

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

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
D. DePiero
G. Starr
J. Bacci
S. Kelly
W. O'Malley
R. Sulik

The Secretary informed the President a quorum was in attendance.

II. Approval of Minutes

MOTION – Ms. Kelly moved and Mr. Sulik seconded that the minutes of the March 2, 2010 Board meeting be approved. Without objection, the motion carried unanimously.

III. Public Session

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

IV. Executive Director's Report

Executive Director Ciaccia moved to the first report item regarding the Combined Sewer Overflow Long Term Control Plan (hereinafter "CSO LTCP"). The state and federal governments presented the District with their latest proposal on February 25th. A conference call was held on March 15th between the lawyers, and we will meet with the governments on Thursday, March 25th. At this point, we are "getting close" on some of the technical aspects of the CSO LTCP as it relates to the level of control and treatment.

Executive Director Ciaccia stated that we need to push back slightly on a few issues including the term of the program. The governments initially proposed a 15-year CSO

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LTCP whereas the District counter proposed a 30-year program, but we are making progress. Penalties and associated environmental projects are under discussion. The lawyers are working towards writing up the Consent Order and making it agreeable to all parties. According to Executive Director Ciaccia, the governments indicated their desire to have the Consent Order completed by September of 2010, and he commented that it is incumbent upon us to get these negotiations completed in 2010 so we know what to expect in 2011 and beyond.

Executive Director Ciaccia speculated that the upcoming meeting with the governments will be "an important meeting as we tie up some of these loose ends." The Board will be apprised of the details of the CSO LTCP negotiations during an Executive Session as well as provide the staff with some direction as we attempt bringing this matter to closure.

Executive Director Ciaccia advised that green infrastructure was introduced into the negotiations as opposed to traditional gray infrastructure. Resolution No. 80-10, which was on the agenda for Board consideration, is requesting authorization for the District to issue Requests for Proposals (hereinafter "RFPs") for a Green Infrastructure Feasibility Study (hereinafter "GIFS"), and he turned discussion over to Director of Engineering and Construction, Kellie Rotunno.

Ms. Rotunno stated that the concept of green infrastructure was interjected into the CSO LTCP negotiations since the agencies have encouraged the District to "ratchet down" its level of control beyond the federal requirements. Green infrastructure was suggested as an alternative to provide greater level of control. The District identified a goal of 44 million gallons of capture as a target for green infrastructure on the overall CSO LTCP, and the governments accepted this goal. Ms. Rotunno stated that this capture of CSOs goes beyond the amount that we are proposing for our proposed tunneling systems and wet-weather treatment facilities.

The District will consider large-scale green infrastructure projects such as extended retention basins and wetlands which are not the rain barrel, green roof or rain garden type projects. We would like to take advantage of the available properties through the city and county landbanks. Ms. Rotunno stated that "we think we can take two negatives, available real estate and CSOs, and turn it into a positive, green space and green infrastructure, an amenity that may help increase property values."

The RFP for the GIFS will solicit professional services to assist with examining the entire service area in order to identify the best areas for green infrastructure opportunities as part of the District's CSO LTCP.

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Mayor Starr questioned that with respect to the wetlands, is the District looking to “acquire wetlands or use existing government wetlands like the Metroparks.” Ms. Rotunno replied that “these would be treatment-type wetlands” engineered structures that will detain and treat the wet-weather flow.

Mayor Starr questioned the District will be creating those. Ms. Rotunno affirmed.

Ms. Kelly inquired if the District is planning to “acquire property, land and other real estate to achieve the goal?” Ms. Rotunno stated it is necessary for the District to acquire the real estate for these green infrastructure projects as well as for the CSO LTCP projects.

Mr. Brown commented that he attended a meeting on behalf of the City of Cleveland (hereinafter “City”) with the Reimagining Cleveland Group and the use of the City’s land for green infrastructure was on “their list of potential outcomes.” Mr. Brown informed the group that in the City there are at least nine tributaries that are urban streams that may be potential locations for these types of “green infrastructure amenities.” Mr. Brown suggested that the District “connect” with the Reimagining Cleveland Group, which is an organized initiative within the City.

Ms. Rotunno advised that the District met with City representatives, Ken Silliman, County executives and others involved with that group. Ms. Rotunno stated that “we are aware of those efforts and will synergize as best as we can so that we can take full advantage of that effort.”

Discussion was turned back over to Executive Director Ciaccia and he stated that the CSO LTCP is a \$3 billion endeavor and that the schedule is not yet finalized. The Board will be presented with some of the CSO LTCP implications that the District will be facing over the next few years during the 2010 budget presentation and the Capital Improvement Program (hereinafter “CIP”) update.

Executive Director Ciaccia moved to the next report item regarding the Stormwater Management Program (hereinafter “SMP”). There is no activity in the Summit County Court of Common Pleas, at this point. However, there was a stipulated agreement with the Summit County Prosecutor’s Office indicating that the District will not bill for the SMP or take any actions under Title V until April 1, 2010, and since that deadline is approaching, the Summit County Prosecutor’s Office requested an extension of said agreement until July 1. The District’s attorneys are communicating with Summit County, however, as long as we continue to stipulate, we will remain in this “hold mode.”

Executive Director Ciaccia referred to an article in the *Akron Beacon Journal* regarding the Water Resource Restoration Sponsorship Program (hereinafter “WRRSP”), and he

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stated that the District attempted on various occasions to get Summit County Officials to “acknowledge” that we have been asked to sponsor these programs, and that we should sponsor these projects, however, they have not been willing to respond publicly.

