

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
FEBRUARY 19, 2015

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

I. Roll Call

PRESENT: D. Brown
R. Sulik
W. O'Malley
J. Bacci
T. DeGeeter
R. Stefanik

ABSENT: S. Dumas

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

II. Approval of Minutes

MOTION – Mayor Bacci moved and Mr. Sulik seconded to approve the minutes of the February 5, 2015, Board Meeting. Without objection, the motion carried unanimously.

III. Oath of Office

Marlene Sundheimer, Chief Legal Officer & General Counsel, administered the oath of office for Mr. Brown and Mayor Bacci to serve Board of Trustee terms from March 2, 2015, through March 1, 2020.

IV. Public Session

Chief Executive Officer (CEO) Ciaccia advised that no one signed up to speak about a specific agenda topic.

V. Chief Executive Officer's Report

CEO Ciaccia began his report with the one-month financial report for January.

Expenses are below budget at 6.7%. Things are tracking well and staff will make sure to maintain that trend through the year.

Cash is up 17% and the collection rate for the Cleveland Water Department (CWD) is over 100% for the first month and accounts receivable over 180 days is below 40% for the first time in a while. He credited the automated meter reading system CWD installed that is paying off with increased revenues.

CEO Ciaccia advised that the government affairs staff including Darnella Robertson will have an annual advocacy summit on Monday next week from 12:30 p.m. to 3:30 p.m. in the Operations Conference Room with the District's state and federal advocates.

VI. Action Items

Authorization to Advertise

Resolution No. 29-15	Advertise for a Matrix Assisted Laser Desorption/Ionization Time of Flight Mass Spectrometer for the Identification of Microorganisms.
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MOTION – Mayor DeGeeter moved and Mayor Stefanik seconded to adopt Resolution No. 29-15. After discussion and without objection, the motion carried unanimously.

Mr. Brown questioned whether the resolution has to do with analysis of lake water and beach closings. Frank Greenland, Director of Watershed Programs, explained that it complements beach research and sampling efforts.

The source of high E. coli levels at the beach is uncertain. Staff has long theorized that combined sewer overflows (CSOs) contribute to bacteria at the beach. This instrument allows staff to determine the source. It will also help broaden research regarding this topic.

Authorization to Issue Request for Proposals (RFP)

Resolution No. 30-15	RFPs for the Westerly Low Level Relief Sewer Project.
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Resolution No. 31-15	RFPs for Instrumentation Maintenance and Repair
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Services at the Southerly Wastewater Treatment Plant Renewable Energy Facility.

Resolution No. 32-15

RFPs for Programmable Logic Controller/Human Machine Interface Maintenance and Technical Support Services at the Southerly Wastewater Treatment Plant Renewable Energy Facility.

MOTION – Mr. Sulik moved and Mr. O’Malley seconded to adopt Resolution Nos. 30-15 through 32-15. After discussion and without objection, the motion carried unanimously.

Authorization to Purchase

Resolution No. 33-15

Purchase a Three-Year Compellent Storage Area Network Support and Maintenance Contract Renewal from Cambridge Computer Services, Inc. Cost: Not-to-Exceed \$187,800.55.

MOTION – Mayor DeGeeter moved and Mayor Stefanik seconded to adopt Resolution No. 33-15. After discussion and without objection, the motion carried unanimously.

Authorization to Enter into Contract

Resolution No. 34-15

Professional Services Contract with Brown and Caldwell for the Southerly First Stage Aeration Tank and Return Sludge Pump Station Improvements Project. Contract Amount: \$4,500,000.00.

Resolution No. 35-15

Construction Contract with DiGioia-Suburban Excavating, LLC for the Green Ambassador Urban Agriculture Project. Contract Amount: \$6,369,723.28.

Resolution No. 36-15

One-Year Requirement Contract with Polydyne, Inc. for Gravity Belt Thickener Polymer for Use at the Southerly Wastewater Treatment Plant. Cost: \$285,750.00.

Resolution No. 37-15

Five-Year Requirement Contract with Predictive Service for the Lease of Continuous Monitoring Equipment and Associated Services for Use at the

Easterly and Southerly Wastewater Treatment
Plants. Cost: \$1,008,362.22.

