ohio Supreme Court either decide not to take the appeal or if the District loses the appeal. The court ruled that the District's method was in the best interest of the customers since they will receive a 100% refund.

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 3 of 18

Executive Director Ciaccia explained that the District anticipates the attorneys appealing the court's decision. In the meantime, the District is waiting for the Ohio Supreme Court's decision on whether or not it will take the appeal. Director of Finance, Jennifer Demmerle, and her team are working closely with Huntington Bank to set up the mechanisms necessary for refunding the stormwater fees to the customers. Executive Director Ciaccia noted that the District will need to seek Board authorization for those services first.

Executive Director Ciaccia moved to the next report item and he advised that reporters from the *Plain Dealer* visited the District to discuss the Combined Sewer Overflow (hereinafter "CSO") consent order. They were essentially investigating how the District's program compares with other cities CSO Long Term Control programs.

Executive Director Ciaccia advised that the District's meeting with the reporters went well. Director of Engineering and Construction, Kellie Rotunno, and Director of Watershed Programs, Frank Greenland, educated the reporters on CSOs and how the District's consent order is structured. The reporters informed the District that they were going to meet with other cities before revisiting this matter with the District. Executive Director Ciaccia noted that discussions initiated about a month ago.

The reporters have since met with the City of Philadelphia, which was not surprising given Philadelphia's recent declarations of its all-green approach. Executive Director Ciaccia was under the impression that Philadelphia was the only community the reporters visited. Executive Director Ciaccia noted that the reporters will be meeting with the District again tomorrow morning.

Executive Director Ciaccia provided more context around this issue in an email to the Board members and he stated that comparing the District to Philadelphia is clearly an apples to oranges situation.

Executive Director Ciaccia noted that he and Ms. Rotunno talked with a reporter from Pittsburgh this week because Pittsburgh's program was also compared with Philadelphia. Pittsburgh is a similar regional sewer district and is working towards a consent order.

Executive Director Ciaccia advised that Philadelphia currently discharges approximately 13 billion gallons of CSOs. The District has come down from 9 billion to 4.5 billion gallons of CSOs by using traditional gray infrastructure. The District saved a lot of money in escalation costs by tackling this CSO issue early. Executive Director Ciaccia stated that former executive director, Mr. Odeal, and the past administration "got ahead of the game" by taking the necessary steps to mitigate a significant amount of CSOs. The District stands at considerably less volume than Philadelphia.

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 4 of 18

To continue with the apples to oranges comparison Executive Director Ciaccia explained that the District must achieve a higher level of control given its proximity to the Great Lakes. This region is a Great Lake city whereas Philadelphia is situated on an urban river. The District, similar to Milwaukee, must achieve 98% control. Philadelphia is going to be in the 85% control range. This is a huge difference when considering the types of infrastructure used to capture that level of control.

Philadelphia is also a city whereas the District is a regional organization which sets a different dynamic with respect to the affordability issues. Philadelphia is bounded by its city limits and the residents in the suburbs will have no “skin in the game monetarily” and therefore Philadelphia’s affordability equation was much different from the District’s.

Executive Director Ciaccia questioned whether it was fair to hold one organization to 98% capture while asking other agencies to capture only 76%. The basis of the argument would be whether Lake Erie is more sensitive than an urban river. Executive Director Ciaccia stated that the District is not in the position to make that argument nor does he agree that we should make that argument.

Executive Director Ciaccia advised that Philadelphia’s agreement is with the State of Pennsylvania. The federal government has not at this point engaged them in federal consent decree negotiations. The intent was to avoid consent decree negotiations with the feds; however, Philadelphia will be required to prove that its 100% green program will work.

Executive Director Ciaccia stated that the District is by no means criticizing Philadelphia’s 100% green program, but it was put together by second parties bearing the costs. For example, developers coming into the community will be required to meet certain codes as it relates to green infrastructure. Other city departments will maintain much of the green infrastructure. Executive Director Ciaccia stressed that it is different dynamic than what the District faces.

Executive Director Ciaccia explained that green infrastructure is a key component to the District’s CSO program. The District has methodically proceeded with its green initiative. Although the District is uncertain if green for gray infrastructure will consistently be a more feasible approach, the District does intend to continue its green initiatives.

