

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
FEBRUARY 15, 2024

A Regular Meeting of the Board of Trustees of the Northeast Ohio Regional Sewer District (NEORS) was called to order at 12:30 p.m. by Darnell Brown.

I. Roll Call

Present: Darnell Brown
Ronald Sulik
Timothy DeGeeter
Jack Bacci
Sharon Dumas
Samuel Alai
Marjorie Chambers

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

II. Approval of Minutes

MOTION – Mayor Bacci moved, and Ms. Chambers seconded to approve the Minutes of the February 1, 2024, Board Meeting. Without objection, the motion carried unanimously.

III. Public Session

There were no items.

IV. Chief Executive Officer's Report

Kyle Dreyfuss-Wells, Chief Executive Officer, advised the Board that in late January, the Ohio EPA finalized their 2024 Program Management Plan for the Water Pollution Control Loan Fund, which is Ohio's State Revolving Fund (SRF). The SRF includes increased funding from the Infrastructure Investments and Jobs Act from now until 2026. NEORS has been working to ensure that its interested member communities can capture as much of that funding as possible for local sewer projects. Two of the projects that were submitted in partnership with NEORS by member communities for 2024 will be eligible for principal forgiveness loan funding: Cleveland Heights was selected for the maximum amount of \$4 million for an SSO control construction project; and Parma was granted \$1.75 million for their Phase 3 Kreuger Avenue Relief Sewer construction project. The other member communities that submitted in partnership with NEORS that were not offered principal forgiveness loan funding are eligible for low interest loans under the SRF.

The City of Maple Heights submitted independently, as they did in 2023, and were selected for a principal forgiveness loan of \$286,850 for their Phase 2 Southwest Sewer Repair Construction project.

NEORSD is eligible under a separate component of this funding for emerging contaminants and will receive a \$498,600 principal forgiveness loan for a PFAS pretreatment study. As will be discussed at the next Board meeting, PFAS is a class of chemicals that is a focal point for federal and state regulators and this study will be the first step in identifying sources within certain industries in the service area, and what pretreatment technologies those industries could use before the wastewater reaches NEORSD facilities.

NEORSD had its first Saturday office hours on February 3rd, with the building open to customers from 8:00 am to 11:00 a.m. and the phone lines open until 12:00 p.m. There were five customers who came in person and 15 calls were received. Staff from City of Cleveland Division of Water were also onsite. It was well received and will continue through 2024 and beyond.

NEORSD also hosted its first Utility Assistance Resource Fair of 2024 on February 10th, in partnership with Councilman Polensek, at the Collinwood Recreation Center. There were 220 customers in attendance with water, sewer, electric, and gas utility representatives, as well as staff from Cuyahoga County, Community Housing Solutions, Step Forward, and CHN Housing Partners. There were 59 NEORSD employees that participated in the event. The next Utility Assistance Resource Fair will be held on May 18, 2024, in the Slavic Village neighborhood of Cleveland.

For Super Bowl Sunday, John Gonzalez, Manager of Communications, spearheaded the production of 15 and 30 second ads across NEORSD's social media channels which were picked up by local and national media, resulting in the engagement of 450,000 X (Twitter), Instagram, and Facebook users, as well as 80,000 television viewers.

In closing, Ms. Dreyfuss-Wells advised the Board that the NACWA Winter Conference as well as the Utility Management Conference were both happening at this time, with Constance Haqq, Chief Administrative Officer, and Jacqueline Muhammad, Director of Government and Customer Relations attending the Utility Management Conference and Eric Luckage, Chief Legal Officer, and Jean Smith, Director of Administration and External Affairs attending the NACWA Conference. They were represented in this meeting by Angela Jones, Government Affairs Specialist II, sitting in for Ms. Muhammad; David Fiffick, Deputy Director of Human Resources, representing Ms. Haqq; Jennifer Elting, Business Strategy Program Manager, representing Ms. Smith; and Katie Waag, Assistant General Counsel, representing Mr. Luckage.

President Brown added, regarding the Utility Assistance Resource Fairs, that he has attended them in the past and believes them to be a very useful tool to serve the community, with representatives from each of the local utilities to provide residents with the opportunity to access affordability programs and/or payment plans to maintain their utility services. There are other places around

the country that are also facing economic challenges but have yet to work out what affordability programs might look like for their residents.

