

MINUTES  
NORTHEAST OHIO REGIONAL SEWER DISTRICT  
BOARD OF TRUSTEES MEETING  
FEBRUARY 18, 2010

Meeting of the Board of Trustees of the Northeast Ohio Regional Sewer District was called to order at 12:32 p.m. by Darnell Brown.

I. Roll Call

PRESENT: D. Brown  
D. DePiero  
S. Kelly  
T. Longo  
W. O'Malley  
R. Sulik

*Mayor Starr was absent.*

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

II. Approval of Minutes

**MOTION** – Mr. Sulik moved and Mr. O'Malley seconded that the minutes of the February 4, 2010 Board meeting be approved. Without objection, the motion carried unanimously.

Add-On

**Resolution No. 58-10**

**Resolution of acknowledgment and appreciation to Thomas J. Longo, in recognition of his twenty-two (22) years of service as a Member of the Board of Trustees of the Northeast Ohio Regional Sewer District.**

Mr. Brown wanted to acknowledge Mayor Longo at his last Board meeting as an official member of the Board. Mr. Brown commented that when he joined the Board, Mayor Longo took him under his wing and taught him the process. Mr. Brown appreciated

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Mayor Longo's engagement, partnership and friendship through the years. He indicated that a lot of good work has been completed during Mayor Longo's years of service with the Board and that there will be more to complete. Mr. Brown commented that Mayor Longo's efforts provided the District with a good road map as to where we need to be taking this organization. Mr. Brown personally thanked Mayor Longo for his contributions to the District.

Mr. Brown read aloud from Resolution 58-10, which recognized Mayor Longo for his 22 years of service. Mayor Longo was appointed to the Board by the Suburban Council of Governments (hereinafter "SCOG") on March 24, 1988 and his term will end on March 1, 2010. Mayor Longo recognized the importance of keeping the District apolitical. He worked very hard to help facilitate the change in leadership, which was a major accomplishment, as well as transitioning into a new era of transparency and public scrutiny.

Mayor Longo's role as Chairman of the Governance Committee dealt with the selection process of the new executive director, Bylaws revisions, Code of Ethics and Conduct as well as new District contracting guidelines. Mr. Brown thanked Mayor Longo for his 22 years of service at the District.

Mayor Longo jokingly commented that when he first became a Trustee of the Board he was 30 pounds lighter and also taller. He indicated that this has been a tremendous experience and that people cannot imagine what it is like being involved with a Board like this. For many years, it was business as usual, but now the District has changed along with its assignments and challenges. This is no longer just a bureaucracy and the District will have a huge impact on the environment. Mayor Longo commented that the employees will be busy over the next fifteen years because this environment needs to be cleaned up, again.

Mayor Longo commented that it has been a real pleasure serving with this Board as well as a learning experience. Mayor Longo wished everyone good health and happiness, and he urged everyone to do a good job in cleaning up these lakes and streams.

**MOTION** – Mayor DePiero moved and Mr. Sulik seconded to adopt Resolution No. 58-10. Without objection, the motion carried unanimously.

III. Public Session

Executive Director Ciaccia advised that no members from the public registered to speak at Public Session.

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### IV. Executive Director's Report

Executive Director Ciaccia extended his appreciation to Mayor Longo, and he stated that during his tenure with the City of Cleveland Division of Water (hereinafter "CWD") as well as at the District, he had the pleasure of working with Mayor Longo. Executive Director Ciaccia wished Mayor Longo the best of luck, and he indicated that they will stay in touch.

Executive Director Ciaccia moved to the first report item and he advised that Mayor Frank Jackson re-appointed Mr. Brown to the Board. Mr. Brown's term will begin in March 2010 and end in March 2015. Executive Director Ciaccia stated that we look forward to working with Mr. Brown during that time period.

