

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
JANUARY 21, 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
J. Bacci
T. DeGeeter
S. Dumas
R. Stefanik

ABSENT: W. O'Malley

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

II. Approval of Minutes

MOTION – Mayor Bacci moved and Ms. Dumas seconded to approve the minutes of the January 7, 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 about a specific agenda topic, but someone did sign up to speak about another subject matter.

IV. Chief Executive Officer's Report

CEO Ciaccia reported that staff had a very good meeting with the Cleveland Downtown Alliance Board of Directors regarding the Regional Stormwater Management Program (SMP). The same day staff had a meeting with the Law Directors Association during which Mark Wallach presented some of the strategy as the case was litigated and the SMP going forward. The District got its message out and hopes to reach agreements with all of the communities.

Closing his report, CEO Ciaccia noted that the preliminary financial results in terms of revenue are around \$258 million, which is above the projected \$240 million. Expenses were projected at \$111 million and ended at \$105 million.

V. Action Items

Authorization to Advertise

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| Resolution No. 19-16 | Three-Year Requirement Contract for Maintenance and Repair Services for the Heating, Ventilation, Air Conditioning and Refrigeration Systems at all District Locations. Anticipated Expenditure: \$1,793,000.00. |
| Resolution No. 20-16 | Two-Year Requirement Contract to Provide Maintenance Services for the District's Combined Sewer Overflow Floatables Control and Bar Rack Sites. Anticipated Expenditure: \$776,000.00. |
| Resolution No. 21-16 | Fifteen-Month Requirement Contract for Ash Lagoon Cleaning at the Southerly Wastewater Treatment Plant. Anticipated Expenditure: \$2,025,000.00. |

MOTION – Mayor Stefanik moved and Mayor DeGeeter seconded to adopt Resolution Nos. 19-16 through 21-16. After discussion and without objection, the motion carried unanimously.

Authorization to Issue Request for Proposals/Qualifications (RFPs/RFQs)

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| Resolution No. 22-16 | Design-Build RFPs for the Environmental and Maintenance Services Center Fire Protection and Fire Alarm Improvements Project. |
| Resolution No. 23-16 | RFQs for Engineering Services for the Combined Sewer Overflow Consent Decree and NPDES Permit Performance Compliance Project. |

MOTION – Mayor Stefanik moved and Mayor Bacci seconded to adopt Resolution Nos. 22-16 and 23-16. After discussion and without objection, the motion carried unanimously.

Referencing Resolution No. 22-16, Mr. Brown inquired why design-build was chosen. James Bunsey, Director of Engineering & Construction, advised that the project lends itself to design-

build because the people designing it would also conduct the installation.

Referencing Resolution No. 23-16, Mr. Brown inquired whether staff is validating that the assumptions staff made on projects are valid when implemented so what is designed is what we get in terms of removal rates. Mr. Bunsey explained that the District is required under the consent decree to continue modeling practices to verify that the installed construction is doing what staff claimed it would do. These services are currently under the program support services contract, which expires at the beginning of this year.

Authorization to Modify Contract

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| Resolution No. 24-16 | Modify Contract No. 15001037 with Polydyne, Inc. for Gravity Belt Thickener Liquid Polymer for Use at the Southerly Wastewater Treatment Center. Cost: A Twelve Month Time Extension Only with No Change in the Contract Price. |
| Resolution No. 25-16 | Modify Contract No. 15001255 with Polydyne, Inc. for Final Clarifier Polymer for Use at the Southerly Wastewater Treatment Center. Cost: A Twelve Month Time Extension Only with No Change in the Contract Price. |
| Resolution No. 26-16 | Modify Contract No. 15002992 with Hawksley Consulting to Develop and Conduct a Series of Focus Group Workshops in Conjunction with the Comprehensive Cost of Service, Rate Study, Affordability Analysis and Related Services. Cost: An Increase in the Amount of \$70,500.00 Bringing the Total Contract Price Not-to-Exceed \$590,580.00. |

MOTION – Ms. Dumas moved and Mayor DeGeeter seconded to adopt Resolution Nos. 24-16 through 26-16. After discussion and without objection, the motion carried unanimously.

Ms. Dumas requested an explanation regarding Resolution No. 26-16. CEO Ciaccia stated that the original contract was the rate study itself. Hawksley is adding focus groups to its contract with services from Abt Environmental. Resolution No. 27-16 is a request for a separate contract with Abt Environmental to conduct consumer surveys.

Jennifer Demmerle, Chief Financial Officer, explained that part of the rate study was to examine the rationale behind the Environmental Protection Agency's (EPA) 2% median household

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affordability guidance. The focus group workshops Hawksley will conduct will look at consumer preferences and their willingness to pay for certain categories such as entertainment, water, transportation, sewer, gas and electric.