President Brown noted the importance of not taking the progress that NEORS D has achieved in this regard for granted, and to continue to find opportunities to achieve equity for NEORS D customers.

Action Items

Authorization to Reject and Re-Bid

Resolution No. 37-24 Authorization to reject all bids and re-bid, in accordance with Ohio Revised Code Section 6119.10, for the procurement of equipment under the REF Steam Sample Panel Replacement project with an estimated probable cost of \$265,000.00.

MOTION – Mr. Sulik moved, and Mayor Bacci seconded to adopt Resolution No. 37-24. Without objection, the motion carried unanimously.

Authorization to Enter Into Agreement

Resolution No. 38-24 Authorization to enter into a professional services agreement with Willis Towers Watson Midwest, Inc. for brokerage services for operational insurance, health insurance, and employee benefits for 63 months, in an amount not-to-exceed \$1,096,250.00.

Resolution No. 39-24 Authorization to enter into a professional services agreement with Paladin Protective Services, Inc. for the Security Systems Maintenance Renewal project in an amount not-to-exceed \$103,680.00.

MOTION – Mayor Alai moved, and Ms. Dumas seconded to adopt Resolution Nos. 38-24 through 39-24. After the following discussion, without objection, the motion carried unanimously.

President Brown requested additional information regarding the services associated with Resolution No. 38-24. Ken Duplay, Chief Financial Officer, explained that the request is to enter into a contract with Willis Towers Watson (WTW) for insurance brokerage services. NEORS D has two tracks as it relates to insurance: one is healthcare benefits and employee benefits-related items; and the second is operational insurance for property, cyber, crime, auto, and general liability insurance. WTW is the incumbent insurance broker for both tracks and has been for approximately 5.5 years. They represent NEORS D in negotiations and assist with attaining bids for the various lines of insurance. NEORS D is happy with the work that WTW has done, however, the current contract is expiring necessitating NEORS D to request proposals. NEORS D interviewed two firms and decided to retain WTW for both insurance tracks to assist with general insurance-related

questions, attend monthly employee benefits task force meetings, and manage the day-to-day activities of the insurance programs.

President Brown asked if this includes Board liability insurance. Mr. Duplay answered affirmatively.

Authorization to Amend Agreement

Resolution No. 40-24 Authorization to amend professional services Agreement No. 22000184 with Occupational Health Centers of Ohio, P.A, dba Concentra Medical Centers, for employee occupational health services, to increase the agreement amount by \$74,000.00, thereby bringing the total agreement amount not-to-exceed \$174,000.00.

Resolution No. 41-24 Authorization to amend professional services Agreement No. 22000021 with Robert P. Madison International, Inc. for the Easterly Stockroom Relocation project to increase the agreement amount by \$206,780.00 for an additional level of effort in construction administration and closeout, thereby bringing the total agreement amount not-to-exceed \$1,158,907.90.

MOTION – Ms. Chambers moved, and Ms. Dumas seconded to adopt Resolution Nos. 40-24 through 41-24. After the following discussion, without objection, the motion carried unanimously.

President Brown noted that there seems to be a small increase in costs associated with Resolution No. 40-24 and asked if it is based on usage. Mr. Fiffick explained that NEORSD utilizes Concentra Medical Centers’ services for pre-employment screenings for potential employees, post-accident injury care for staff, and the administration of NEORSD’s substance-free workplace policy by carrying out substance testing in accordance with the policy and Ohio Department of Transportation regulations. The services required throughout the duration of the contract have exceeded the expected expenditures, requiring NEORSD to increase the amount of funds available in order to continue to receive services through the expiration of the contract.

Authorization to Enter Into Contract

Resolution No. 42-24 Authorization to enter into a two-year public improvement requirement contract with NBW, Inc. for waste heat boiler repair services at the District’s Renewable Energy Facility in an amount not-to-exceed \$181,556.96.

Resolution No. 43-24 Authorization to enter into a two-year public improvement requirement contract with Nerone & Sons, Inc. for Eastside Stream Sediment and Debris Removal services in an amount not-to-exceed \$1,277,618.50.