On today’s agenda for consideration is a co-benefits analysis. Aside from the financial aspect, there are other benefits the District must identify in reference to green infrastructure. Furthermore the Environmental Protection Agency (hereinafter “EPA”) is

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 5 of 18

looking to the District to obtain information so that going forward the EPA can logically approach this matter with other systems.

Executive Director Ciaccia stated that we will have to wait and see how the Philadelphia program unfolds. He was unsure as to how Philadelphia plans to measure its control. Since Philadelphia is a city, its affordability equation was onerous, and consequently, placing US EPA in a bind with respect to enforcement of its CSO policies. At the end of the day, Philadelphia's program will still discharge 6 billion gallons of CSO, which is far more than what the District discharges today.

Executive Director Ciaccia explained that there are two appendices to the District's consent order referencing green infrastructure. Appendix 3 goes above and beyond the 98% control committed by the District. It enables the District to fully assess the financial impacts as well as the co-benefits of the green infrastructure program, which must be completed within 8 years.

Appendix 4 enables the District to trade green for gray infrastructure whereby the District has an opportunity to demonstrate how green for gray may be more economical. Executive Director Ciaccia stated that the District has its share of green elements incorporated into its CSO program which he described as a very progressive program. The EPA finds the District's program to be progressive as well since it named the District as one of its partners in green infrastructure and looks to the District for information.

Executive Director Ciaccia expressed his confidence in further discussions with the reporters. He noted that there are some parties alleging that the District's program is simply "not green enough" and that "we are spending money that we should not be spending" and it is the District's intent to provide greater context around those claims. Executive Director Ciaccia welcomes discussion with the reporters since it provides the District with an outlet to discuss these issues on a regional as well as a national level.

Executive Director Ciaccia indicated that some questioned why the District is not utilizing vacant properties throughout the Cleveland area to capture stormwater keeping stormwater out of the CSO system. Executive Director Ciaccia turned discussion over to Ms. Rotunno to share the results of an analysis conducted on the usage of vacant properties for green infrastructure with the Board. Ms. Rotunno stated that green infrastructure in the context of CSO reduction becomes a very heavy lift.

Ms. Rotunno explained that there are two tiers of land bank parcels in the combined sewer area. Assuming that both tiers are available to the District, there are over 15,000 vacant parcels in the combined sewer area. If the average residential impervious surface area includes rooftops and driveways, then there would be 554 acres of impervious surface. If the District were to eliminate impervious surfaces on 15,000 lots, then it could

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 6 of 18

potentially control 378 million gallons of stormwater. We know from the Appendix 3 green infrastructure projects in our region, the District averages one gallon of CSO reduction from every six gallons of stormwater. If the District were to control or eliminate 378 million gallons on those 15,000 parcels, we might achieve 63 million gallons of CSO reduction in 15,000 discreet locations. Another factor to take into consideration is the operation and maintenance costs for 15,000 discreet rain gardens. These types of numbers do not translate into cost effective projects when considering the District's four billion gallon CSO reduction target.

Executive Director Ciaccia concluded by stating that it was his intent to follow-up with the Board on this matter in a public forum since the *Plain Dealer* will likely be reporting on this issue soon. Executive Director Ciaccia was hopeful that the reporters will provide a balanced story and that it is imperative that this matter be addressed at a national level since other cities such as Pittsburgh and Chicago are experiencing the same criticisms.

Mayor Starr stated that "Lake Erie and the Great Lakes are a global freshwater treasure" and that "we are all for clean water." This issue and debate occurred a couple of years ago when the Board voted on a \$3.2 billion rate increase to accommodate a 25 year CSO program, which was initially presented as a 30-year program. Some of the assumptions at that time were that everybody could afford 2% additional income to the more restrictive EPA requirements, and all our incomes were going to increase 4% per year.

Mayor Starr stated that "a person took my position and was helping to lobby and asked for a one year moratorium for us to consider the balance. What is really the proper balance between gray and green? Is it 1%, 5%, 10%? Philadelphia's been quoted at 66%, other communities, somewhere in between."