Executive Director Ciaccia moved to the next report item regarding the Combined Sewer Overflow Long Term Control Plan (hereinafter "CSO LTCP"). The District held a conference call meeting with the state and federal governments on February 10<sup>th</sup> and addressed the topics that were discussed during Executive Session including the technical aspects of the program and the term and the penalties associated with these types of negotiations. He indicated that the discussions were well received and that another meeting is scheduled with the governments on February 25<sup>th</sup>. Executive Director Ciaccia indicated that we are progressing to an endpoint.

Executive Director Ciaccia moved to the next report item regarding the Stormwater Management Program (hereinafter "SMP"). The District has cases pending in both the Summit County Court of Common Pleas and the Cuyahoga County Court of Common Pleas. The District filed a Motion to Dismiss and a Motion to Change Venue in the Summit County Court, and there have been no new developments thus far. Executive Director Ciaccia then turned discussion over to Director of Law, Marlene Sundheimer, to brief the Board on the Case Management Conference which took place in Cuyahoga County Court.

Ms. Sundheimer advised that a Case Management Conference (hereinafter "CMC") was held on February 12<sup>th</sup> with Judge Timothy McMonagle in a special courtroom to accommodate the large number of parties represented in this matter. There were 38 law directors present, and the majority were from Summit County communities. The purpose of the CMC was to schedule how the proceedings will move forward. Judge McMonagle agreed that we can issue our notice to proceed on the Petition to Amend in parallel with the contested Declaratory Judgment action.

Judge McMonagle indicated that everyone will receive the first 30-day extension to file their answers, and that there will most likely be no other extensions. Judge McMonagle

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advised that this is his last year within his last term, and he desires having this matter resolved within this time period.

Ms. Sundheimer advised that Judge McMonagle addressed objections that anyone might have about his relationship to the case since he was a law clerk and bailiff during the original case establishing the District. Judge McMonagle indicated that he left prior to the conclusion of this case and requested that anyone having objections to him hearing the case to please come forward. Judge McMonagle indicated that there may have been special succession of this case to another judge, and that he will look into whether this special docket case was still active.

Judge McMonagle disclosed that his brother-in-law, Paul Murphy, was representing one of the District's member communities, but he assured that they would keep their business separate, and that he would not be biased or prejudiced based upon that relationship. Ms. Sundheimer advised that Judge McMonagle was very straightforward, and he invited anyone to come forward with any issues they may have about him hearing the case wherein no one came forward.

Ms. Sundheimer concluded by advising the Board that there were no comments from counsel representing the member communities, and only the District's legal counsel spoke during the CMC. The answers will be due in the next few weeks. Judge McMonagle requested that defendants consolidate their issues in order to expedite this matter, and he scheduled the next CMC for April 9<sup>th</sup>.

Discussion was turned over to Executive Director Ciaccia wherein he moved to the next report item. The District continues working with the CWD on incorporating stormwater into the new billing system and is developing the SMP Credit Policy and customer service.

Executive Director Ciaccia moved to the next report item regarding government relations wherein he indicate that Deputy Director of Law, Lisa Hollander, Government Affairs Specialist, Darnella Robertson, and he are scheduled to meet with the District's state advocacy firm, Tucker & Ellis, in Columbus on Monday, February 22<sup>nd</sup> as well as state government officials. The District is seeking legislative changes to provide the District with additional authority as it relates to construction operations and stormwater management including granting and receiving of conservation easements, clarifying the District's right-of-entry power and enabling us to work on private property when the owner is non-responsive. The District also seeks changes within Ohio Revised Code (hereinafter "ORC") §6119 in order to help streamline and better manage the District.

While in Columbus, Executive Director Ciaccia, Ms. Hollander and Ms. Robertson plan meeting with government officials including Louis Capobianco and Andrew Friese both

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who work directly for the Governor Strickland's Chief of Staff, John Haseley; Chief of Staff for the Ohio Senate, Matt Schuler; and Chief of Staff for the Ohio House of Representatives, A.J. Stokes. Executive Director Ciaccia was hopeful that they will also meet with some of the legislators. Executive Director Ciaccia, Ms. Hollander and Ms. Robertson are considering hosting some of the District's state delegation here at the District in order to educate them on some of the District's issues. Executive Director Ciaccia stated that while in Columbus, he was hoping to also meet with Laura Powell, Assistant Director of the Ohio Environmental Protection Agency (hereinafter "OEPA").