MOTION – Mr. Sulik moved, and Ms. Chambers seconded to adopt Resolution Nos. 42-24 through 43-24. Without objection, the motion carried unanimously.

Authorization to Amend Resolution

Resolution No. 44-24 Authorization to amend Resolution No. 71-22, adopted February 17, 2022, for the acquisition of two permanent sewer easements and one temporary easement at the property known as PPNs 104-02-010, 104-02-016, and 104-02-017, located at 4901 South Marginal Road, in the City of Cleveland, owned by the City of Cleveland, necessary for the construction and maintenance of the Shoreline Consolidation Sewer project with total consideration of \$55,900.00, to instead acquire two permanent subterranean easements, one permanent sewer easement, and one temporary easement with revised easement areas, with amended total consideration of \$79,313.00.

Resolution No. 45-24 Authorization to amend Resolution No. 72-22, adopted February 17, 2022, for the acquisition of three permanent sewer easements and one temporary easement at the property known as PPN 104-01-001, located at 1159 East 40th Street, in the City of Cleveland, owned by the City of Cleveland, necessary for the construction and maintenance of the Shoreline Consolidation Sewer project with total consideration of \$45,800.00, to instead acquire two permanent sewer easements, one subterranean easement, and one temporary easement with revised easement areas with amended total consideration of \$48,886.00.

Resolution No. 46-24 Authorization to amend Resolution No. 70-22, adopted on February 17, 2022, for the acquisition of three permanent sewer easements and one temporary easement at the property known as PPN 104-01-002A, located at 1150 East 49th Street, in the City of Cleveland, owned by the City of Cleveland, necessary for the construction and maintenance of the Shoreline Consolidation Sewer project with total consideration of \$48,734.00, to instead acquire three subterranean easements with revised easement areas, with amended total consideration of \$36,510.00.

MOTION – Mayor Alai moved, and Ms. Chambers seconded to adopt Resolution Nos. 44-24 through 46-24. After the following discussion, without objection, the motion carried unanimously.

President Brown noted that the parcels referenced seem to be near each other and necessary for construction of the Shoreline Consolidation Sewer project and requested an explanation as to what changed. Devona Marshall, Director of Engineering and Construction, provided a graphic demonstrating the original shaft alignment and locations as designed for the bidding process. The contractor proposed eliminating two of the shaft locations and mining out of Shaft 4 to Shaft 2 then again out of Shaft 4 to Shaft 3, opposed to the original plan of mining out of Shaft 2 all the way to the existing Shaft 3 of the Shoreline Storage Tunnel. These changes affected easement requirements and reduced the project costs by \$2.1 million.

Authorization to Reallocate Grant Funds and Enter Into Agreement

Resolution No. 47-24 Authorization to reallocate funds in the amount of \$231,933.69 from the 2022 Green Infrastructure Grant for the Combined Sewer Area Program (“GIG Program”) Barrio Commissary Green Infrastructure project with West Creek Conservancy, and \$125,000.00 from the 2023 GIG Program Neighborhood GI Investment Planning project with Cleveland Neighborhood Progress, for a total reallocation of \$356,933.69 to the 2024 GIG Program, and to enter into a 2024 GIG Program agreement with the City of Shaker Heights for the GI Parking Lot Shaker Heights City Hall project in a total amount not-to-exceed \$178,466.85, and to increase the funds awarded to the Jordan Community Residential Center for The Oasis in the City “Serenity Healing Garden” Mt. Pleasant project by \$178,466.84, for a total award amount not-to-exceed \$216,484.84, thereby bringing the total 2024 GIG Program funding amount not-to-exceed \$1,856,933.69.

MOTION – Mr. Sulik moved, and Ms. Dumas seconded to adopt Resolution No. 47-24. After the following discussion, without objection, the motion carried unanimously.