Mayor Starr stated that it is our responsibility to decide what we can do to better serve the taxpayers and that he is gratified that this resolution is being introduced today. Maybe you can further explain the purpose of this resolution including the ecological, social economic, quality of life, and recreational benefits when you have wetland areas and walking trails similar to those in Middleburgh Heights.

Mayors and public officials know what trees do in terms of absorption of carbon monoxide and aesthetics. Being located near wetlands is not a devaluation of your property, it is an enhancement. Green initiatives have the potential of creating jobs and increasing property values.

Mayor Starr indicated that these topics are discussion worthy and that reasonable minds can disagree. Mayor Starr noted that Jim Schaefer, which he described as a community activist and successful businessman, was featured in the *Wall Street Journal* and has sent the District information.

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 7 of 18

Mayor Starr stated that, “Sometimes reading information or listening to other opinions are rather uncomfortable, especially when they disagree with you. But you know what? Sometimes I listen to people that disagree with me and I listen with great attention that, well, maybe they’re right totally or maybe they’re partly right or maybe they’re not right at all, but at least you come with an objective finding.”

According to Mayor Starr, Senator George Voinovich is one of the most successful elected officials in the history of the State of Ohio and he took the position of “let’s have a moratorium.” Mayor Starr then read aloud from an email authored by Senator Voinovich to Mayor Starr dated February 11, 2011:

I’ve been in touch with the governor’s office and gave them suggestions as to who they should contact to see if the moratorium is possible. Quite frankly, I was disappointed in the sewer district in terms of support of the moratorium. Senator Brown and I introduced legislation to give the EPA their better updated, affordability criteria. I’m hoping the governor and Senators Brown and Portman, who I’ve been in contact with, can halt this and give the EPA another chance to evaluate the situation at the Northeast Ohio Regional Sewer District.

Mayor Starr also read aloud from correspondence authored by Jim Schaefer to Senator Voinovich:

Hello, Senator. This is an update on the progress being made in reducing the cost of the \$3.2 billion EPA mandate. I’ve been making some significant progress. Look at some media coverage. On Tuesday, Akron Mayor Don Plusquellic announced that Akron has withdrawn the proposed EPA sewer consent agreement—[Mayor Starr: That was about the time that we were developing the District’s consent agreement]. Whether that is true or not, I’d like to know whether that it is, and I will instead pursue greener, cheaper alternatives in Akron.

EPA now gives every city, even those under a federal consent decree, the opportunity to develop a green solution instead of relying on the enormously costly gray infrastructure, underground storage tunnels, and sewage treatment plant expansions.

Akron joins Cincinnati, New York, Indianapolis, Boston, Philadelphia, and Detroit and seemingly every other city except Cleveland in pursuing the cheaper, greener alternatives. But Cleveland’s Northeast Ohio

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 8 of 18

Regional Sewer District continues its hugely expensive 99% gray plan, the grayest plan in the nation.

Executive Director Ciaccia thanked Mayor Starr and proceeded to address some his comments. The District has engaged Mr. Schaefer and has taken into consideration his ideas as well as the suggestions from other parties. Executive Director Ciaccia personally attended a meeting between Mr. Schaefer and Ms. Rotunno's team. Mr. Schaefer brought a Cleveland Metroparks Board member, Dan Moore, with him to said meeting.

Executive Director Ciaccia appreciated the efforts made by Senators Voinovich and Brown as well as their suggestions on affordability. Respectfully, the District was pushing this legislation through NACWA (National Association of Clean Water Agencies) and their assistance came after the District's consent order, not before. The District was, however, appreciative of the Senators' post-consent decree help in that regard.

Executive Director Ciaccia explained that it is important to understand that the District's consent order through Appendix 4 will provide the District the flexibility to trade green for gray infrastructure, which he described as a pivotal moment in this country since it then enabled the EPA to adopt flexibility in other consent orders.

Executive Director Ciaccia indicated that it is convenient for Mr. Schaefer and others to criticize the District and its plan, but the District *is* however engaged in substantial green initiatives. Integrated planning is very important given the EPA's new approach. The District has an opportunity to utilize the newly integrated planning approach which strikes a balance between regulations within this community. There are other issues that are under regulatory pressures for some local community sewer systems. The District is suggests that some of the money being allocated towards CSOs should be redirected to address some of the local regulatory matters. Consequently, many issues have resulted from the District's success in negotiating flexibility into its consent order.