Executive Director Ciaccia moved discussion to the federal advocacy services, and he advised that the District would like to schedule another meeting with our federal delegation in early March, prior to them submitting their applications for funding. Executive Director Ciaccia encouraged one or two Board members to participate in said meeting, and he requested that each Board member check their availability for the week of March 8<sup>th</sup>. Executive Director Ciaccia indicated that we need to move to the next level before the funding applications are submitted. Director of Administrative Services and External Affairs, Constance Haqq, or Ms. Robertson will be contacting the Board members regarding their availability.

Executive Director Ciaccia moved to the final report item regarding the labor negotiations, and he advised that we are close to settling negotiations with Local 18S, stationary engineers. The American Federation of State, County and Municipal Employees (hereinafter "AFSCME") Local 2798 accepted the fact-finding report by not taking any action. The District has not been able to sign a contract with the AFSCME to date, nor have any retroactive payments been made at this point. Executive Director Ciaccia indicated that he could not speculate as to the issues of the AFSCME that is delaying their signature on the contract.

Mr. Brown referred to Executive Director Ciaccia's previous comments made regarding the District's intention to seek authority over properties when the property owners' are non-responsive. He inquired if this would provide the District with the necessary enforcement authority to address situations similar to the recent illegal discharge into the Cuyahoga River wherein the District attempted to coordinate with property owners but was not in the position to take enforcement action. Executive Director Ciaccia affirmed and stated that this is also a fine example especially as it relates to stormwater. Mr. Brown indicated that the District certainly needs this authority and the Board anticipates the outcome. Executive Director Ciaccia advised that this is just the beginning, and we will ultimately need a state senator or state representative to introduce a bill on the District's behalf. Mr. Brown commented that we will most likely need letters of support wherein Executive Director Ciaccia affirmed.

V. Action Items

Authorization to Advertise

**Resolution No. 53-10**

**Three (3) year requirement contract for uniform rental and cleaning at all District facilities. Anticipated expenditure: \$340,000.00.**

**MOTION** – Mayor DePiero moved and Mr. Sulik seconded to adopt Resolution No. 53-10. Without objection, the motion carried unanimously.

Authorization to Issue Request for Proposals (RFPs)

**Resolution No. 54-10**

**RFPs for professional services to provide testing and construction inspection services on an as needed basis for the construction of the Renewable Energy Facility (REF).**

**MOTION** – Ms. Kelly moved and Mayor DePiero seconded to adopt Resolution No. 54-10. Without objection, the motion carried unanimously.

Authorization to Enter Into Contract

**Resolution No. 55-10**

**One (1) year contract with LABLynx, Inc. for the annual maintenance and support of the laboratory and Pretreatment Information Systems. Cost: \$30,000.00.**

**Resolution No. 56-10**

**One (1) year contract with Oracle USA, Inc. for the annual maintenance and support of the Oracle eBusiness Application & Oracle Databases. Cost: \$126,089.82.**

**MOTION** – Mr. Sulik moved and Mr. O'Malley seconded to adopt Resolution Nos. 55-10 and 56-10. Without objection, the motion carried unanimously.

Authorization of Contract Modification

**Resolution No. 57-10**

**Modify Contract No. 09002162 with ERC Services, Inc. to provide Performance Management including Merit Pay System Learning Labs for managers, supervisors and non-union employees. Cost: An increase in the amount of \$24,260.00, bringing the total contract amount to \$84,260.00.**

**MOTION** – Mayor Longo moved and Mr. Sulik seconded to adopt Resolution No. 57-10. Without objection, the motion carried unanimously.

VI. Information Items

1. Annual Audit Results as of December 31, 2008.

Director of Finance, Jennifer Demmerle, provided the Board with the District's annual audit results and the auditors' final reports from the audit conducted on the District's 2008 financial statements. Attached within the report was a copy of the acceptance letter from the Auditor of State wherein there were no required revisions to the report.