President Brown requested additional information. Matt Scharver, Director of Watershed Programs, explained that NEORS was awarded a \$1 million grant from Cuyahoga County to supplement the 2023 Green Infrastructure Grant Program, and there were three components to that. The first was a \$250,000 award to the Cleveland Metroparks for the Garfield Boulevard Trail and Boulevard Revitalization Project, which is moving forward. The second component is the \$125,000 that was to be awarded to the Cleveland Neighborhood Progress and City of Cleveland Office of Sustainability to perform green infrastructure neighborhood-scale planning. That project has been canceled. The third component is \$625,000 intended to supplement the regular grant awards under the 2023 Green Infrastructure Grant cycle.

Cuyahoga County has agreed to let NEORSD reallocate the \$125,000 from the canceled project to fund additional green infrastructure projects. While this discussion with Cuyahoga County was ongoing, Barrio Commissary GI project advised NEORSD that they would not proceed with their 2022 project in the amount of approximately \$232,000, so those funds were combined with the \$125,000 and reallocated to the 2024 grant and will be applied to the Jordan Community Residential Center project in the Mt. Pleasant neighborhood and to the City of Shaker Heights to implement City Hall GI parking lot project and capture a combined 1 million gallons of annual stormwater control.

Over the 11 years of the program, NEORSD has invested over \$14.5 million into the program resulting in capturing 38 million gallons of stormwater annually in the combined sewer system.

V. Information Items

Ms. Marshall provided the monthly Capital Improvement Program (CIP) update for January 2024, beginning with cashflow. The planned cashflow for 2024 is \$192 million for the CIP only, which is similar to the past ten years, which have averaged \$193 million per year, with the least spending being \$165 million in 2021.

There is \$407 million in planned contract awards for 2024, which well exceeds the former highest amount of \$300 million in 2018. Planned construction awards total \$377 million, the majority of which is associated with the Southerly Tunnel and Consolidation Sewer project at just over \$328 million. Other projects include the Southerly Primary Heat Exchanger Replacement for an estimated \$4.7 million, Kingsbury Branch-A Repair for \$5 million, District-Wide Fire Alarm and Security Upgrades for \$800,000, CSO Culvert Outfall Inspection and Repair for \$11 million, Westerly Sludge Handling Improvements for \$15 million, District-Wide HVAC Upgrades Phase 3 for \$8 million, Westerly Administration Roof and Window Improvements for \$1.5 million, and CSO-249 Elimination for \$3.1 million.

There is an anticipated \$30 million in professional services awards for 2024, across seven projects: the Mill Creek Tunnel and Interceptor Capacity Optimization Study for \$2.1 million, General Engineering Services-13 for \$1.5 million, the design of the Big Creek Tunnel estimated at \$18.2 million, Southerly Solids Handling Improvements for \$1.4 million, Westerly Trickling Filter and Solids Contact Tank Aeration Improvements for \$3 million, District-wide Space Improvements for \$1.4 million, and the Easterly Flood Control Relief Sewer project, which is a Consent Decree project, for \$2.6 million.

Ms. Marshall provided an update regarding the construction of the Shoreline Storage Tunnel, which has a \$201.6 million construction contract and is part of the larger Shoreline Storage Tunnel System that will control 12 outfalls that are directly tributary to Lake Erie, reducing the annual discharge by approximately 350 million gallons. The project includes a 23-foot diameter, 14,000 linear foot tunnel with three shaft locations, each with a diversion structure, located at Forest Hills Park at East 110th Street, Gordon Park, and East 55th Street and Fairlie Avenue.

The project is scheduled to achieve substantial completion in May 2026. To date, mining has been completed for approximately 9,500 of the 14,000 linear feet of the tunnel and is expected to be completed in May 2024. Construction of Shaft 2 is completed and excavation for the diversion structure has begun. Mining at the Shaft 3 location is nearing completion and excavation for the diversion structure is advancing.

Ms. Marshall invited Andrea Remias, Manager of Planning E&C, to discuss recent efforts to increase Business Opportunity Program (BOP) participation in E&C projects.

Ms. Remias advised that E&C has implemented enhancements to make it easier to set BOP goals and identify BOP firms that can do the specified work by automating the BOP calculation spreadsheet. In coordination with Contract Compliance, a list of work categories that coincide with E&C's standard services was created and BOP certified firms selected which services from the list they are able to provide. When services are identified in the BOP calculation spreadsheet, the firms automatically populate. This makes goal setting simple and identifies potential vendors. Contract Compliance can use the list to facilitate outreach to the firms to inform them of opportunities.