Executive Director Ciaccia stated that the District has negotiated a \$3 billion CSO program over 25 years. This organization initially proposed a 30 year program in 2005. It was given a 25 year program 2010. The District continued to build CSO projects over that five year period and therefore essentially got a 30 year program.

Executive Director Ciaccia stated that Akron has suddenly adopted green infrastructure and integrated planning as its negotiating tool, as they should since those strategies are now available resulting from the District's negotiations. Akron has delayed its negotiations for quite some time and as a result Mayor Plusquellic has indicated that the cost of its program has nearly doubled. This delay has cost Akron significant escalation costs not to mention continued pollution.

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 9 of 18

Executive Director Ciaccia concluded by stating that in retrospect, it is convenient to claim that the District “should have” delayed its program or “is not doing enough.” The District is however doing plenty and that is why the EPA is looking to us for guidance. Executive Director Ciaccia then deferred discussion to Ms. Rotunno to inform the Board about the District’s engagement with Mr. Schaefer.

Ms. Rotunno advised that she met with Mr. Schaefer on several occasions when the District was initiating its green infrastructure program in an attempt to engage different opinions and unique fresh perspectives. Ms. Rotunno is of the opinion that she personally as well as this organization are open to new ideas to ensure that we are building a sustainable, cost-effective program that fulfills regulatory obligations.

In addition to personally meeting with Mr. Schaefer, Ms. Rotunno indicated that she also exchanged emails and had lengthy phone conversations with him. Those interactions may have predated the correspondence sent by Mr. Schaefer. However, at the time, the District was interested in meeting with its critics to understand their thoughts and to also have an opportunity to educate them on the challenges we faced.

Ms. Rotunno moved discussion to the cost effectiveness of green for gray alternatives and she advised that the District is implementing its Appendix 3 green infrastructure project for CSO control. The average cost per gallon of controlled CSO is \$1.79 per gallon under the District’s Appendix 3 program. These big green projects collect enormous volumes of stormwater in order to achieve those CSO reduction goals. No other agencies in the country are doing green infrastructure projects of this magnitude. The District’s smallest project is seven times larger than many of Philadelphia’s projects. The District’s projects are enormous by comparison.

Ms. Rotunno noted that green infrastructure projects are averaging \$1.79 per CSO gallon whereas the “expensive” gray program, as perceived by the public, is only \$0.55 per CSO gallon for the cheapest most cost effective and \$1.15 per CSO gallon for the most elaborate tunnel. Gray infrastructure solutions are not necessarily more costly than green infrastructure according to Appendix 3. Ms. Rotunno noted that the aforementioned cost estimates were for capital costs only and do not include operation and maintenance and the co-benefits that green infrastructure provides.

Ms. Rotunno explained that although green infrastructure alternatives appear to be more expensive, it can deliver many other benefits that the District wants to quantify. Therefore, the District intends exercising its right under Appendix 4 to exchange green for gray at any time throughout the duration of its 25 year CSO program. If the project costs are close and the co-benefits weigh in favor of green alternatives, the District will

exercise its green option because it is the right thing to do for the people as well as the community.

At this time, Mr. Sulik moved the agenda forward to the Action Items discussion.

V. Action Items

Authorization to Issue Request for Proposals (RFPs)

Resolution No. 1-14

RFPs for Appendix 3 Green Infrastructure
Anticipated Co-Benefits Analysis project.

MOTION – Ms. Kelly moved and Mayor Bacci seconded to adopt Resolution No. 1-14. After discussion and without objection, the motion carried unanimously.

Mayor Starr requested a summary of the RFP.

Ms. Rotunno replied that the EPA has required the District under its consent decree to quantify and collect this information because they do not have it on a broad basis. Construction costs are associated with both gray and green infrastructure; however, the co-benefits associated with green initiatives seem to be greater. For example, ecosystem benefits, job creation, environmental justice, energy savings, climate change affects, heat stress mortality, aesthetics, quality values, air quality and the ability of green infrastructure to provide recreational opportunities.