Resolution No. 38-15

One-Year Requirement Contract with JCI Jones
Chemicals, Inc. for Sodium Bisulfite Solution for
Use at All Wastewater Treatment Plants. Cost:
\$219,761.65.

MOTION – Mr. O’Malley moved and Mayor Bacci seconded to adopt Resolution Nos. 34-15 through 38-15. After discussion and without objection, the motion carried unanimously.

Regarding Resolution No. 34-15, Mr. Brown noted that the contract amount was \$4.5 million but the actual construction cost is \$21 million. He requested an explanation on the actual design and allowances. James Bunsey, Director of Engineering & Construction, advised that this project came from the Southerly Comprehensive Facilities Plan and is a sophisticated project in regards to the flow patterns that will ultimately be seen at Southerly in preparation for a different type of operation.

The predesign is more than normal because the consultant will be doing additional services, including support and programming. Overall contracts generally run from a professional services standpoint around 15%.

Authorization to Enter into Agreement

Resolution No. 39-15

Reimbursement Agreements with the City of
North Royalton for Assistance with Ohio
Department of Public Safety Emergency
Management Assistance Grant Funded Projects.
Estimated Total Cost: \$166,317.00.

Resolution No. 40-15

Agreement with Cedar Point for Charity Choice
Campaign Fundraising Event.

MOTION – Mr. O’Malley moved and Mayor Bacci seconded to adopt Resolution No. 39-15. After discussion and without objection, the motion carried with one abstention by Mayor Stefanik.

MOTION – Mayor DeGeeter moved and Mayor Stefanik seconded to adopt Resolution No. 40-15. After discussion and without objection, the motion carried unanimously.

Mr. Brown questioned whether Resolution No. 39-15 was in effect a grant that the District is helping North Royalton administer, including providing the expertise to implement various

This resolution was withdrawn.

Authorization of Property-Related Transaction

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| Resolution No. 45-15 | Authorize a Grant of Access Easement to the Northeast Yacht Club (NEYC) Necessary for the NEYC to Secure a Submerged Lands Lease, from the Ohio Department of Natural Resources, for its Facilities. Consideration: \$1.00. |
| Resolution No. 46-15 | Authorize One Permanent Easement Acquisition and Obtain a License from the City of Cleveland Necessary for Construction of the Green Ambassador – Fairhill/MLK Green Infrastructure Project. Total Consideration: \$246,900.00. |
| Resolution No. 47-15 | Authorize One Fee Simple Acquisition in the City of Cleveland Necessary for Construction of the Dugway West Interceptor Relief Sewer Project. Consideration: \$1.00. |
| Resolution No. 48-15 | Authorize One Relocation Payment, to Everett Durham, Jr. and Ralphie Durham, Associated with the District’s Permanent Acquisition of Property in the City of Cleveland Necessary for Construction of the Dugway Storage Tunnel Project. Consideration: \$3,009.37. |
| Resolution No. 49-15 | Authorize Two Relocation Payments, to Ruth Cox and Donald Evans, Jr., Associated with the District’s Permanent Acquisition of Property in the City of Cleveland Necessary for Construction of the Dugway West Interceptor Relief Sewer Project. Consideration: \$13,974.70. |

MOTION – Mayor Bacci moved and Mayor Stefanik seconded to adopt Resolution Nos. 45-15 through 49-15. After discussion and without objection, the motion carried unanimously.

Sewer Use Code Matters

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| Resolution No. 50-15 | Authorization to Grant a Sewer Account Credit to Murray Rosenbaum due to an Underground Leak. |
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Cost: \$47,128.35.

MOTION – Mayor DeGeeter moved and Mayor Bacci seconded to adopt Resolution No. 50-15. After discussion and without objection, the motion carried unanimously.

Authorization to Negotiate Agreement

Resolution No. 51-15
Held for further discussion.

Authorizing the District to Negotiate an Agreement with the City of Cleveland Heights on a Project to Resolve Water Meter and Billing Issues.