Executive Director Ciaccia indicated that “our sponsorship is more than just signing a piece of paper.” The District is actively involved and responsible for these projects. Since these are stormwater-related projects, Executive Director Ciaccia advised that he is seeking some “acknowledgement from them that these stormwater projects are different from the stormwater projects that they are suing us over in our program.” Executive Director Ciaccia stated that we should continue to sponsor the WRRSP projects seeing that they are “very good” and the “not-for-profits that run them are doing a great job of putting them together.”

Executive Director Ciaccia indicated that since he has engaged in previous discussions with the Mayor of the City of Hudson, he wrote to the City of Hudson requesting clarification on this issue and has not yet received a response. According to an article in the *Akron Beacon Journal*, Executive Director Ciaccia stated that Mayor Currin of Hudson and the Summit County Executive “can’t understand why we [the District] wouldn’t do these projects” and that they believe they are “good projects” and accused the District of “being inconsistent.” Executive Director Ciaccia considered this implication to be positive for the reason that they publicly acknowledged that they want the District to do these stormwater projects.

Executive Director Ciaccia recommended that the District continue sponsoring these projects because they are “worthy projects” and will be for the “betterment of our watershed” and that the District receives a small interest reduction on its loans for sponsoring these types of projects. Executive Director Ciaccia stated that if anyone disagrees that the District should not sponsor these projects, then they should seek a TRO [temporary restraining order] to block the projects from going forward should they be awarded by the Environmental Protection Agency (hereinafter “EPA”).

Mr. Brown inquired whether the submittal for recommendation of these projects includes “letters of support from these government entities?” Director of Watershed Program, Frank Greenland, explained that a number of agencies seek the District’s support because they are required to link a preservation project to a loan. According to Mr. Greenland, “we make a call out to the groups,” hold discussions, and choose a list of projects we intend to sponsor.

Mr. Brown clarified that his question was specific to whether the governmental entities in which these non-profits are located provide letters of support for these projects. Mr. Greenland stated that the District ensures that their sponsorship “has the blessing of the

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community officials before we proceed.” Mr. Brown commented that these letters of support infer that the District has the authority to proceed with these projects.

Executive Director Ciaccia moved discussion to the stormwater issues pending in the Cuyahoga County Court of Common Pleas. A Case Management Conference (hereinafter “CMC”) is scheduled for April 9th. Many communities responded to the action: 26 communities requesting an extension; 15 communities indicated that they disagreed with the District’s SMP; 6 communities “somewhat agree” but have issues on specific points within Title V; 6 communities agreed; and 8 communities failed to respond and they have exceeded the time limits; therefore, their status within the lawsuit is unknown. All communities are required to submit their responses prior to the April 9th CMC.

Executive Director Ciaccia advised that as indicated in the newspaper, a new group, represented by Attorney Sheldon Berns, filed a Motion to Intervene. This group is comprised of a host of LLCs and limited partnerships. This group alleges that the action taken by the Board was “not to adopt a stormwater fee” but was “a tax” and the Board being an “unelected body had no authority to impose a tax.” They believe the District does not have this authority under Ohio Revised Code (hereinafter “ORC”) §6119. The group also indicated that the program is not “economical, feasible, reasonable or fair and not conducive to public health safety, convenience and welfare.”

Executive Director Ciaccia pointed out some inconsistencies. One of the group’s members, the NAIOP, initially issued a press release indicating that the “NAIOP and its members nationwide and in northern Ohio recognize the importance in managing water quality, promoting efforts and complying with the Clean Water Act and the management of stormwater runoff and its effects and inflow infiltration challenges during periods of heavy rain and snow.” Executive Director Ciaccia commented that on one hand, the NAIOP is alleging that “it does nothing for the health and betterment of our region, but on the other hand they ‘recognize’ how important it is.”

Executive Director Ciaccia explained that this group must first be granted its Motion to Intervene in order to become a party to the lawsuit, and the District will be prepared to respond.

Mayor Starr commented that Executive Director Ciaccia’s comments in *The Plain Dealer* today were appropriate. We know that stormwater causes millions of dollars worth of damage to properties and buildings. These representatives and litigants have a lot of impervious surfaces including parking lots. Mayor Starr inquired if we plan to estimate the amount of potential damage to our environment caused by those facilities.

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Mr. Greenland replied that we have not assessed the amount of damage District-wide, but the Cuyahoga Valley National Park experienced \$6 million in damage following a flood that occurred along the Cuyahoga River, and there is repeated flooding in the Valley View and Independence areas, which results in significant damage to properties and businesses. Although we do not have this information District-wide, we can seek to develop this since there will be ongoing costs to the region associated with flooding and erosion.

Mayor Starr commented that we know that the damage exists, but we are not sure of the costs associated with the damage. Mr. Greenland interjected that “we have a backlog and couple hundred million in needed construction projects and that is not the full equation in terms of damage.”

Ms. Kelly inquired whether the groups and entities opposing the District’s management of stormwater have offered alternative solutions, or are they just simply opposing the District’s initiative which sounds like “other agendas.” According to Executive Director Ciaccia, this is “purely opposition,” and that the only semblance of an alternative solution is that they believe the county government should manage the stormwater program. Given the current state of the county government and the reorganization, this seems like an “unlikely prospect from an alternative standpoint.” Executive Director Ciaccia indicated that he perceived this as an attempt to “stop the program altogether.”