Ms. Rotunno explained that the initiative is to determine if the District can quantify and place a value on the co-benefits and incorporate those into the green equation along with the associated construction and operation and maintenance costs when comparing it to gray infrastructure solutions. The ultimate outcome would be to identify projects where the costs are comparable and the co-benefits make it more feasible to exercise green initiatives.

This is a very specialized area and therefore the RFP solicitation will be opened to a broad set of service providers, not the usual firms used for engineering consulting services. Ms. Rotunno advised that since there is not an abundance of data in the communities, the EPA incorporated it into the District's consent order. The District's intent is to put numbers on the co-benefits in an effort to better compare gray to green.

Mayor Starr inquired if as part of the proposal, will the District have an opportunity to evaluate what other urban-area cities have done such as Detroit and Boston—two cities that have apparently canceled its programs.

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 11 of 18

Ms. Rotunno replied that the RFP was not intended to conduct a broad scale comparison to CSO programs. The District will be engaging communities having substantial green programs such as Philadelphia to determine whether headway in quantifying co-benefits has been made in an attempt to learn from their experiences. It is not the District's intent to engage communities that have canceled their CSO programs unless they have co-benefits data to share.

Mayor Starr inquired how Detroit, for instance, was allowed to cancel its project and go green.

Executive Director Ciaccia explained that Detroit is not under a federal consent order. Although the decision was made to withdraw a massive tunnel project, CSOs must still be mitigated and they are considering a different gray approach involving another type of storage facility rather than a deep tunnel.

Mayor Starr inquired if Executive Director Ciaccia was referring to the River Rouge wherein Executive Director Ciaccia affirmed.

Mayor Starr questioned if the RFP will enable the District to determine whether it could engage in more green projects.

Executive Director Ciaccia explained that desired outcome is to justify green initiatives since the increased costs to implement more green infrastructure projects will ultimately fall onto the ratepayers.

Mayor Starr inquired if green initiatives could potentially be cheaper wherein Executive Director Ciaccia indicated that although we are not seeing that trend at this time, there may at some point be green projects that are more economical depending on the watershed. Cincinnati, for example, has a watershed that receives a lot of stormwater runoff which can cost-effectively be captured and redirected. The topography of Northeast Ohio is different and therefore installing stormwater sewers would be necessary for redirecting the water, which is of course the more expensive alternative. As with most cities, the District anticipates that green infrastructure will be more expensive than gray infrastructure.

Mayor Starr referred to the statement in the resolution request indicating that due to the specialized nature of this work and budget, no minority-owned business enterprise (hereinafter "MBE") or women-owned business enterprise (hereinafter "WBE") subcontracting goals were recommended. He requested further explanation on this assessment.

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 12 of 18

Ms. Rotunno stated that currently no vendors are registered under the District's Business Opportunity Program for these types of services. This RFP is unique and language will be incorporated into the RFP encouraging the use of MBEs and WBEs. She noted that although subcontracting MBEs and WBEs will be a component of the evaluation criteria, the District cannot specify a minimum subcontracting goal.

Ms. Kelly inquired whether the RFP will be advertised in the general marketplace and whether MBEs and WBEs have the ability to respond to the RFP. Ms. Rotunno affirmed.

Executive Director Ciaccia added the District is encouraging MBE and WBE participation. Proposals providing subcontracting opportunities to MBE and WBE firms will be viewed favorably.

Ms. Kelly questioned whether any MBE/WBE firms specializing in these services are currently registered with the District. Ms. Rotunno explained that these services are unique and therefore not easily captured under the registration.

Executive Director Ciaccia added that the District will have more information once the proposals are submitted. The District will bring its recommendation to the Board for consideration. The District intends to conduct due diligence by identifying any additional subcontracting opportunities within the project.

Ms. Kelly commented that it was her understanding that when RFPs are issued the District is not aware as to which specific contractors will submit proposals and she questioned whether that was the case in this instance as well. Executive Director Ciaccia affirmed.

Authorization of Contract Modification

Resolution No. 2-14

Final adjustment of Contract No. 12001262 with Shook, Inc., Northern Division for the Easterly Wastewater Treatment Plant EFPI-2 Code and Safety project. A cost decrease in the amount of \$560,959.33, bringing the total contract price to \$5,017,477.17.