A presentation by representatives was made to the Board on Resolution No. 51-15. The resolution request was held without action pending further discussions.

CEO Ciaccia introduced representatives from the City of Cleveland Heights and their contractor to make a presentation to the Board on their proposed project to resolve water meter and billing issues and to seek contribution from the District on the project. He previously reported to the Board that staff had been having discussions with Cleveland Heights on this topic. Cleveland Heights is a master meter community and has various master meters at their corporate limits. CWD bills Cleveland Heights based on those meters.

Cleveland Heights's meters are city-owned and they bill all of their customers, including some from University Heights and East Cleveland. CEO Ciaccia stated that they are essentially a water department within the CWD system. When Cleveland Heights bills their customers, they also act as a billing agent for the District and remit that money directly to the District.

CEO Ciaccia explained that a few weeks ago Cleveland Heights approached the District with a couple proposals. They are losing money, and they have a couple of options to correct that. One would be to move to direct service with CWD and get out of the water business in terms of billing. The second option under consideration will be presented today.

CEO Ciaccia stated that the resolution request is only to negotiate an agreement with Cleveland Heights. He wanted the Board to be aware of what was proposed. Should the Board be amenable to negotiations, staff will engage with Cleveland Heights and return to the Board for authorization of any potential agreement.

Tom Raguz, Finance Director for the City of Cleveland Heights, introduced himself along with Collette Clinkscale, Cleveland Heights Utilities Commissioner, and Craig Padula from Energy Systems Group (ESG). Mr. Raguz explained that the City of Cleveland Heights faces non-revenue water loss challenges, which is making them face doubts for a positive cash balance in

its water utility fund in 2015. The city is currently weighing two options: enter into a performance contract with ESG, or transition to a direct service customer of CWD.

Mr. Raguz stated that in September 2014, Cleveland Heights contracted with ESG to perform a detailed engineering evaluation on its water utility infrastructure. The evaluation diagnosed system deficiencies, including water meters, and developed equitable solutions.

Mr. Padula stated that as ESG conducted its analysis, they broke things into apparent loss and real loss categories. Real losses include in-ground leaks which don't directly impact the District. However, the District is impacted by apparent losses. The two main categories of apparent water loss within Cleveland Heights' system are meter inaccuracies and billing errors.

Apparent water loss results in over \$3 million in non-revenue water loss for Cleveland Heights. The improvements being recommended will generate over \$1 million in cost savings or new revenue for Cleveland Heights, and just under \$1 million per year for the District.

Mr. Padula explained that ESG will conduct a detailed audit of the billing system and find unbilled accounts, create a GIS model that integrates into the billing system and build better processes, tools, standards and procedures to operate the system more effectively.

Moving to the subject of meters, he advised that all of the approximately 14,500 residential meters were replaced in 1994 and 1995 within Cleveland Heights. The majority of the meters are within AWWA standards -- meaning they are 98.5% or more accurate. Replacing them would not realize new revenues.

Of the 16,000 total accounts in Cleveland Heights, 1,300 are zero-read accounts on a monthly basis. The 600 residential meters in need of replacement are going to be found in the zero read accounts.

Mr. Brown questioned if those accounts are unoccupied structures. Mr. Padula stated that they believe half are unoccupied structures.

Moving on with the report, Mr. Padula explained that there are 1,400 commercial meters, ranging from 1 to 8 inches -- many of which were found to be inaccurate. They were found to be, in many instances, oversized, and nearly all 1,400 are a turbine style meter, which ESG deems inappropriate for a commercial account. Commercial meters represent about a third of total water revenue for Cleveland Heights. He believes that upgrading commercial meters would increase revenue substantially.

Most commercial meters are turbine and do not register water flow until approximately six gallons per minute passes through it. When it does start to read at low flow conditions, it is only

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40% to 50% accurate. Many commercial meters in Cleveland Heights are 30 years old. Mr. Padula recommended replacing the commercial meters with a compound meter set that can accurately detect flow at low conditions.

With compound meters, which are two meters in one body, we can accurately detect flow at low conditions. Therefore, the recommendation would be to replace all 1,400 commercial water meters and install an AMI data collection system across the entire 16,000 meters.