Incorporated into the document as Exhibit "B" was the single audit report, which is required due to the District's loan activity with the EPA. A report on compliance and internal controls over the District's financial reporting was included in the single audit report wherein the auditors noted "no instances of non-compliance, material weaknesses or findings and question costs."

Ms. Demmerle stated that the auditors noted one instance that they considered a "significant internal control deficiency over financial reporting," which was noted on page eight of the report, and was related to the oversight over the District's primary billing agent, the CWD. According to Ms. Demmerle, "the CWD experienced instances in which the controls over their billing and meter reading did not operate as designed primarily related to the estimated bills." Since the District relies heavily upon the CWD's accuracy, timeliness and completeness of the information provided, these instances of billing and meter reading processes not operating efficiently directly impacted the accounting on our revenue. Ms. Demmerle advised that per the auditors' recommendation, the District should develop procedures to provide a higher level of oversight of the CWD as well as monitoring information provided to the District. Ms. Demmerle indicated that the District has already begun this process by increasing its analyses of the information we are provided and meeting with CWD representatives on

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numerous occasions over the last few months and we will continue meeting with CWD representatives on a monthly-basis.

Ms. Demmerle advised that Exhibit "D" was the management representation letter wherein the auditors had listed two comments. The first was pertaining to employee payroll file documentation wherein the auditors noted that 7 out of 40 payroll files tested did not have the proper documentation regarding deductions. According to Ms. Demmerle, we have already completed this process and Board signed forms indicating that "you had correct information." Ms. Demmerle explained that the auditors' findings were on the files of longtime employees and not new hires.

The second comment related to the reimbursement process for non-operating grant activity. The Department of Watershed Programs (hereinafter "Watershed") monitors and handles the reimbursement process for some of the District's smaller grants. The auditors indicated that they would like for the Finance Department to become more involved in the reimbursement process for smaller grants. Ms. Demmerle advised that the Finance and Watershed Departments have begun developing a process in order to determine the Finance Departments level of involvement in said process.

Ms. Demmerle reminded the Board member that as we begin our 2009 audits they will be receiving the state representation letters from the auditors within the next one to two months.

Executive Director Ciaccia explained that the reasoning behind the delay of the 2008 audit results was that it was held up by the Auditor of State along with many other public sector audits due to the County investigation. Executive Director Ciaccia indicated that one Summit County mayor alleged that it was the District's negligence that caused the delay, and Executive Director Ciaccia wanted to clarify that this was not the case. The District's audit was being held up and it was out of our control.

### 2. 2010 Budget Overview.

Ms. Demmerle indicated that the Board received a copy of the 2010 budget in their packets. The 2010 budget will be presented to the Finance Committee on March 2<sup>nd</sup> prior to the Board meeting. After the 2010 budget is presented to the Finance Committee, staff intends making recommendation to the Board at its March 18<sup>th</sup> meeting to adopt the 2010 budget.

Page one of the overview section summarized the overall 2010 budget. The projected operating revenue for 2010 is \$184 million based on consumption, collection history and scheduled 2010 rates. The 2010 budget projection is 5% over last year's budget.



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The proposed operating expense budget for 2010 is \$108 million, which is 8% over last year's budget but under our rate study projections for 2010. Ms. Demmerle advised that when comparing it to our actual figures, the actual numbers are not yet final due to the District operating on an accrual-basis of accounting, and that invoices will be coming in over the next few months for work performed in 2009.

Ms. Demmerle anticipated finishing 2009 around \$96 million. The increase from the 2009 actual to our 2010 budget was based on several factors including a 2% increase in wages for all positions, which were budgeted at 2,080 hours, resulting in a \$2.5 million increase. Ms. Demmerle advised that with the exception of a few new positions, staffing has remained consistent at its current level. Professional services increased due to Program Management (hereinafter "PM"), at \$4.6 million, and the asset management initiative which is around \$1 million.