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 13 of 18

Resolution No. 3-14

Extend two (2) year requirement contract with Nalco Company for boiler feed water treatment and cooling cower service at all Wastewater Treatment Plants and the George J. McMonagle building. Cost: A six (6) month contract extension with no change in the contract price.

MOTION – Mayor Starr moved and Mayor DeGeeter seconded to adopt Resolution Nos. 2-14 and 3-14. Without objection, the motion carried unanimously.

Property Related Transaction

Resolution No. 4-14

Authorize fee simple acquisition appropriation from Clementine Compton dba C&C Properties necessary for construction of the Fleet Avenue Green Infrastructure project. Consideration: \$2,600.00.

Resolution No. 5-14

Authorize acquisition of a Right of Entry from Slavic Village Development necessary for construction of the Slavic Village Demonstration Green Infrastructure project. Consideration: \$0.00.

Resolution No. 6-14

Authorize five (5) easement acquisitions in the City of Cleveland necessary for construction of the CSO 049 and 050 Relocation project. Total consideration: \$29,310.00.

Resolution No. 7-14

Authorize release of easement related to the CSO – Bundles project to 3320 Woodland Avenue, Ltd.

MOTION – Mr. O'Malley moved and Mayor Bacci seconded to adopt Resolution Nos. 4-14 through 7-14. Without objection, the motion carried unanimously.

Sewer Use Code Matters

Resolution No. 8-14

Adopting the findings of the Hearing Examiner with regard to the sewer account of Northeastern Neighborhood Homes L.P. II, Sewer District Case No. 14-001.

MOTION – Ms. Kelly moved and Mayor Bacci seconded to adopt Resolution No. 8-14. Without objection, the motion carried unanimously.

VI. Information Items

1. NEORSD Write-Off of Accounts.

Director of Finance, Jennifer Demmerle, stated that the first item are two accounts that the District bills internally and the District is recommending write-offs on those accounts in the amount of \$187.47.

The second item is a list of accounts that the cities of Cleveland and Cleveland Heights bill for on behalf of the District. The District is recommending writing off accounts that are over two years old with the City of Cleveland, Division of Water (hereinafter “CWD”) in an amount slightly exceeding \$3.9 million.

Mr. Sulik questioned if the District has in the past successfully recovered money on these accounts. Ms. Demmerle stated that these are inactive accounts having no activity for over two years. They include bankruptcies and foreclosures. The collection agency has tried collecting on those accounts with no success.

Ms. Kelly questioned why bank-owned properties are not being required to pay their bills.

Ms. Demmerle explained that the City is working with the banks and larger government clients where they can collect. The accounts are still inactive and written off but those collections are pursued with the banks and if the money is collected, then the District will adjust those amounts accordingly.

Ms. Kelly questioned of those accounts being pursued, how many have we actually collected? She stated that if the banks were treated as typical homeowners then title should not be transferred until there is a resolution to the balance that is owed.

Executive Director Ciaccia proposed that the District pursue collections directly rather than relying on its billing agent. The District has conducted an analysis of its balance

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 15 of 18

system and alternative billing methods have been identified such as a hybrid approach. Executive Director Ciaccia noted that the District is in the first year of a five year contract with the CWD. A new billing agreement will be negotiated in the future. One item for consideration during future negotiations is for the District to employ its own collection agent. Executive Director Ciaccia suggested that he will discuss this matter further with District staff and bring this matter back to the Board for further discussion.

2. Program Management Status Report and Update – December 2013

Ms. Rotunno moved discussion to the Euclid Creek Tunnel (hereinafter “ECT”) project which she indicated is progressing well. The concrete tunnel is being poured and there was nothing further to report on the ECT.

Ms. Rotunno advised that the claim issue on the Easterly Tunnel Dewatering Pump Station (hereinafter “ETDPS”) has been resolved. Installation of the shoring for the pump discharge chamber and final lining operation of the raw water tunnel are underway.