Cleveland Heights has 28 master meters between import and export meters; it is a very complicated system. This AMI technology will allow ESG to put telemetry on the master meters and compare it to customer usage at any moment, which will allow them to see in real time where water loss is occurring. Mr. Padula stated that ESG will audit the billing system, remediate billing errors and develop a series of tools that will help operate the system much more effectively going forwards. On the real leak loss side, they will remediate water leakage in the ground.

Mr. Padula stated that because Cleveland Heights's local sewer is also tied to water volume, they would see some benefit in local sewer charges. Overall, this is a \$20 million project that will generate about \$5 million in revenue and savings per year for Cleveland Heights and an additional \$1 million per year for the District.

Mr. Raguz next presented the financing aspects of the project. The financed amount of the project cost would be just under \$20 million with an annual payment of approximately \$1.5 million. The proposed fixed interest rate would be 4.15% over a 20-year term. That is a level debt service payment, with a positive cash flow of \$2.5 million. The cash flow goal for the project is \$1.5 million that was deemed over a baseline period with \$250,000 in addition to the baseline.

Mr. Sulik noted a blank section for the District's contribution. Mr. Raguz explained that they were present to ask for financial assistance from the District and the contribution had not been determined.

CEO Ciaccia stated that a factor in Cleveland Heights' decision may be the level – if any – that the District participates in the project. They have asked the District to participate since both sides would benefit from it. They would come back to the Board with an agreement which will include a number for the Board to say yea or nay.

CEO Ciaccia stated ESG is offering Cleveland Heights a guaranteed return on project costs for the first four years of the project.

Mr. Brown stated that a significant issue is that there is no specific amount, nor an understanding of what that would go towards. He did not think the Board had a problem with discussions about

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what an asset it might be for the District, but he would like to understand terms or conditions of the outcome. He wants to be very careful about what they authorize to spend money on and to make sure it is in alignment with the District's goals and mission.

Mayor Stefanik questioned if the District benefit would be \$928,000 and over what duration. Mr. Raguz explained that would be annually after the project is completed.

Mayor Stefanik inquired if the District would realize those savings if Cleveland Heights were to give up billing to CWD. Mr. Raguz stated that will be discussed later in the presentation.

Mayor Stefanik inquired if this was a potential revenue stream for Cleveland Heights that is currently not making money. Mr. Raguz affirmed.

Mr. Sulik stated that this is an action Cleveland Heights should undertake anyways. The City of Cleveland did not come to us and ask us to replace their meters so that they could generate more revenue. This is a problem Cleveland Heights has had for 30 years.

CEO Ciaccia stated that from the District's standpoint he was interested in this project to increase District revenues. If the cost of the project outweighs the increased revenue, we certainly wouldn't even be talking about this. Secondly, Cleveland Heights has two options. One is to do this project with ESG and get some level of guarantees. Or, they go with Cleveland as a direct service customer.

Mr. Ciaccia indicated that he talked to CWD regarding doing the same type of project. In 1998 a water audit was conducted which identified the replacement of large meters as a source of potential new revenue. Should Cleveland Heights decides to go to direct service, then the project falls on Cleveland to make the changes in Cleveland Heights' system.

Mr. Brown stated that the Board is in an information-gathering mode and hearing the elements that give reasonable understanding as to why the Board should support this. He didn't think the Board would get to a decision today, that it may take several meetings to make a determination. CEO Ciaccia advised that staff had the same questions.

Mr. Raguz then continued by stating that what has also been discussed with the District is a revenue-sharing agreement with no capital upfront costs by the District. The discussion was turned over to Mr. Padula.

Mr. Padula stated that the concept has been sharing additional revenue. ESG will implement the project at a fixed cost and agreed-upon scope of work. The savings will be reconciled on an annual basis. The measured savings are about \$4.7 million and must meet or exceed that on an annual basis.

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There are about a half a million dollars in operational savings that would be agreed to, and adjustments will be made in the baseline for variables, including the number of accounts and the value of water. The total guarantee covers the full investment cost of the project.