Additionally, the design-build contract goal setting has been improved by setting two separate goals, one for pre-construction and the other for construction. A feedback process has been created to allow BOP firms to provide feedback regarding their experience to NEORS D on professional services contracts at the end of design.

NEORS D has established criteria to consistently evaluate consultant professional services proposals for BOP participation and to encourage prime consultant firms to expand their BOP firm utilization. There are six criteria by which the firms can earn points: If the proposed BOP participation exceeds the goal by 5% or more; if the primary contracting firm met their commitment; the proposed BOP firm is qualified to perform the work; the proposed BOP firm is considered underutilized on NEORS D projects over the past five years; if an underutilized BOP firm is working in a less common work category; and are there more than three BOP firms proposed. NEORS D piloted the scoring process in fall of 2021 and has been using it since. Fifteen projects have been scored, each with roughly four proposals, the majority of which have enhanced BOP firm participation based on these criteria. Watershed Programs has adopted the scoring criteria for professional services contracts.

Mr. Duplay provided the 2023 year-end financial review, beginning with the rate study. This was the second year of the five-year rate study period. The rate study was conducted in 2020 and finalized in 2021, which was a different environment than now. All metrics are still being met. Operating revenue was approximately 8.5% above projected, primarily due to three consecutive years of better than budgeted consumption. NEORS D budgets for a 2% decline in consumption year over year and in 2021, there was less than 1% decline, 2022 was just over 1% decline, and 2023 saw approximately one half of 1% decline. Historically, going back to 1986, the average has been

1.87% decline in consumption annually. 2017 through 2023 averaged a 1.8% decline. These variations are not enough to change this key assumption. This will continue to be monitored throughout the remainder of the rate study period.

Operating expenses are approximately 10% under projected, equating to approximately \$13.7 million. Compared to the rate study, salary is approximately \$2.1 million lower than projected, with 97% utilization from the rate study number. Benefits are \$7.4 million less than projected in the rate study and notably, \$12.5 million is budgeted for healthcare claims and less than \$10 million has been utilized in the last two years. Utility costs are \$600,000 above the rate study projections, as electricity rates for the Southerly WWTP doubled in May of 2022.

Professional services and contractual services are under the rate study projections by approximately \$4 million and \$2 million, respectively. Within contractual services, solids handling costs are higher than anticipated as hauling costs have increased. Materials and supplies costs are above projected, as chemical costs and general supply costs have increased dramatically since the pandemic.

The 2023 actuals for capital expenditures based on invoices paid is approximately \$158 million. There were a number of projects with actual expenditures below rate study projections. For example, the Shoreline Storage Tunnel cost is approximately \$30 million less due to favorable bidding results and mining delays. Additionally, the Southerly PLC Replacement Project and the Westerly CHRT project saw \$13 million and \$6 million differences from planned compared to actual. Two large projects that have been postponed beyond 2023 are the Easterly Chemically Enhanced High-Rate Treatment Facility for \$25 million, pending EPA negotiations, and the Westerly Sludge Pump Force Main at \$18 million that is being reevaluated.

Debt service is approximately 20% lower than projected due to extremely low interest rates for loans taken in 2021 as well as refinancing and defeasances of bonds in 2021 and 2022.

Budget versus actual revenue in 2023 was less than 1% higher than projected because consumption only decreased by one half of 1%, rather than the projected 2%. NEORSD's revenue is primarily user charges that are billed by NEORSD or its billing agents. Other revenues were \$2.1 million with the largest component being approximately \$600,000 from septic haulers.

Operating expenses experienced an underspend during the pandemic. The delta has been tightened between budget and actuals. Salaries are approximately \$3 million under budget due to vacancies and leaves, and benefits are approximately \$3.8 million below budget, with \$3.1 million of that being healthcare claim savings. Utilities were \$300,000 over budget and transfers will be made to cover any overages.

Contractual services were \$2.7 million below budget primarily because NEORSD is negotiating a new contract with its billing agent, City of Cleveland, and the new rate has not yet gone into effect. Solids handling was approximately \$300,000 over budget due to increased hauling costs.