Ms. Kelly commented that the opposition does not seem legitimate. Usually when there is strong opposition to an issue, an alternate solution is presented. Ms. Kelly indicated that if an alternative plan is not proposed, then she becomes “very suspect that there is an alternative agenda.” Executive Director Ciaccia agreed with Ms. Kelly, and he indicated that he was unsure as to whether their “alternative agenda” included anything other than simply blocking the SMP.

Mayor DePiero commended staff on their work towards the development of the SMP and he commented that much effort was dedicated to public outreach. Mayor DePiero inquired about the status of the SMP Credit Policy since there were concerns raised about making sure it was “ramped up and ready to go.” Mayor DePiero indicated that he had read somewhere that the SMP billing was going to take effect “and then the credits would come later.” Mayor DePiero suggested that the District “make sure that the credit program is in place and that people would be credited from the beginning, if that’s possible.” This may lessen the “heartburn” of the mayors resulting from some of the feedback they are receiving from their city councils and constituents.

Mr. Greenland explained that the Board will be presented with a draft Credit Policy in April. The Credit Policy will include application, procedures and criteria for customers seeking to achieve stormwater credits. The Credit Policy will explain the submittals that

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will be required as it relates to underground stormwater activities. Staff anticipates having the Credit Policy finalized by June of 2010, and the earliest that the District will consider billing for the SMP is July of 2010. A provision was incorporated into the Credit Policy "that any credits applied for in the first year of the program will be retroactive." Mr. Greenland advised that Credit Policy will be available on the District's website, and that staff will assist the property owners with the application process to ensure that they receive stormwater credits as soon as possible.

Mr. Brown stated that he also read those comments in the newspaper and immediately dismissed them as misinformation. He recalled comments made by a mayor [Anielski] at a public session during the Board meeting wherein the Board voted to implement the SMP. The District was encouraged not to begin billing for the SMP until the Credit Policy was developed. According to Mr. Brown, "at that time, the Board recommended that we would adopt that recommendation as part of our planning process."

Executive Director Ciaccia advised that the District is targeting to begin billing on July 1, 2010, and this is one of the hurdles that we will have to overcome. The Credit Policy will first be presented to the Board for consideration, staff will educate the public on the stormwater credits, customers will be provided with the opportunity to apply for the credits.

Executive Director Ciaccia advised that another hurdle is ensuring that the City of Cleveland Division of Water (hereinafter "CWD") configures the stormwater fee into their billing system, and we are working through those issues.

Executive Director Ciaccia stated that although July 1st is a "hard target date" for us, we want to make sure that we are ready for stormwater. Mr. Brown agreed and commented that it is more important "to get it done right."

Mr. Greenland stated that staff will follow a similar process for the implementation of the Credit Policy as was used for Title V. The draft Credit Policy will first be presented to the Board for discussion. Staff will request authorization from the Board to distribute the Credit Policy to the member communities for review and comment. Staff will hold a meeting with the member communities to discuss the Credit Policy and answer any questions regarding same. Staff will finalize the Credit Policy in May and then present it to the Board in June, which involves much interaction and input at the community level.

Ms. Kelly questioned whether the District's "authority has been confirmed or re-confirmed" with respect to our "request to confirm whether we have the legal authority to be doing what we are doing." Director of Law, Marlene Sundheimer, advised that this matter is currently pending in court, and that the District anticipates the court's ruling will affirm the District's authority to implement the SMP. The District filed a

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Declaratory Judgment Action, and in the alternative, a Petition to Modify the District's Plan of Operation in order to incorporate the SMP into its current plan. Those matters are pending with the court, and the April 9th CMC is part of that action.

Ms. Kelly questioned if after the court's ruling, assuming it is affirmative, will this "influence some of the opposers if their opposition is legitimately that they think we don't have the authority?" Ms. Sundheimer affirmed.

Executive Director Ciaccia moved to the next report item regarding the CWD billing system, and he advised that we are continuing to work through the customer services related issues.

Executive Director Ciaccia turned discussion over to Deputy Executive Director, F. Michael Bucci, to discuss the recent meetings held in Washington D.C.

Mr. Bucci and Government Affairs Specialist, Darnella Robertson, travelled to Washington D.C. during the week of March 9th to meet with the District's congressional delegation and Congresswoman Eddie Bernice Johnson (D-Texas), Chair of the House Water and Resources Subcommittee. Mr. Bucci and Ms. Robertson informed the delegation as to the status of the CSO LTCP negotiations, potential rate increases, the rate study and the potential impacts to our customers.

Mr. Bucci and Ms. Robertson stressed the importance of securing funding, and he advised that "we put in [a] 2011 appropriation of a million dollars for our Southerly REF." We also have \$8.2 million for various environmental restoration and flooding reduction Water Resource Development Act (hereinafter "WRDA") projects. According to Mr. Bucci, Congresswoman Marcia Fudge submitted our projects for consideration.

Mr. Bucci and Ms. Robertson next met with Lauri Hettinger, staff director from Senator George Voinovich's office. Ms. Hettinger advised that there are two processes to follow when awarding projects including the submittal process and the appropriation process. With respect to the appropriations, Mr. Bucci advised that "there is a \$60 million backlog currently" and that "appropriations would be difficult to get through at this time."

Ms. Hettinger suggested that "an alternative funding avenue would be with the Army Corps, and to be part of their budget." Mr. Bucci advised that Ms. Hettinger suggested contacting the Buffalo office. The District followed up by sending an email to the Buffalo office informing them that we will be contacting them as well as the reasoning for our contact. Mr. Bucci advised that both Ms. Robertson and Environmental Planner, Mark Link, have contacted them with respect to possible funding of projects with their existing authority. Mr. Bucci advised that there is a potential 65% match over \$8 million worth of projects and both Senator Voinovich and Senator Brown would support this.