CEO Ciaccia advised that the District is tackling the affordability issue and it is a big discussion point nationally. Staff does not know the rationale behind how the EPA formulated the 2% household median income figure in terms of affordability. Staff is endeavoring to establish the true affordability of water and wastewater is in the region at least and it may be extrapolated across the country.

Carol Malesky, a principal with Hawksley Consulting and the project manager for the rate study and affordability analysis, explained that to determine affordability they have looked into different neighborhoods and income levels to determine the ability to pay for these types of customers and how the rates going forward will impact them.

Hawksley will identify areas that might need more assistance and define the areas that are able to afford the bills. This study will look into what actual people prefer to spend money on and compare that to a national survey of how people spend their money, excluding necessities. Using such data will enable them to modify the 2% threshold and customize it to the service area to determine how affordable rates are to customers.

Mr. Brown stated that some who are in a better financial position do not necessarily feel they should pay more for those who cannot afford to pay and how that public discourse is set up becomes a critical issue. CEO Ciaccia agreed and stated that there are also continuing discussions with the EPA concerning the consent decree and how it may be modified in the future to include integrated planning. Affordability will be a critical piece of those discussions.

Mr. Brown stated that it becomes an important tool to frame the discussion. The Board continues to be interested in the level of removal before there is an appreciable impact on the environment, and at which point it costs incrementally more and the value of doing so becomes the discussion. These affordability numbers have a value in terms of that argument.

CEO Ciaccia advised that staff must have a clear understanding that when rates reach a certain point for certain customers, it means cutting into very important life needs.

Ms. Dumas questioned the timeline of completion. Ms. Malesky advised that the focus groups will be completed by the end of March and the survey by the end of September.

Mr. Brown stated that the Board would appreciate seeing examples of the discussion points and questions that may be asked in the focus groups before they go out. CEO Ciaccia responded that they could be discussed an Information Item during an upcoming Board meeting.

Authorization to Enter Into Contract

Resolution No. 27-16

Professional Services Contract with Abt Environmental Research to Assist Hawksley Consulting with Planning and Conducting a Series of Focus Group Workshops as well as Planning and Conducting a Comprehensive Survey to Extend the Responses That They Will Gather During the Workshops. Cost: Not-to-Exceed \$301,192.00.

Resolution No. 28-16

Professional Services Contract with Richard L. Bowen and Associates for the Easterly Service and Security Building Rehabilitation Project. Contract Amount: \$731,200.00.

MOTION – Mayor Stefanik moved and Mr. Sulik seconded to adopt Resolution Nos. 27-16 and 28-16. After discussion and without objection, the motion carried unanimously.

Regarding Resolution No. 27-16, Mr. Brown inquired regarding the selection process used to select Abt Environmental Research. CEO Ciaccia explained that the vendor has contracted with the Cleveland Water Alliance board to perform the Value of Water economic analysis. They are a nationally known company of economists that has done similar types of water studies throughout the country.

Ms. Dumas questioned whether the vendor is the only one that does that type of work. CEO Ciaccia indicated that they are not the only one but they are involved in this area already through the Cleveland Water Alliance. From a timing standpoint, the District reached out to them rather than going through a prolonged process because staff wants to get this data incorporated into the study.

Ms. Dumas stated that the issue revolves more around the direct contract rather than the vendor's qualifications. However, the timing may necessitate a direct award.

Mr. Brown requested additional information on the vendor during an upcoming Board Meeting. CEO Ciaccia agreed to provide the information.

Authorization of Wastewater Credit Adjustment

Resolution No. 29-16

Credit Adjustment Against Outstanding Sewer Charges on Account No. 1030249157. Cost: \$26,582.21.

MOTION – Mayor DeGeeter moved and Mayor Bacci seconded to adopt Resolution No. 29-16. After discussion and without objection, the motion carried unanimously.

Property-Related Transaction

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| Resolution No. 30-16 | Authorize the Acquisition of 16 Parcels by Appropriation Necessary for Construction of the East 140 th Street Consolidation and Relief Sewer Project. Total Consideration: \$258,550.00. |
| Resolution No. 31-16 | Authorize the Appropriation of One Fee Simple Parcel Necessary for Construction of the Dugway South Relief and Consolidation Sewer Project. Consideration: \$4,000.00. |
| Resolution No. 32-16 | Authorize the Appropriation of One Fee Simple Parcel Necessary for Construction of the Woodland Central Green Infrastructure Project. Consideration: \$1,200.00. |
| Resolution No. 33-16 | Authorize the Appropriation of One Permanent Sewer Easement Necessary for Construction of the Dugway West Interceptor Relief Sewer Project. Consideration: \$300.00. |
| Resolution No. 34-16 | Authorize the Acquisition of One Permanent Easement and One Right of Entry Necessary for Construction of the Dugway West Interceptor Relief Sewer Project. Total Consideration: \$300.00. |
| Resolution No. 35-16 | Authorize the Release of One Easement Created by the Vacation of Right of Way by the City of Cleveland Necessary for the Southwest Interceptor. Consideration: \$0.00. |

MOTION – Mayor Stefanik moved and Ms. Dumas seconded to adopt Resolution Nos. 30-16 through 35-16. After discussion and without objection, the motion carried unanimously.