Mr. Raguz stated that, getting back to the financial benefit to the District, the \$930,000 additional revenue generated to the District may be less likely to be realized under a different scenario, for instance, if they turned the project over to CWD. The project also reduces risks of future revenue losses through the capital improvements through the performance contract with ESG. It also improves customer service capabilities through GIS on the new meters.

Mr. Raguz stated the next steps included getting feedback and continuing negotiations with the Sewer District. In addition, they would need Cleveland Heights City Council authorization to finalize the execution of the contract or project implementation. The project will take approximately two years to complete and during those two years would realize a construction period savings as well.

Mr. Brown recommended that the Board hold the resolution pending further discussion.

VII. Information Items

1. Year-End Review Presentation

Ken Duplay, Controller, stated that he would provide an overview of the preliminary unaudited 2014 financials and a brief overview of the 2015 operating and Capital budgets.

The District operates within its operating budget that is approved every year by the Board. Staff must meet debt service coverages, maintaining various cash reserves at appropriate levels to maintain its bond rating and liquidity and within internally-selected financial metrics, which are driven by maintaining or improving the bond rating.

Mr. Duplay advised that compared to the 2012-2016 rate study, all variances to the 2014 actuals are positive. Revenue is higher than projected, maintenance costs are below and debt service is slightly below due to variances and timing of bond issues. The year ended 8% above the operating revenue budget.

The consumption decrease from the previous year was only 0.2% while staff budgeted for a 4% decrease in total consumption. That alone made up for the increase over the budget.

CEO Ciaccia attributed the lower figure to more accurate meter reading. Mr. Duplay explained that the other contributing factor was a project that identified and billed sewer accounts which added consumption that was not previously in the numbers.

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Mr. Brown questioned whether the consumption figure was a one-time anomaly. Mr. Duplay explained that staff expects decreases in the future, but there is a new, higher baseline from which to decrease. CEO Ciaccia added that the next rate study will be performed this year and will be conservative in terms of projected decreases in consumption.

Mr. Brown stated that in years past the assumed rate of decline was 2% to 3% and more recently had been closer to 3% and 5%. It would be interesting to understand that as staff prepares for the next rate study what the baseline will be.

Moving on with the report, Mr. Duplay advised that 99% of District revenue comes from user fees and the other 1% is related to septic fees from haulers at the plant. \$17.6 million is directly billed and \$198 million is billed from CWD.

A \$5 million component of the budget last year was slated for sludge hauling; however, it was not necessary because the Renewable Energy Facility was operational. Therefore, the operating budget was significantly under budget.

Operations comprise the largest portion of the budget at \$51.9 million. Finance is \$8 million in collection fees and 55% of organizational expenditures are wages with utilities being the next largest component.

Mr. Duplay stated that the Capital budget was slightly less than budgeted which was attributable to delays in several large projects that resulted in \$16 million cash flow.

The majority of expenditures were on the CSO Long-Term Control Plan, the largest of which were the Dugway West Interceptor Relief Sewer (\$17.2 million); Euclid Creek Storage Tunnel (\$17.1 million); and several projects at Easterly combined for \$19.4 million.

The 2013 bonds paid for the majority of 2014 cash flow. Staff expects to be fully expended of those bonds in February 2015. Mr. Duplay advised that it is likely in March they will begin spending 2014 bond money. \$15 million of the Capital Improvement Plan was spent using District funds. The current year generated \$33 million from WPCLF loans.

Debt service was slightly above budget, which was attributable to the natural variance and timing of when staff submitted for WPCLF loans.

Since revenue increased and decreased, staff operated at a surplus which allowed for the transfer \$6 million into a rate stabilization reserve. That reserve will be available to draw from in the future should there be a shortfall in meeting debt service coverages. The coverages on senior debt service were 4.48 with a goal of 1.25. Total debt service was 1.57 with a goal of 1.05.

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Mr. Duplay stated that the District has \$524 million in the Capital account (bond and cash) to pay for Capital projects, with \$12 million in the rate stabilization account.