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Executive Director Ciaccia moved to the next report item regarding the Small Business Enterprise Program (hereinafter "SBE"), and he advised that NERA Economic Consulting (hereinafter "NERA") continues to conduct the disparity study and recently facilitated focus groups on March 3rd and 4th.

On March 3rd, 30 attendees, namely architects and engineers from 25 different Minority Business Enterprise (hereinafter "MBE") and Women's Business Enterprise (hereinafter "WBE") firms attended this session. There were 44 attendees from 38 different MBE/WBE construction firms. There were 26 attendees from 23 different MBE/WBE goods and services firms. Colette Holt from NERA indicated that the District received a good turnout for this event.

Executive Director Ciaccia advised that 32 attendees from 24 different "majority-owned" construction companies and 10 attendees from 10 different "majority-owned" goods and services companies attended the March 4th session.

Executive Director Ciaccia advised that Ms. Holt hopefully gathered good information to be included into the disparity study. There is more data collection that will take place and the disparity study is scheduled to be completed by the end of April. We are planning to have Ms. Holt present the Board with the draft findings on May 6th.

Executive Director Ciaccia moved to the next report item regarding the District's finances. The District is currently running a little lower on its revenues but is considerably under budget on its expenses.

Executive Director Ciaccia moved to the next report item regarding pending litigation. In the matter of *KMM&K Joint Venture vs. NEORS*, which is the Mill Creek Tunnel 3 project dispute, the District is scheduled for trial on June 28th. With respect to the Big Creek 3-D Interceptor litigation matter, the District is scheduled for mediation on April 5th through April 6th, at the request of KM&M. With respect to the Chapek Parkway, 3320 Woodland Avenue litigation involving the crushed stormwater outlet dispute, mediation has been scheduled to take place on June 2nd through June 3rd.

Executive Director Ciaccia moved to the final report item regarding the status update of the recent electrical explosion at the Easterly Wastewater Treatment Plant (hereinafter "WWTP"). Fire Arson's investigation is ongoing. An internal review has been conducted and Bay Mechanical offered a \$5,000.00 reward for information that would bring closure to this incident.

V. Action Items

Authorization to Amend Resolution

Resolution No. 76-10

Amend Resolution No. 152-09, 2010
Operating and Capital Budgets.

MOTION – After discussion, Mr. Sulik moved and Mr. O’Malley seconded to adopt Resolution No. 76-10. Without objection, the motion carried unanimously.

Budget Overview

Ms. Demmerle stated that the Finance Committee held a 2010 budget review session on March 2nd and she provided the Board with an overview of the 2010 budget as well as where the District ended in 2009.

There are four financial benchmarks that the District strives to meet including operating within the rate study parameters, operating within budget, meeting our debt service coverage and meeting our required reserves.

When comparing the 2009 actual to our rate study parameters, the District operated within those parameters in the amount of positive variance of approximately \$6 million. When comparing the District’s budget to actual over the last 5-years, the District has consistently met that parameter.

The District is currently projecting to end 2009 at \$96 million, which is approximately \$5 million under budget. This resulted from the District not filling some available positions which were budgeted for in 2009 as well as receiving reduced rates in our utility costs mainly due to the renegotiating of certain gas and electric contracts.

Ms. Demmerle moved discussion to the District’s financial benchmark of meeting its debt service coverage. Ms. Demmerle stated that the District exceeded its goals on both coverage tests and that “net revenues available for debt service of \$78 million exceeded our debt service on our bonds by 512% and our debt service on our total debt by 132%.”

The Board adopted a Reserve Policy in June of 2009. In 2009, the District met its 90-day operating reserve and was able to transfer \$3 million to the Rate Stabilization Account (hereinafter “RSA”). The Equipment Repair Replacement Reserve and the Insurance Reserve are being evaluated to determine the “proper levels” for those reserve funds. Once those levels are established, any excess above the required levels will be transferred to our Capital Account to offset future borrowings. The Debt Service Reserve is required by the Bond Trust Agreement that is held with the trustee.

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Ms. Demmerle advised that the total cash balance, which includes the aforementioned reserves, decreased in 2009. The year-end was \$246 million of which \$143 million remains uncommitted. Based on our 2010 projections and large cash flow for our Capital Improvement Program (hereinafter "CIP"), the District anticipates ending the year at \$117 million.

Mr. Sulik commented that the chart for financial overview from 2005 to 2009 was a good indicator that the District's budget is "pretty close to the vest" and that there is not a big gap between where the budget is set and actual expenditures. Mr. Sulik stated that in years past, there was a lot of padding in a budget to cover anything and there was always some disparity. Mr. Sulik commented that the financial team is really buckling down and working tough to make sure that their budgets are pretty close to what the actual operational expenditures are going to be. He commended the staff on their efforts.

Ms. Demmerle advised that the proposed 2010 budget is within the rate parameters established in the rate study. Given the current economic conditions, the District reduced its projected revenues and operating expenses. Debt service is projected to be lower due to the timing of the bond issues compared to the rate study.

When comparing the 2010 budget to the 2009 budget, operating expenses have increased approximately 7%, which was mainly due to one-time expenses the District will incur in 2010.

The projected operating revenue for user fees is relatively flat based on consumption data that we received from the City of Cleveland as well as our increase in delinquencies.