Other contractual services increased in which \$2 million was allocated for stormwater start-up costs for the new billing system, parcel aggregation and data mapping. A stormwater budget has not yet been established and the District anticipates coming back to the Board at a later date to amend the budget in order to accommodate SMP costs once the funding is in place.

The District experienced an increase in their debt service due to the amount of outstanding loans and the projected capital budget of \$179 million in 2010. The capital costs include the District's larger projects that were awarded in 2009 including the Southerly Renewable Energy Facility (hereinafter "REF"), the Dugway Storage Tunnel and the (hereinafter "DST") Easterly Tunnel Dewatering Pump Station (hereinafter "ETDPS"). Ms. Demmerle anticipates going to the bond market by the end of 2010 due to the expected cash flow for the District's Capital Improvement Program (hereinafter "CIP").

Ms. Demmerle stated that the District will meet its rate covenant and cash reserves this year.

Mr. Brown assumed that the District was tracking the affects that the economy has had on its consumption, and he inquired as to the percentage decrease the District received in consumption from last year. Ms. Demmerle replied that we do not have our final consumption numbers from last year; however, we have been experiencing an estimated 3% decline in consumption, which is the amount that was projected for 2010. There were many adjustments made last year and we are still trying to determine the final consumption amount.

Mr. Brown indicated that he was concerned since he was advised that consumption will actually decrease by about 5% or 6%. Mr. Brown suggested that we may need to confer

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with an economist as it relates to the impacts of consumption and the customers' ability to pay because those are new challenges. Ms. Demmerle shared in Mr. Brown's concerns and she advised that the 2010 budget allowed for a 3% decline in consumption as well as a 3% uncollectible rate. Furthermore, the CWD is undergoing a rate study and that Executive Director Ciaccia is trying to obtain consumption history from the CWD. We intend to use those numbers in our projections.

Executive Director Ciaccia advised that the District has issued Requests for Proposals (hereinafter "RFPs") for a financial analysis and CWD is finalizing their RFP and has hired an economist as part of their team. Assuming CWD has a valid study then we will be able to use their data and apply it to the District's study.

Mayor Longo commented that with the drop in the economy and the rate of foreclosures we can assume that this trend will continue and will not turn around instantly. He questioned if the affordability issue can impact the negotiations with the federal EPA and whether "there is any flexibility to modify their approach into to this economy?"

In response to Mayor Longo's inquiry, Executive Director Ciaccia replied that this issue is hard to quantify, but the District has certainly placed the economic impacts on the table for discussion. We are stuck however with the government's guidance formula, and we cannot arbitrarily provide them with numbers since we cannot fully include the impact of the foreclosure crisis. According to Executive Director Ciaccia, as it relates to the negotiations, we are a high burdened community.

Mayor Longo inquired whether this gives us a chance to quantify it. Executive Director Ciaccia replied that it does not in the context of the present negotiations and that a lot more work is required. He was not sure how being considered a medium burdened or high burdened community will factor into the government's guidance equation. Executive Director Ciaccia further explained that in order to be considered a high burdened community, bills must exceed 2% of the median household income, and the District believes that this is going to be the case as we develop the CSO LTCP. Executive Director Ciaccia indicated that although he cannot publicly discuss the negotiations issues at point, "that has ratcheted down some of the demand, but could we go any further with it, I doubt that."

Mayor Longo stated that he brought this point to the discussion because he believed it was worth exploring.

Mr. Brown commented that we have to at least recognize these economic challenges regardless of whether they can be factored into the equation. The issue is not solely what we are able to bill our customers, but also our ability to collect on these accounts. Our entire customer database is impacted by foreclosures, and although Cuyahoga County

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assuming responsibility over certain properties and transferring them into their land bank seems like a good strategy, the District will be impacted once these become certified delinquent accounts and goes into foreclosure because there will be no owner of record. Mr. Brown speculated that these variables will impact our ability to have a predictable revenue streams.