Moving to the 2015 budget, Mr. Duplay explained that the change in consumption exceeds the revenue projections from the original rate study. Operating expenses are below projections and debt service is also slightly below.

The senior projected coverage drops to 3.15 and total debt service coverage drops to 1.46. There is a 12.6% projected increase in revenue while going back to the baseline of a 3% consumption decline. Operating expenses are 1.9% above the 2014 budget and Capital expenditures are projected to be about \$263.9 million. Debt service for next year is 90.2 and the increase is due to the first interest payments on the 2013 and 2014 bond issues. 2015 projects to be the largest year in history for CIP.

Closing the report, Mr. Duplay advised that staff meets all financial benchmarks and metrics. The 2015 budget and 2014 actuals are in line with rate study projections and the proposed 2015 operating budget is only a 1.9% increase while meeting all debt coverage and reserve levels.

The next step will be presenting the budget to the Finance Committee on March 2 in a more detailed presentation and potential approval by the Board at the March 5 Board Meeting.

Mr. Brown stated that the District's financial health is in order but he was struck by the Operations & Maintenance projections. They seem to be underneath those limits either because staff has been very efficient or has not made the investments intended.

The Capital program is very aggressive and making sure the organization is setting up and spending down on those projects while meeting metrics, schedules and internal goals for small business. Many issues that support the assumptions made when the last rate study was performed.

2. Program Management Status Report and Update Presentation – January 2015

Mr. Bunsey advised that 2015 cash flow was projected at \$235 million, the basis of which is identical to previous years. A concern is that this a fairly conservative, front-loaded view of cash flow. The month of January was about 75% while staff looks to attain 85%.

Mr. Bunsey advised that the facilities plan has identified savings of \$560 million from Project Clean Lake, which leaves \$2.44 billion of the original \$3 billion. \$30 million has been completed to date with another \$560 million contracted. About 24% of the project has been completed or engaged.

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In addition to Project Clean Lake, there are around \$1 billion under contract. Staff is doing enough design up front to continue construction. 25% to 30% is being done at the plant and the rest is in the collection system via tunnels or improvements to near-surface features.

Mr. Bunsey advised that staff maintains 11 Key Performance Indicators (KPIs) broken into categories: two program goals, two planning goals, four design goals and three construction goals.

Program KPIs remain 85% of cash flow and meeting Business Opportunity Program goals. Planning KPIs include finding another \$120 million or 20% savings through advanced facilities planning in addition to the previous \$600 million. Staff is meeting all seven requirements of the milestones for consent decree reports.

Mr. Bunsey stated that staff intends to complete designs within an average of 90 days and identify value-engineering savings of \$23 million throughout the year. The engineers' estimates are to be within 10% of the average of the three lowest bids and awarded within 90 days of planned.

In terms of construction KPIs, staff wants to obtain substantial completion within 120 days rather than 180 days. Other KPIs include closing contracts within 95% of the total contract value and defining what work orders are as a function of different categories: errors and emissions, different site conditions and reporting to the Board.

A KPI was met in January with the submittal of a report to the EPA. Staff had begun removal of 28.5 million gallons a year on average.

Staff experienced regulatory issues with the Dugway Storage Tunnel contractor that required two one-hundredths of an acre additional land that was not identified in the permit. They worked with Watersheds and the EPA to change the wetlands permit.

Mr. Bunsey noted that the REF mercury and sulfur dioxide removal must be functional by March 2016. To that end staff is looking at two contracts: equipment procurement and installation. Once it is rolling, there will be only one contract with the contractor and the contractor has the responsibilities of equipment delivery.

Financial savings of \$2.9 million were realized on Mary Street Pump Station by utilizing a different technology for pumping.

Staff worked to form standardized templates for lockout/tagout for standard maintenance procedures and standard operating procedures for all operations and consultants that is part of their scope of service.

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In construction, Mr. Bunsey advised that staff is realizing \$700,000 in savings by doing seven structure relocations under Euclid Creek Tunnel.

The bundles package no. 1 closed in January, which had three KPIs and is closing at 80% of the contract value. Business Opportunity was very successful on this project and more than doubled M/WBE and the SBE was over 70%.