Staffing levels have remained consistent over the last few years. The District intends keeping its staffing down to the current 2009 level of 634 positions, and as of February 16th, we had 625 positions filled.

The total revenue for the operating budget is projected to be \$179 million of which 96% of that total is from user fees. Ms. Demmerle reiterated that projected user fee revenue will remain flat. Investment income is projected to decrease by 50% from \$8 million to \$4 million, and this is "mainly due to the interest rate environment and getting at or below 1% on our investments."

The District anticipates receiving approximately \$2.5 million in reimbursements from Water Resource Sponsorship Projects (hereinafter "WRSP") in 2010.

The 2010 operating expenses are projected to be approximately \$108 million. Salaries, benefits and utilities comprise 65% of the operating budget, which has been consistent

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with prior years. Professional and contractual services increased to 26% of the operating budget and is a \$6 million increase from 2009.

The projected salary increase in 2010 is due to a 2% wage increase which was budgeted for all staffing, which equates to \$1.8 million. Benefits remained steady at around \$12 million. The District is projecting a decrease in its natural gas expenditure due to locking in renegotiated rates in 2009, which resulted in \$1.5 million in savings in 2010. Electric costs will remain relatively stable over the next year due to the District obtaining electricity at wholesale rates which were renegotiated in August 2009 and will save approximately \$850,000.

There was an increase in the 2010 budget for professional services. The District budgeted \$4.6 million in its operating budget for costs associated with Program Management (hereinafter "PM"), which comprises 35% of the professional services account. Those costs include training, developing processes and procedures and setting up the program's framework. Ms. Demmerle advised that this is a one-time cost for 2010, and the District anticipates these costs to decrease dramatically as PM moves from their "administrative roll" and into the role of executing the CIP.

The District budgeted \$1 million for its Asset Management initiative and \$2.5 million for costs associated with the implementation of the SMP and the new stormwater billing system.

Contractual services are expected to increase in 2010 and 36% of the contractual services budget is from our collection fees to other billing agents, which is approximately \$6 million. The District will make a \$1 million donation per year for 3-years to the West Creek Stewardship Center. The District budgeted \$2.5 million for the WRSP and anticipates spending \$1.5 million for ash hauling for the continual cleaning out of the lagoons at the Southerly WWTP.

Mayor Starr inquired if outside litigation expenses were incorporated under the contractual services. Ms. Demmerle replied that outside legal fees are incorporated under professional services.

The 2010 capital budget is \$177 million, which includes ongoing projects that were awarded in 2009 and projects that will be awarded in 2010. Ms. Demmerle advised that over half of the capital budget will be for plant improvement investments in our CSO LTCP. Funding in 2010 will be from the low-interest loan program, remaining 2007 bond proceeds, \$8 million in federal stimulus funding, and the remaining cash balance in our capital account.

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The District plans awarding 42 new projects in the amount of approximately \$300 million in 2010 of which \$262 million will be for construction projects. In the past, the District averaged around \$88 million in spending and due to the amount of awards in 2009 and anticipated for 2010 the District will experience the impacts of those projects which will continue over the next 5-years.

The District anticipates spending \$1 billion over the next 5-years on its CIP. CSO investments will comprise of 50% of the District's program in the next 5-years. The WWTP investments will peak in 2011 due to the REF project and will decline beginning in 2012 as the CSO projects incline.

The District will continue investing in the rehabilitation of its incinerator and collection systems through 2010 and 2011. Investments for 2012 and beyond will most likely increase as we go through the Asset Management initiative and apply those principles to our program.

The CSO cash flow will increase in 2012, peak in 2013 and continue through 2014. Those projects have already started or are in the design phase namely the Euclid Creek Tunnel (hereinafter "ECT"), which is estimated to cost \$200 million and will be bid in the summer of 2010, and the Tunneling Dewatering Pump Station (hereinafter "TDPS"), which is anticipated to bid in 2011 and is estimated to cost \$168 million.

Debt services is driven by the size of the CIP and given the magnitude of our cash flow over the next 5-years, there is significant increase to our debt service. The District anticipates going to the bond market at the end of this year and in 2013. The District is in the process of hiring a financial advisor and underwriting team to assist the District with those processes. The financial advisor will examine the possibility of restructuring our existing debt service.

Mayor Starr inquired if the District will go out for bids for the financial advisor and underwriter services. Ms. Demmerle affirmed.

Mayor Starr inquired about the process. Ms. Demmerle stated that RFPs were issued for financial advisors, and we received 7 responses on Friday, March 12th. The District will conduct interviews, proceed with its selection process and bring this matter to the Board for consideration at the April 15th meeting. The same protocol will be followed when selecting a bond counsel and underwriting team.

Mayor Starr inquired if the District establishes criteria for fees. Ms. Demmerle advised that "we negotiate" and the scoring is based on technical abilities and their presentation. We do not ask for the cost during the presentation, the fees are negotiated after.

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Mayor Starr inquired if the financial advisors come from Northeast Ohio firms. Ms. Demmerle stated that the financial advisors were located in Ohio, New York and Indiana.

Mayor Starr questioned "how often do we do this, every year or every two years?" Ms. Demmerle advised that this process was last completed in 2005 and that "we kept the team for the 2007 bond issue, and now we figured it was time to re-do the whole team for this issue."

Executive Director Ciaccia advised that given the size of the program, this process will most likely be conducted on a biannual basis.