Budget utilization is up and while fine tuning of the budget is ongoing, it is getting closer to the goal of being within 5% of the budget.

Mr. Duplay provided a graphic demonstrating operating expenses and explained that salaries and benefits make up the largest portion. Total healthcare claim costs were \$10.3 million, Employer contributions to OPERS were \$8.3 million, followed by utilities at a total of \$14.7 million.

Contractual services totaling \$20 million included \$9.6 million in collection fees and \$2.8 million for solids handling. Just over \$16 million was spent on materials and supplies including \$4.7 million for software expenses, \$3.3 million for chemicals, and \$4.3 million for equipment parts and supplies.

This is the highest actual spending ever, primarily due to cost of materials, salaries, and benefits. Recently, spending has been relatively flat with an average of approximately \$120 million per year going back to 2017.

Capital expenditures are approximately 23% under budget for the year due to delayed projects that were previously discussed. In looking at the \$158.9 million total disbursement, approximately 60% of that is the CSO Long-Term Control Plan projects, at just over \$100 million. Plant improvement projects total \$45.8 million, interceptor rehabilitation projects total \$8.7 million, and other minor capital spending totals \$3.5 million. Funding sources for this spending include \$77.5 million in WPCLF loans, primarily for the Shoreline Tunnel and Westerly Chemically Enhanced High-Rate Treatment projects. Both loans have interest rates below 2%. NEORS D utilized cash funding in the amount of \$81.4 million including \$12.6 million in interest income in the capital account.

Debt service is on track with budget for the year and there is currently \$1.8 billion in outstanding debt. The debt service coverage on bonds is 7.25 times, which is above all targets. This will continue to improve over time as NEORS D continues to not issue bonds. The total debt service coverage is 2.48 times. The minimum management target associated with rating agencies' bond ratings is 1.5 times total debt coverage.

President Brown noted that this is the midpoint of the current rate period and there was extensive discussion during the rate setting process about how well NEORS D could track on the expenditure side regarding the ability to raise and spend funds. President Brown added that 2024 is a pivotal year in terms of projection and cashflow. Mr. Duplay agreed and added that of the \$400 million in projects that will be awarded this year, they will primarily be cash funded, including the Southerly Tunnel. There was a loan taken out for that project, however, it is not anticipated that any funds will be drawn from that loan until the end of the project, if needed. Approximately \$200 million to \$250 million in cash will be spent on the project though the end of the rate cycle.

Mr. Duplay then shifted his presentation from Sanitary Sewer to Stormwater rate study projections versus actuals. The Stormwater budget is project-driven and is much smaller than Sanitary Sewer.

Revenue is much easier to project because it is a flat fee and is generally within 1% to 2% of the rate study projection. Operating expenses were under budget by 37% due to project delays.

Capital expenditure was slightly higher than projected. Some projects have transferred from the operating expenditures budget to the capital expenditures. The process is still being fine-tuned.

Total operating expenses were \$17.8 million under budget primarily due to project delays for the West Creek project in Brooklyn Heights, partner projects in member communities, the Abrams Creek along Big Creek Parkway project, and the Sheldon Road Bridge Replacement project.

Capital is tracking at 85% of the projected. Notably, there was a delay in the Mill Creek Culvert Repair project due to property interests, for a reduction of approximately \$750,000. The budget for capital is still primarily for property acquisitions, however, over time, more large-capital projects will move to the capital budget.

Stormwater revenue was \$48.4 million, almost all of which was collected by billing agents. The majority of the operating expenses are under Watershed Programs for stormwater projects and include member community projects and various other items.

There was \$16.1 million spent under contractual services, including the West Bank Creek Stabilization project for \$3.1 million, the Upper Ridgewood Basin project for \$2.2 million, and the Pepper Luce Creek Culvert Repair rehab for \$1.5 million.

Professional services were approximately \$5.5 million. This is generally design-like services, including the Stormwater Data Management project for \$1.1 million, the Doan Brook Restoration at Horseshoe Lake project, and the Stormwater General Engineering Services for approximately \$500,000 each.

In looking at Stormwater budget versus actuals, this is the third year in a row that actuals have increased.