Executive Director Ciaccia stated that we are facing huge challenges over the next several years. The District must cover its fixed costs and the CIP, which is being driven by the consent order. As consumption is predictably declining, the rate structure will increase and our customer base is not getting any more affluent. Our rate consultant will need to factor affordability programs into our new rate program. The District's rate system is flat and we do not provide rewards to customers using less water. We do not have an inclining rate block and this will need to be addressed. The District offers a Summer Sprinkling Program, but this program only benefits customers having sprinkler systems and also takes money away from the fixed costs. Executive Director Ciaccia concluded by stating that the District will be facing big challenges on many fronts as it relates to the revenues we need to bring in.

### 3. Program Management Status Report and Update – December 2009.

Director of Engineering and Construction, Kellie Rotunno, began her presentation by acknowledging Ms. Haqq and her department for the technical support they provide for each PM presentation. She also acknowledged the PM consultants as well as her staff.

Ms. Rotunno stated that this is the last Board meeting that John Barron, program manager for CH2M-Hill, will be attending. Ms. Rotunno thanked Mr. Barron on the efforts he made in 2009 toward the achievement of the CIP and Key Performance Indicators (hereinafter "KPIs").

In 2009, the District awarded \$275 million in design and construction projects, which included the REF at Southerly, and was approximately \$149 million. Ms. Rotunno stated that \$50 million awarded in 2009 were for CSO projects. The District awarded 37 new projects and had an extremely competitive bidding environment. The average low bid was 17% under the engineers' opinion of probable construction costs.

The District closed 14 of its 15 construction projects with less than 5% change orders above the base contract amount, and this was due to our diligent management of the change orders during construction. Ms. Rotunno advised that the construction contract change policy allowed staff to manage and limit the general allowance usage. Furthermore, the Departments of Law Department and Engineering and Construction worked with outside counsel to develop new general conditions, which have been applied on District construction projects.

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Ms. Rotunno moved discussion to the KPIs for project delivery. The target goal was to deliver 90% of the planned CIP, and 37 of the targeted 44 projects were awarded in 2009.

The District exceeded its KPI target of dollars awarded by delivering \$274.7 million of \$254 million, which was the targeted goal.

Ms. Rotunno referred to a pie graphic depicting awards for design and construction, and approximately \$25.7 million was awarded for professional services and \$249 million was awarded in construction.

Ms. Rotunno stated that the Small Business Enterprise (hereinafter "SBE") commitments on District projects during the 6-month timeframe since inception of the SBE program were significant, and that she was pleased with the SBE subcontracting participation.

Ms. Rotunno moved discussion to the second KPI regarding the goal of the lowest bidder being within 10% of the engineers' estimate. She referred to a graphic depicting projects awarded in 2009 and how they compared to the engineers' estimates. For many of the projects, the lowest bidder was significantly less than the engineer's estimate and they averaged 17% under the engineers' estimate, which was 7% higher than the KPI range of 10%. Ms. Rotunno attributed this to the current economic climate; conservatism of our engineers and how they packaged their estimates; and that Ohio law predicated us to rebid a project should the lowest bid exceed 10% of the engineers' estimate. Ms. Rotunno believed this to be a good economy for the District and that we are getting a lot of value for the projects that we awarded in 2009.

Ms. Rotunno moved discussion to the third KPI which was the District's "ability to deliver 85% of the projects with less than 5% change from the base contract amount." She referred to a graphic showing blue bars which represented projects closed in 2009. The blue dashed line across the top represented an average closing of projects at 97% of the base contract amount. The District's KPI was to close projects within 105% of the base contract amount wherein we exceeded that KPI on 93% of the projects and only one project exceeded 5% above the base contract amount.

Ms. Rotunno moved discussion to the CIP allowance tracking, general allowance authorizations, which were highly managed and scrutinized by Executive Director Ciaccia. Ms. Rotunno stated that, on a percentage basis, Executive Director Ciaccia is doing better on the general allowances that she is on the special allowance authorizations.