VI. Information Items

1. Community Discharge Permit Program Status

Kyle Dreyfuss-Wells, Deputy Director of Watershed Programs, stated that the District has been implementing the community discharge permit program under Titles III and IV since the late 1980s. The goal of the program is to work with communities to ensure staff is managing development, protecting local infrastructure and dealing with illicit discharges, generally to deal with water quality and very specifically to protect the District's investment in regional infrastructure. Each year staff provides the Board with a memo summarizing the status of the program. In 2015 several significant improvements were made in the community discharge permit program.

Mary Maciejowski, Community Discharge Permit Program Manager, advised that there are four general areas of the program. The purpose of the program was part of the grant conditions for the construction of the major interceptors; the Heights/Hilltop and the Southwest Interceptor projects. In the mid-1990s it was enhanced by adding the combined sewer area under Title IV. The purpose of the program has always been to protect District infrastructure.

Even though the District does not own the local systems, they affect the overall clean water objectives of the region. It is a reason why the District is undertaking local sewer system evaluation studies in the entire service area.

Ms. Maciejowski advised that staff tracks performance objectives outlined in the permits. In particular, the status of sanitary sewer overflows and the efforts communities are making to control those overflows.

Three newly discovered sanitary sewer overflows were added in 2015; one was found by the City of Shaker Heights as they conducted field investigations. Two others were found by the District during the design of the Fairmount Boulevard sanitary relief sewer in Cleveland Heights. The two found by the District are going to be addressed by that project and the one found by Shaker Heights is attempted to be remedied by flow monitoring.

Mr. Brown questioned what "54 status unknown" means. Ms. Maciejowski explained that they are sites believed to be active at the time the initial studies for the Heights/Hilltop and Southwest Interceptors were conducted but their current status is unknown. The SSES studies will determine whether they still exist and to develop plans for what communities can do to address them.

Frank Greenland, Director of Watershed Programs, stated that on the site there are 227 known SSOs and the District requires communities that do projects to control them. Some of the

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communities physically eliminated the structure and that will be verified. Other communities are required by the permit annually to control the overflow.

Ms. Maciejowski advised that in 2014 communities spent \$55 million on maintenance and capital improvements to local systems. Since the inception of the program, it has been about \$1 billion invested by local communities.

District staff, under Title IV, reviews all new development and redevelopment projects in the combined sewer area of a half-acre or more to ensure that good stormwater management practices are being followed. It also provides an opportunity to make sure consent decree requirements are being met.

Ms. Maciejowski explained that the District is dependent on interagency cooperation and they work with the Division of Water Pollution Control and Cuyahoga Soil & Water on behalf of the City of Cleveland's Building and Housing department. The District is on the requirements for review of projects for the Planning Commission. During 2015 staff conducted approximately 260 reviews which represent about 200 projects. The biggest area in which they are encountered is in utility location.

Illicit discharge detection and elimination was improved with the launch of two new applications called IDEAL and TIDE. IDEAL is a tracking database for all documentation and actions taken during a given investigation. The other application leverages the District's GIS to enable spatial analysis of dry weather problems. Illicit discharge detection and elimination is dependent on interagency cooperation.

Ms. Maciejowski stated that a representative of the Ohio EPA has been attending quarterly meetings. This has been very useful because staff has been able to discuss enforcement and policy issues and help communities understand how the discharge issue works with their compliance on permits. Staff continues to coordinate on local SSES initiatives and hopes to get information to update the performance objectives in permits. There will also be proposed updates to Titles III and IV. With the return of the SMP staff will conduct a Title V plan review to better understand how development in the separate area is impacting regional drainage.

Mr. Brown inquired how the pretreatment program with industrial dischargers will impact this program. Ms. Maciejowski explained that staff looks at additional flows generated by new industrial processes and evaluates impacts to the program to make sure there is no increase in flow. Mr. Greenland advised that there are rigorous monitoring requirements.