Ms. Demmerle advised that since we plan going to the bond market at the end of 2010, the District's debt service will increase over the next 5-years. Ms. Demmerle referred to chart which showed the District's coverage tests for bonds and a second chart depicting the coverage tests for all debt service, which included bonds and loans. The District is expected to meet its coverage over the next 2-years which was based on the existing rates; however, one of the key financial metrics is to meet debt service coverage. The District must maintain this coverage or else be considered in default. Therefore, in order for the District to meet its CSO LTCP commitments, it must reduce its operating costs. According to Ms. Demmerle, "simply reducing our operating costs is not going to have much of an effect on it, so we will have to increase our revenue." This will require a rate increase in order to meet that coverage, which was depicted in a chart for 2012 and beyond.

Ms. Demmerle explained that the District began the process of hiring a rate consultant to assist with the rate study for 2012 through 2016, which she anticipates will be presented to the Board for consideration at the May 20th meeting.

Ms. Demmerle stated that the District will develop a 10-year financial plan "to lay out our financing program for the CIP."

Ms. Demmerle concluded by informing the Board that the District met its financial benchmarks for 2009 and will continue to meet those for 2010. The 2010 budget is relatively flat with the exception of those one-time costs. The District anticipates going to the bond market at the end of 2010 due to large cash flows related to the CIP. The funding and a stormwater budget will be established in the late summer for the Board's consideration.

Mr. Sulik stated that the operating expenses "leveled out" and are "inflationary increases from 2011 to 2015." The District "is facing a billion dollars in construction costs." We will need to consider "ways to raise the revenues and reduce some costs." The staff was charged with identifying innovative ways to increase revenues and seek out funding from

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the federal or state government to offset the costs to our ratepayers, which will be significant. Mr. Sulik emphasized that “over 4-years we are looking at a billion dollars worth of construction costs” and “that’s a lot of dollars in 2011.” Mr. Sulik commented that the 2010 budget is “pretty well set” and the expenses incurred thereafter are going to be “astronomical.”

Mr. Brown thanked Mr. Sulik for convening the Finance Committee meeting to review the operating budget which he described as an effective exercise to gain a better understanding of the challenges ahead. Mr. Brown found it “insightful that we created a couple of tools for ourselves to really allow us to manage the expectation of the future.” The organizational management over the last 3 to 5 years have enabled the District to “do the work that it needs to do.” Much time and effort was placed in the PM initiative and “we are beginning to see the results of that work and what it means to us now and in the future.”

Mr. Brown commented that the disparity study will configure into support of our contracting and procurement opportunities.

Mr. Brown suggested that the District conduct its due diligence in advising the federal government our willingness to comply with “what we are required do as a Board and staff to push the environmental accountability that they hold us to, but we need some help and support on how these things get funded and paid for.” Mr. Brown was concerned with “who pays and how much” for initiatives like the SMP and the CSO LTCP.

Authorization to Advertise

Resolution No. 77-10

One-Year Requirement Contract for the Purchase of Six (6) Aluminum Semi-Trailers for Use at the Southerly and Westerly Wastewater Treatment Plants. Anticipated Expenditure: \$300,000.00.

Resolution No. 78-10

PST-3 Primary Settling Tanks Rehabilitation. Engineer’s Opinion of Probable Construction Cost: \$6,500,000.00.

MOTION – Mayor DePiero moved and Mayor Starr seconded to adopt Resolution Nos. 77-10 and 78-10. Without objection, the motion carried unanimously.

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Authorization to Rebid

Resolution No. 79-10

Easterly Interceptor Service Agreement Contract (EISAC). New Engineer's Opinion of Probable Construction Cost: \$5,550,000.00.

MOTION – Mayor DePiero moved and Mr. Sulik seconded to adopt Resolution No. 79-10. Without objection, the motion carried unanimously.

Authorization to Issue Request for Proposals (RFP)

Resolution No. 80-10

Green Infrastructure Feasibility Study.

Resolution No. 81-10

Professional Services for the Migration of Email System. Anticipated Expenditure: \$450,000.00.

MOTION – Ms. Kelly moved and Mr. O'Malley seconded to adopt Resolution Nos. 80-10 and 81-10. Without objection, the motion carried unanimously.

Authorization to Purchase

Resolution No. 82-10

Direct Purchase Synthetic Lubricants from Sole Source Vendor Amsoil, Inc. Anticipated Expenditure: \$35,000.00.

MOTION – Mr. O'Malley moved and Mayor DePiero seconded to adopt Resolution No. 82-10. Without objection, the motion carried unanimously.

Authorization of Easement

Resolution No. 83-10

Acquire from Daniel Wilson and Lisa M. Kucharski One Permanent Easement Necessary for Construction of the Euclid Creek Tunnel Project. Consideration: \$100.00.

MOTION – Ms. Kelly moved and Mr. Sulik seconded to adopt Resolution No. 83-10. Without objection, the motion carried unanimously.