In 2009, contracts were awarded under the District's former Minority Business Enterprise (hereinafter "MBE") and Women's Business Enterprise (hereinafter "WBE") program and the current SBE program. Ms. Rotunno referred to a slide showing the

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subcontracting participation through November 30<sup>th</sup>. She explained that the authorizations and awards to date were primarily comprised of MBE and WBE firms since the contracts were awarded under the District's former MBE/WBE program, and that not many projects have been awarded under the current SBE program since this program commenced in June 2009.

The chart on the right represented the SBE program commitments, and Ms. Rotunno advised that in December many of the projects were awarded under the SBE program which will translate into cash flow for SBEs in 2010.

Mr. Brown inquired whether these were invoiced wherein Ms. Rotunno advised that these are SBE commitments and that the bar on the left represented the District's goals, which were listed in the bid documents. The bar on the right represented the commitments made by the contractors in their bid proposals. Ms. Rotunno stated that the contracting community is responding well to District's SBE program by exceeding our goals.

In 2010, the District's target award is \$297 million for new projects and of that, \$211 million will be for CSO projects. A large amount of the CIP in 2010 will be for the CSO LTCP.

In 2010, the District is planning to award 42 new projects and close out 15 projects. We are suggesting a change in "the KPI and target the average bid price being within 10% of the engineers' opinion of probable construction costs" since we believe the engineers estimate should be in the middle and not the lowest bid amount. Ms. Rotunno stated that "we will hold our engineers to the standard and we expect them to be in the middle of the pack." On each project, we will begin tracking the accuracy of the engineers' opinion of probable construction costs relative to the average of the bidder populations. The District will also continue managing its projects to less than 5% above the base contract amount and control the use of general allowances.

Ms. Rotunno commented that 2010 will be a big year for establishing new policies and procedures and for improving our consistency in the management of design, bid and construction projects. According to Ms. Rotunno, "we need to get procedures and documentations rolled out in 2010" and this is our primary goals.

Ms. Rotunno concluded by referring to quote by Thomas Jefferson, "I like the dreams of the future better than the history of the past." Ms. Rotunno indicated that she looks forward to a successful 2010 CIP.

Executive Director Ciaccia stated that PM is really geared toward delivering capital improvement projects which he believed should be capitalized from an accounting standpoint. Since much of the work that will be completed under PM cannot be

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capitalized, this will impact the District's operating budget, and in 2010 this is certainly going to hit in a fairly substantial way.

Mayor Longo commented that the concept of taking the average of the bids instead of the low could be beneficial in today's economy. He indicated that "it is always political football" and that some may argue that the estimates are too high or too low. Mayor Longo inquired if we have examined whether or not taking the average or continuing to handle the process like we have been would be more apropos.

According to Ms. Rotunno, she believed that it is "a fair comparison to the average of the bidders, regardless of the economic bidding climate." When comparing the engineers' opinions of probable construction costs to the average of the bidder populations in 2009, the District was 8.4% off. We were within 10% of the average but 17% higher than the low on the aggregate. Ms. Rotunno believed that the average of the bidder populations will be the most dynamic way of measuring that KPI in any economic climate.

Mr. Sulik requested a list of the 42 projects that will be awarded in 2010. Ms. Rotunno replied that PM is compiling the entire CIP into a single repository of scheduling program, and that she will provide the Board with this information.

Ms. Demmerle added that incorporated into the Board's 2010 budget is a CIP summary which lists each District project. Ms. Rotunno clarified that the amount reflected in the CIP will differ from the \$297 million award-based number since the CIP is based upon cash flow.

Mr. Sulik commented that "normally the professional services run 30%" and on the Spring/Jennings Phase 2 project the professional services were \$165,000 and the construction was \$220,000, which seemed out of kilter. Mr. Sulik requested that Ms. Rotunno look into the situation. Ms. Rotunno stated that this was a unique project and that she will look into this matter and get back to the Board.