2. Program Management Status Report and Update – December 2015

Mr. Bunsey announced that cash flow finished at \$219 million, which is the highest of record. Staff expects cash flow to be higher in 2016. The District is down to \$863 million in active

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contracts from \$1 billion last quarter. During the last year 24 contracts and \$128 million of capacity were awarded. The majority of which was for CSO-related projects supporting the consent decree. About two-thirds of cash flow goes towards Project Clean Lake.

The District closed 25 contracts in 2015 and \$236 million of the portfolio. Project Clean Lake is 28% complete from a dollar sign perspective. 33 are active and there are 29 in the future. Future projects will be less frequent but significant in terms of dollars.

Moving to Key Performance Indicators (KPIs), Mr. Bunsey advised that the District attained 93% of cash flow, beating the 85% target.

The portfolio ended the year at 19% in terms of the Business Opportunity Program.

Staff identified \$75 million in value engineering (VE) savings and did not meet the \$120 million KPI.

All of the seven scheduled consent decree milestone dates were met.

Staff met its KPI in terms of getting work out 16 days late on average, compared to the 90-day target. They were also able to save about \$24.6 million of 10% in a VE savings during design, meeting that KPI.

Mr. Bunsey advised that engineer's estimates meet KPI and come in 1.7% within the average of the three low bids. The low bid is routinely lower than the engineer's estimate. Construction contracts are awarded three days late on average for all projects.

Mr. Bunsey explained that in two years staff went from being a year late delivering on average a construction projects to two months, meeting the KPI of 120 days. Contract amount at closure is at 94.7% of the total contract value.

The Engineering & Construction and Operations & Maintenance departments are working more closely than in the past. They are looking to expand the close relationship with IT in 2016 as well as working with Watersheds on the SMP restart.

Mr. Bunsey indicated that the Engineering & Construction department is broken into four different categories: process controls, planning, design and construction. This year in process controls there were over 5,000 transactions, such as schedule reviews and work orders that require multiple handoffs between multiple individuals electronically. The volume has increased by 10% from last year.

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Staff identified \$75 million in savings for a total of \$362 million over the last couple years through advanced facilities planning. The first of four RFPs for the SSES has been issued. Staff has a better understanding of alternate project delivery.

Mr. Bunsey stated that there were a variety of design-build jobs that were delivered under contract value. In terms of the collection work staff had the flexibility to work with the engineer and contractor and sometimes change means and methods to the betterment of the District and residents.

Moving to consent decree issues, Mr. Bunsey advised that staff issued the notice to proceed for the Mary Street Pump Station, which was the seventh milestone, and completed the Dugway South Relief design 20 days late, meeting KPI.

The first train of the Southerly Maximum Achievable Control Technology project passed the emissions test which needs to be operational by regulation in March 2016. The second incinerator was tested yesterday and the informal results are positive. The third train is being tested today.

Mr. Bunsey advised that the Dugway Storage Tunnel continues to be the largest exposure from a financial and schedule standpoint. Shaft 1 experienced a failure about five months ago. The remediation plan was completed in late December. Recently crews noticed continued geotechnical issues there that will necessitate additional bore testing.

The EMSC energy conservation and management was completed on time and will yield a savings in 2016.

The CSO 049/050 relocation project closed at less than 95% of the contract. However, it did not meet the Business Opportunity Program goal. One location was changed from an open cut to a tunnel which precluded trucking and other things that caused not meeting the overall goal.

Work orders were 7.6% -- most of which was a differing site condition category of 4.2%.

The Southerly Thermal Condition Sludge Demolition Project was 93.6% of contract value, which did not meet the overall District goal.

VII. Open Session

Mayor Bacci returned conversation to Resolution No. 26-16. He suggested incorporating into public relations efforts that the District acts as an advocate for ratepayers, and that the District does not merely accept what the EPA has put forth regarding the 2% affordability mandate. Ms. Haqq agreed that is good information to share with the public.

VIII. Public Session (any subject matter)

Shauntell Forney, owner of C&D Enterprise, advised that she was present to dispute the unjustifiable termination of her contract with the District. Ms. Forney indicated that she was not given ten days to sign and return the contract, which she was informed was the protocol.

Ms. Forney submitted to the Board information and documents that she stated backed up her claims in Exhibits A and B.

Mr. Brown requested that CEO Ciaccia review Ms. Forney's information and be prepared to give the Board an evaluation and analysis.

IX. Executive Session

MOTION – Mayor Bacci moved to go into Executive Session to discuss litigation matters and personnel. After discussion and without objection, the motion carried unanimously.

The Board met in Executive Session from 1:40 p.m. to 2:02 p.m.

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. Mr. Sulik moved and Ms. Dumas seconded the motion to adjourn at 2:02 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