Authorization of Contract Modification

- Resolution No. 84-10 Final Adjusting Deduct Order for Contract No. 3425 with Nerone & Sons, Inc. for Big Creek Interceptor – Contract BCI-3E Trestle No. 2 Replacement. Cost: A Decrease in the Amount of \$860,675.71 Bringing the Total Contract Price to \$2,976,714.29.
- Resolution No. 85-10 Contract No. 3433 with Brown & Caldwell for Westerly Interceptor Box Culvert Replacement (WIBCR). Cost: An Increase in the Amount of \$98,883.52 Bringing the Total Contract Price to \$621,140.30.
- Resolution No. 86-10 Final Adjusting Deduct Order for Contract No. 09000309 with Marous Brothers Construction for Westerly Low Level Interceptor – Bypass Pumping. Cost: A Decrease in the Amount of \$418,986.12 Bringing the Total Contract Price to \$559,238.88.
- Resolution No. 87-10 Contract No. 09000853 with Independence Excavating, Inc. for Southerly Biosolids Handling and Incineration Site Preparation (28F). Cost: A Decrease in the Amount of \$255,124.61 Bringing the Total Contract Price to \$3,697,055.39.
- Resolution No. 88-10 Contract No. 09001512 with Doan Pyramid, LLC for the Southerly Electrical Repair Project (SERP). Modification: Time Extension of 45 Days and a Decrease in the Amount of \$2,593.87 Bringing the Total Contract Price to \$505,376.13.

MOTION – Mr. Sulik moved and Mayor DePiero seconded to adopt Resolution Nos. 84-10 through 88-10. Without objection, the motion carried unanimously.

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Authorization to Enter Into Contract

Resolution No. 89-10	Contract with Cambridge Computer Systems for the Storage Area Network Annual Hardware and Software Maintenance and Support. Cost: Not to Exceed \$59,906.00.
Resolution No. 90-10	Two-Year Requirement Contract with JCI Jones Chemicals, Inc. for 852,000 Gallons of Liquid Sodium Hypochlorite Solution for Use at all Wastewater Treatment Plants. Cost: \$434,179.20.
Resolution No. 91-10	Repair of First Stage Aeration Main Air Header at the Southerly Wastewater Treatment Plant.

MOTION – Mayor DePiero moved and Mr. O’Malley seconded to adopt Resolution Nos. 89-10 through 91-10. Without objection, the motion carried unanimously.

VI. Information Item

1. Program Management Status Report and Update.

Ms. Rotunno advised that the District plans to award 42 new projects in 2010 and close out 15 construction projects. We will be targeting the average bids to be within 10% of the engineers’ opinion of probable construction costs. We will continue to manage our projects to less than 5% over the base contract amount as well as establish new processes and procedures for managing the volume of work in 2010.

Ms. Rotunno advised that the District will award 42 new projects totaling \$298 million of which \$262 million will be for construction projects. She referred to a slide depicting the cash flow over the next 20-years. The amount indicated in yellow represented the total cash flow on a quarterly basis and the amount highlighted in blue was for the CSO portion of the quarterly cash flow. The CSO program will begin to consume the majority of the District’s operations and a graphic represented the projections should we enter into a 20-year CSO implementation timeline. Ms. Rotunno explained that “this is not an optimized cash flow for 20-year scenario [and] is not anything that we have committed to,” and she noted that the cash flow peak will occur in 2013. As indicated by Mr. Sulik, the near-term cash flow and construction over the next 5-years will pose the biggest challenge when managing the CIP.

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Ms. Rotunno moved to administration changes taking place in the Department of Engineering and Construction (hereinafter "E&C"). The PMO [Project Management Office] box will house the deputy director and within the PMO programs are based upon the area of the District's infrastructure. The first program area includes the plants and the second "program box" is comprised of three smaller programs including the collection system program, the SMP and the CSO program. The PMO was divided according to the District's infrastructure and teams were assembled on that basis.

Ms. Rotunno advised that it will be necessary to designate a design process manager which "cuts across the design elements of the plant program, collection program, stormwater and CSO."

The construction process manager position is being "created to maintain that consistency in the way we are constructing our projects" and that all the paperwork and documentation for each project will look the same. Ms. Rotunno advised that in order to manage the large volume of work, we must establish consistent processes and procedures. She believed that those positions will be instrumental in achieving those results as well as being accountable.

In the E&C office there is the planning department and engineering support services department, which handles billing services to be associated with the SMP, and this initiative will be led by Engineering Info and Technology Manager, Jeffrey Duke.

Ms. Rotunno advised that there will most likely be four positions that will be brought to the Board for consideration this year regarding promotions or external hires. Those positions include deputy director, construction process manager, collection system manager and construction manager. Ms. Rotunno stated that "when windstorm starts up, we will be coming to the Board for design manager positions and a construction manager position for the stormwater program, which will reside there as well."

Executive Director Ciaccia requested that Ms. Rotunno explain to the Board the roles of the program management consultant (hereinafter "PMC"). Ms. Rotunno stated that the PMC currently fills several key roles within the "green box" area. As an extension to District staff, PMCs are located in our offices and currently serve as program managers for the CSO program which include Tim O'Rourke, Jordan McCormack, design manager for the collection system, and Ron Lawson, CSO design manager.

There are positions currently being delivered and augmented by consulting staff members which will become District staff positions once standards are developed and we are capable of running the PM ourselves. In the interim, the green box shows that a mixture of District staff and consultant staff are "shepherding this program through."

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Executive Director Ciaccia commented that he wanted to point out that the PM is using an integrated approach.

Mr. Brown commented that he assumed that the purpose of the organizational chart was to determine the functional positions that will be required to effectively administer PM and to identify the necessary skill-levels and competencies needed in order to recruit competent staff in those areas and to ensure that "we are getting good fits for these required positions." He questioned the planning process.

Ms. Rotunno replied that as District staff members retire, they will be replaced as, which is a net zero affect, and "to the extent that we do that externally, we will be bringing some new resources on." A significant training program is planned for existing District staff to provide them with the skills needed in an effort to promote existing staff into those positions and eventually displace the PM staff over the next 4-years. Ms. Rotunno speculated that there will be a need to continue augmenting staff based on the volume of the workload, but she desires having District staff placed in the key management roles to "drive the bus."