Ms. Kelly requested that in future she would like to see a graph showing the completed commitments on the subcontracting program this way the Board can analyze the differences between the District's goal, the contractors' commitments and what was actually completed. Ms. Rotunno advised that she had been working on this graphic however it was not ready for inclusion into this presentation, and KPI will provided to the Board.

Mr. Brown expressed his concern about losing Project Manager, John Barron, since the PM proposal was conducted on the evaluation team in which Mr. Barron was head of that team. Mr. Brown requested clarification on this matter.

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Executive Director Ciaccia explained that Mr. Barron was written into the PM contract, and that the District will need to come back to the Board for a contract modification. Mr. Barron is going to Afghanistan and we understand that “there is a lot of work to do in that country on behalf of our country.”

The District has been working with CH2M-Hill and Paul Demit has been filling in. Mr. Demit will spend three days each week at the District until we find a replacement for Mr. Barron, and he has already provided Ms. Rotunno with some potential candidates. Executive Director Ciaccia advised that after reaching a consensual decision as to a replacement for Mr. Barron, staff will come back to the Board for a contract modification.

Ms. Rotunno added that our PM program is an integrated model with our program manager; therefore, PM will continue to run since many people are putting efforts into the success of the program. Tim O’Rourke is the number two deputy and he will remain here at the District. Mr. O’Rourke currently resides in Cleveland and “he is not going anywhere anytime soon.”

Mr. Brown commented that the integrated model approach is wonderful, and that the goal is to train and transfer knowledge to District staff as to the necessary skills and competencies needed in order to alleviate the need of a PM consultant. It is still early in the process and having the continuity of this process is important. Mr. Brown expressed his concern and that he will wait to hear from staff regarding this issue.

Ms. Rotunno understood Mr. Brown’s concern given the magnitude of the PM program and the responsibilities. Staff will follow-up with the Board as to the transition plan that is being developed by CH2M-Hill. Ms. Rotunno commented that Mr. O’Rourke will be the “glue to hold us together and bridge the gap” until we find Mr. Barron’s replacement.

Ms. Rotunno commented that Mr. Barron’s skills were “perfectly suited to our organization and he helped us achieve a lot of our initial goals.” At this point of transition, “another specialty or expertise could actually help catapult our program into the next phase.”

### VII. Open Session

Mr. Sulik stated that there were no dates and times listed on the Board’s 2010 orientation schedule. Ms. Haqq indicated that she will provide the Board with a revised schedule.

Mr. Brown believed it to be instructive for the Board to participate in an orientation given the demand of knowledge and expertise that is needed in order to deal with the issues that are going to be placed before us. With the help of Ms. Haqq, we have been able to create

a program with several modules which was distributed to each member so they could select areas in which they have a particular interest. Mr. Brown stated that experts will provide the Board with insights on our roles and responsibilities as well as the current and future challenges. This is part of the Board education process that we believe is important to the stability of this organization. Mr. Brown acknowledged Ms. Haqq on her responsiveness and encouraged the Board to take advantage of these opportunities.

VIII. Public Session (any subject matter)

IX. Executive Session

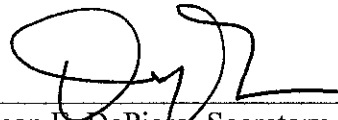
Mr. Brown stated that there were matters for discussion in Executive Session.

**MOTION** – Mr. Sulik moved to enter into Executive Session to discuss pending litigation matters relating to the MCT-3 and BCI-3D contracts and to specifically designate all matters discussed in Executive Session to be protected from public disclosure in accordance with Ohio Revised Code §121.22(g)(3) and attorney-client privilege. A roll call vote was taken and without objection, the motion carried unanimously.

The Board met in Executive Session from 1:34 p.m. to 2:41 p.m.

X. Adjournment

**MOTION** – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mr. Sulik moved and Mr. O'Malley seconded the motion to adjourn at 2:42 p.m. Without objection, the motion carried unanimously.



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Dean E. DePietro, Secretary  
Board of Trustees  
Northeast Ohio Regional Sewer District



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