Due to the impact of elevated interest rates and changes to the capital program, Sanitary Sewer cash is up for the year, as projected. Additionally, this is the first year that NEORSD is reporting grant activity. There has been \$3.7 million in Sanitary Sewer grant funding and \$4 million in Stormwater grant funding with further receipts anticipated in 2024. There are many more active grants that have not yet had reimbursement activity. This is impacting cash balances and was not forecasted.

The capital account balance is \$447 million and was anticipated to be \$413 million by last year's budgeting. This is the last year that there is expected to be an increase in the balance, which is the culmination of interest income, grant income, higher than anticipated revenues, and underspent operating budget. This cash balance will begin being spent on capital projects including the Southerly Tunnel.

Mr. Duplay advised that a detailed investment and performance report was included in the meeting materials and the breakdown of the specific investments is typical with a 4.8% rate of return, which was not anticipated in the rate study. There was \$18 million in total interest income in 2023, which is significantly higher than anticipated in the rate study.

All financial metrics are positive and were met in 2023. The days cash-on-hand is projected to be 1,581. The number has decreased slightly because of the higher budget utilization. All other metrics regarding liquidity and debt service are within expectations.

Mr. Duplay briefly touched on the 2024 budget in advance of the upcoming Finance Committee meeting. There is a 4.4% projected increase in revenues for 2024. NEORS is anticipating \$150 million in operating expenses, \$200 million for capital expenditures, and \$113 million for debt service for Sanitary Sewer.

Capital expenditures for Stormwater are anticipated to be higher and expenses are anticipated to be slightly lower.

In summary, all the financial benchmarks continue to be met. The Finance Department continues its long-term financial planning. NEORS is ready to begin cash funding the Southerly Tunnel project. There is an anticipated \$400 million in new projects to be awarded in 2024 to be cash funded. The operating budget proposals for next year are supported by the rate study and projected revenue. The Finance Committee meeting will be held on March 12, 2024, and it is anticipated that the proposed budget will be presented to the Board for approval at the March 21, 2024, meeting.

President Brown thanked Mr. Duplay and added that the Board is looking forward to the Finance Committee meeting and ensuring that the plan that was agreed upon when the rate structure was established is followed.

Ms. Dumas complimented Mr. Duplay's management of the financial portfolio and added that the Board's concern is the review by the public and how rates are set and whether the cash is spent on capital projects. While the Board appreciates staff advising them of project delays, hopefully there will not be as many delays in 2024 that may lead to discussion about rates that are averse to the proposals that were made.

Mr. Duplay agreed and added that NEORS is very focused on utilizing cash in the best way possible, which is to spend it on those projects. The two large loans that were taken in the amounts of \$200 million and \$80 million have a less than 2% interest rate and those same loans would now have a 4% interest rate. Now is the time to utilize cash and spend down the balance, not to borrow at a high rate and spend the cash balance down toward the end of the rate cycle.

VI. Open Session

There were no items.

VII. Public Session (any subject matter)

There were no items.

VIII. Executive Session

Mayor Bacci, pursuant to Ohio Revised Code Section 121.22 (G)(4), moved, and Mayor DeGeeter seconded, to enter into executive session to prepare for and review negotiations of bargaining sessions with District employees concerning their compensation and other terms and conditions of employment. By roll call vote, the Board voted unanimously to enter into executive session at 1:52 p.m.

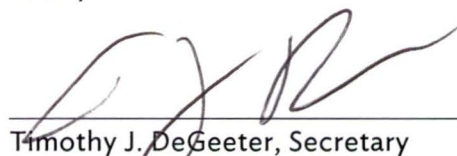
The Board returned to open session at 2:11 p.m.

IX. Approval of Items from Executive Session

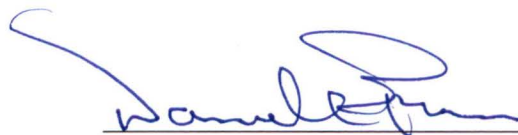
There were no items.

X. Adjournment

MOTION – President Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved, and Ms. Chambers seconded the motion to adjourn at 2:12 p.m. Without objection, the motion carried unanimously.



Timothy J. DeGeeter, Secretary
Board of Trustees
Northeast Ohio Regional Sewer District



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