Ms. Rotunno was happy to report that the Renewable Energy Facility (hereinafter “REF”) is burning sludge. The incineration has not reached its peak performance and the Operations staff has been working closely with Engineering to ensure that there is a balance between incineration and hauling of the biosolids.

Ms. Rotunno provided the Board with the 2013 Capital Improvement Program (hereinafter “CIP”) highlights wherein she advised that the District awarded 19 projects in 2013. Of which nine were for the CSO program, six were for the collection system and four were at the wastewater treatment plants (hereinafter “WWTPs”). The awarded value of work was more than \$233 million of which \$176 million was in the CSO program.

Ms. Rotunno referred to graph and she advised that going back to 2004, the purple/blue bars indicate the contract awards for each year. The black line represents cash flow. The District has been up to nearly \$2 million cash flow for the last three years and continues to have a large volume of work awarded, which will continue to impact the cash flow in the future.

Ms. Rotunno moved discussion to the to the key performance indicators (hereinafter “KPIs”) and she advised that with respect to the CIP cash flow, the District targeted more than 85% but actually delivered 81%. The lag was largely attributable to the problems on the ETDPS project.

The District exceeded its Business Opportunity Program cash flow KPI at 88%.

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 16 of 18

Ms. Rotunno moved to the KPI for three projects that closed out under the Business Opportunity Program. The contractors exceeded its goals on two of three projects, achieving a 2013 cumulative participation of 28%.

Ms. Rotunno moved discussion to the KPI for the engineers' estimates of probable construction cost and she advised that the average bids have been within 1% of the engineers' estimates.

Designs have been completed with six days from the anticipated completion time and therefore the District is well within its 90 day KPI goal.

Ms. Rotunno moved to the value engineering metric wherein she advised that the District ended the year at \$26 million which is about 13.6% of the annual cash flow delivered in value engineering savings. Ms. Rotunno was happy to report that the District is shaving off nearly 14% of the project costs during the engineering stage.

Ms. Rotunno moved discussion to the three projects that closed out in December. The plant-wide roof repairs project required a \$100,000.00 contract modification for a membrane that needed to be replaced that was missed during the design phase. The EMSC Laboratory Improvement project was a very complex retrofit of an existing facility. This project closed within contract value but missed its KPI. The Steam Generation project closed within its KPI and contract value. On average, the District closed out its projects at 91% of the contract value, or 9% under the contract value which Ms. Rotunno stated was good given this very complex construction program.

Ms. Rotunno moved discussion to the KPI for awarding projects on time. Projects were awarded within 25 days of its target date meeting its 90-day KPI goal. Ms. Rotunno indicated that she would like to tighten up on that number.

Ms. Rotunno moved discussion to the KPI for closing out construction projects on time and she stated that the last three project close outs moves us to 184 days of the anticipated close out date for this year. The District is improving its construction on-time performance.

Ms. Rotunno concluded her report with a quote by Peter Drucker, "The pertinent question is not how to do things right, but how to find the right things to do and concentrate resources and efforts on them." She then entertained questions from the Board.

Mayor Bacci requested more information about the REF sludge incineration.

Ms. Rotunno advised that the REF is burning sludge at a reduced rate. The equipment has encountered some start up issues and the District is proceeding cautiously and slowly

BOARD OF TRUSTEES

Regular Meeting

January 16, 2014

Page 17 of 18

ramping up the pace as it continues to work through those problems. Train #3 is the only incinerator that is currently burning sludge. Ultimately, the District will be processing more than 100 tons per day through that one incinerator, which is more than half of the plant's daily production.

Mayor Bacci questioned if "we could light a flashlight with the power that it's producing?" Ms. Rotunno replied that the renewable energy generation component is yet to come. The REF must successfully burn sludge before the turbine can be started to generate electricity. The two other incinerators must be running before troubleshooting the energy generation piece of this project.

Mayor Bacci inquired about Ms. Rotunno's outlook on the REF wherein she advised that she is confident by the end of 2014 the REF will have "some light bulbs burning off of the sludge."

This concluded Ms. Rotunno's report.

VII. Public Session

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

VIII. Open Session

There were no items for discussion.

IX. Executive Session

There were no matters for discussion.

X. Adjournment

MOTION – Mr. Sulik 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 1:36 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