Mayor Starr questioned if the District anticipates recruiting internally and externally and if the stormwater initiative will result in 40 to 50 employees. Ms. Rotunno replied that E&C staff will support the design and construction aspects of the SMP. Mr. Greenland advised that over time, we are estimating approximately 35 to 40 employees throughout the District for the SMP; however, "we are not contemplating bringing on the full complement."

Ms. Rotunno moved discussion to the Key Performance Indicators (hereinafter "KPIs") and she advised that "for this month's presentation, our 2010 goals have been base-lined and for the delivery of 90% of our planned projects, that means at year-end, we will be at 38." Ms. Rotunno referred to a graphic and stated that the KPI goal of 38 is "where we are going to be heading as we progress through the years, so we are on target this month."

Ms. Rotunno referred to the KPI target of \$268 million for 2010 and she advised that we delivered half of the first month's target.

Ms. Rotunno moved discussion to the engineer's estimates, and she indicated that one project was bid thus far, the CSO Rehabilitation Early Action Project (hereinafter "CSO-EAP"). The average bid was within the newly established KPI parameters of "plus or minus 10% of the engineer's estimate for the average bid."

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We are meeting the change order management KPI by closing out four projects in 2010 below the 105% of the base contract value. The average was 92.3% of the base contract value.

Ms. Rotunno moved discussion to the commitments and authorizations of the general and specific allowances and she stated that “[Executive Director] Ciaccia is beating me on the percentage basis, in terms of his authorization, but I’m still ahead of him on the dollar value.”

Ms. Rotunno referred to a graph depicting MBE participation on District projects. The “blue hash-line” represented the District’s MBE goal at the time the construction projects were advertised. The “red line” depicted the contractor’s MBE commitments made during their bid submittal. The “green bar” represented the MBE participation at the time of project completion. Ms. Rotunno explained that all four projects “met or exceeded the District’s goal at the time of advertisement for MBE.” Ms. Rotunno indicated that she believed that the contractors “met or exceeded their big commitments for the MBE component of their bids at the time of project close-out.”

Ms. Rotunno referred to a graphic depicting WBE participation. One project exceeded the District’s WBE goal, but three projects fell short of the WBE-committed goals.

Ms. Rotunno referred to a graphic depicting the SBE participation and she advised that the District has not yet closed out any SBE projects with significant goals. The District advertised three projects under the SBE program and each bidder beat the District’s goal. The bidders are responding and exceeding our goals which is essentially a good indicator that the District’s SBE program is being taken seriously. Those three projects are expected to close out by the end of 2010.

Ms. Rotunno further explained the missed WBE participation on the aforementioned projects. The contractor missed the WBE participation on the Big Creek project by .6% and this resulted from changes in the proposed subcontracting mix and that portions of roadway restoration and temporary work bridge were non-performed. Similarly with the Valley Belt Gravity Sewer project, which the contractor initially exceeded their WBE commitment by 5%, but less trucking and fencing on the project resulted in the contractor falling short of their WBE goal.

Ms. Rotunno explained that project close-outs and deducts results from allowances not allocated or used on a particular project, but “it also comes at the expense of some bid items that are sometimes non-performed as a result of things that happen during construction” and, therefore, we must anticipate that this may be an occasional occurrence during construction projects.

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Ms. Rotunno explained that the contractor exceeded the proposed MBE bid commitment and our goal by 8.7% on the Vista Branch project but missed the WBE goal which resulted from a non-performed project component.

Mayor Starr referred to page 3, "2010 Capital Improvement Targets" under "advantage projects less than 5%" and he inquired if that includes contingencies and allowances, and "what language are you using today compared to the past?"

Ms. Rotunno explained that the 10% "general allowance" is added to the base contract amount, bringing it to the total contract amount. That 10% general allowance is separate from the base contract amount. We strive to use less than 50% of the 10% contingency established by closing the project with less than 5% above the base contract amount.

Executive Director Ciaccia added that the Board placed a 10% limit which is called "general allowance" and the District's goal is not to exceed 5% even though the Bylaws allow for a 10% general allowance.

Mayor Starr indicated that he wanted to acknowledge this because there have been frequent incidents wherein the Board has voted on contract decreases, which is "reflective of your competent management along with the staff." Ms. Rotunno thanked Mayor Starr.

VII. Open Session

No items for discussion.

VIII. Public Session (any subject matter)

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

IX. Executive Session

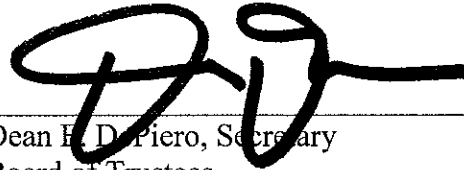
Mr. Brown stated that there was a matter for discussion in Executive Session.

MOTION – Mr. O'Malley moved to enter into Executive Session to consider the promotion of a public employee 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.

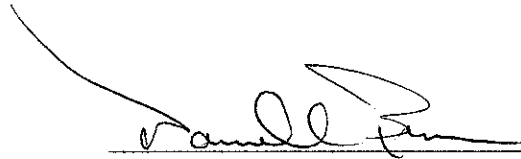
The Board met in Executive Session from 1:54 p.m. to 2:03 p.m.

X. Adjournment

MOTION – Mr. Brown moved and Mr. Sulik seconded the motion to adjourn at 2:03 p.m. Without objection, the motion carried unanimously.



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



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