The work orders and errors and emissions were two-tenths of a percent. The total of all work orders in the three categories is 4.6%.

Four of the six clarifiers at the Easterly Secondary System capacity are under construction. Construction is a bit slow with the cold weather and they are about 49 days behind. Crews are working double shifts and premium time to make the milestone, which is scheduled for March 31.

Mr. Bunsey advised that the Dugway West project is going well and 50% of the microtunnel runs is complete with minimal community complaints.

There are two issues with the Easterly Tunnel Dewatering Pump Station. The contractor thinks they are on time while staff does not; they are significantly behind schedule. They also have an M/WBE concern because two of their large subcontractors are out of business.

Euclid Creek Tunnel has a continuous improvement in ECT 4 and ECT 5. Staff worked with the councilmen, community and the City of Cleveland to make sure that when crews leave these shaft sites that they blend in with the community.

Mr. Bunsey asked Andrea Remias to provide a presentation on annual CIP planning.

Ms. Remias advised that there are three categories of CIP projects: consent decree projects, asset management repair and renewal plan projects, and the projects nominated through the nomination process.

Projects can further be broken down into discretionary and non-discretionary. Staff considers consent decree projects to be committed and have a fixed place in the schedule of cash flow. They comprise two-thirds of the total 10-year cash flow. They were previously defined by studies in the consent decree schedule and there is less available for discretionary projects.

The first category of discretionary projects is asset management repair and renewable plan projects. This renewal plan is done annually by the asset management group and O&M based on individual asset condition and replacement costs.

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Ms. Remias stated that another source of projects is those nominated through validation and prioritization. Such projects were added to approximately 80 non-consent decree projects currently in CIP.

Nomination is the first step and validation occurs through a series of meetings with Engineering, Construction and O&M. Staff defines the scope, schedule and preliminary engineering to formulate budget estimates.

Every year staff revalidates and prioritizes all projects. Prioritization occurs in a series of meetings. The data sheet contains information like scope, schedule, budget and business risk exposure (BRE).

Ms. Remias explained that projects are then placed into cash flow. Staff works with Finance to identify any funding constraints. Staff also considers the number of active projects per year for the purposes of staffing constraints. If any constraints are identified the BRE is utilized to choose which projects will be deferred.

Consent decree project cash flow has the greatest influence on the shape of the cash flow. Last year there were 60 active projects and that will be the case for the next three years.

The first three to five years of the 10-year CIP are well-defined. The second five to seven years are lower-risk projects that had to be deferred and repair and renewal plan projects.

Ms. Remias advised that over the last four cash flow CIP planning cycles staff has consistently planned for \$2.3 billion over each 10-year period. Every year the process is documented on SharePoint and provided to Finance for their planning.

Mr. Brown stated that the reporting process improves on something that was already good. He was interested in how that will be tracked to follow things that are directly correlation between the mandate, project delivery and the cost and performance thereof.

The concern is that the operation, maintenance and condition of existing assets and planning for those expenditures. They must have a program that addresses both areas of concern to some degree of success.

Mr. Bunsey stated that that is the non-discretionary component. With the amount that is non-discretionary, staff is somewhat limited on the discretionary side because of the overall funding. Some items are being deferred that staff feels less comfortable delaying, which is the reason behind the business risk evaluation.

Ms. Remias stated that the asset management repair and renewal plan is based on the condition of all assets at the plants, in the collection system and the pump stations and the auto regulators.

Staff is currently working on other assets to make sure all assets' conditions are known and have an expected date to be renewed.

VIII. Open Session

There were no items.

IX. Public Session (any subject matter)

No members of the public registered to speak during Public Session.

X. Executive Session

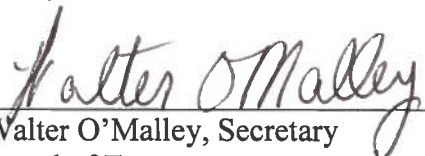
There were no items.

XI. Approval of Items from Executive Session


There were no items.

XII. Adjournment

MOTION – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved and Mayor DeGeeter seconded the motion to adjourn at 2:00 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