

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

Meeting of the Board of Trustees of the Northeast Ohio Regional Sewer District was called to order at 12:35 p.m. by Darnell Brown.

I. Roll Call

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

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 March 5, 2015, Board Meeting. Without objection, the motion carried unanimously.

III. Public Session

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

IV. Chief Executive Officer's Report

CEO Ciaccia began his report by stating that during the previous Board Meeting staff presented the 2015 budget and 10-year financial plan. The Board expressed understandable concerns about the level of capital spending, debt that will be incurred, and the amount of debt service we will be paying on an annual basis going forward.

The Board wanted staff to explore potential opportunities to seek funding from the federal government and how we are advocating for it. The District's federal advocates, Andy Futey and

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Dennis Eckert, will speak to the Board during its second Board Meeting in April. He also asked individuals from the National Association of Clean Water Agencies (NACWA) to make a presentation on the state of affairs in Washington, D.C. as it relates to funding water programs.

CEO Ciaccia stated that he and Constance Haqq, Director of Administration & External Affairs, had the opportunity to attend an appearance by President Obama in Cleveland yesterday. He stated that it was interesting that when asked by the audience what surprised him, the response was the inability to pass an infrastructure bill and he included highways, bridges and sewers, indicating he has an awareness of this need.

However, the Fiscal Year 2016 budget the President submitted including reductions in the State Revolving Loan Fund (SRF) from \$2.4 billion to \$2.3 billion. The Clean Water SRF has been reduced from \$1.5 billion to \$1.1 billion. Drinking water funding is proposed to increase by \$300 million. In aggregate, the SRF is proposed to be less than the year before and \$1.2 billion less than Fiscal Year 2010. The proposed budget also included some restriction on tax exemptions on bonds, which would make them less competitive and we would realize higher rates on our bonds.

CEO Ciaccia advised that there are no earmarks in Congress at this point. There was \$13 million for pilot money for integrated planning, but \$13 million spread around the country will not go far. Overall, it is unlikely there will be federal financial help in the near future.

The Water Resources Reform and Development Act (WRRDA) was approved last year and set up a new funding mechanism, which will be a loan mechanism called the Water Infrastructure Finance and Innovation Act (WIFIA). There is currently a TIFIA for transportation, and they are trying to set up one for water that will be an additional loan program separate from the SRF Program.

No money has been allocated and there is nothing in the President's budget for it, although the Environmental Protection Agency (EPA) is trying to establish guidelines and criteria. The program will be for large projects of \$20 million or more, or projects that are bundled to \$20 million. CEO Ciaccia stated that if that goes through, and if it is ultimately funded, it would be a great program that staff could perhaps work with communities on and bundle projects. However, it will not have much impact in terms of setting rates to meet CSO obligations.

CEO Ciaccia explained that the Highway Trust Fund is having trouble being funded and there is no discussion of a water trust fund. The last time there was discussion on a trust fund discussion revolved around who would be taxed to create it.

Moving to the subject of the District's financial performance for the first two months of the year, CEO Ciaccia advised that revenues are ahead of the pace at 18% through 17% of the year.

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Expenditures are 13.5%. The organization is running well from a budgetary standpoint on both revenues and expenditures through the first two months.

Cash is up 11%, which is positive considering there an 11% rate increase at the beginning of the year in spite of the fact that we projected a minus 3% for doubtful accounts.

The Cleveland Water Department (CWD) has so far collected over 100% of what was billed. Should that trend continue there will be more cutting into the active accounts receivables. Accounts receivables over 180 days are currently at a 38% rate, which is in the right direction, but should be lower. Accounts over 90 days were 50% -- also trending in the right direction but needs to continue to improve.

On another matter, CEO Ciaccia stated that when there was a case of corruption several years ago at the District relative to bribes taken by the District's former general counsel, the District had an employee dishonesty insurance policy, or crimes policy, that had a limit of either \$5 million or \$7.5 million depending on how it was viewed. The District made a claim against that policy for the full amount with Travelers Insurance Co. Travelers denied the claim, and we ended up in court.

CEO Ciaccia indicated that today oral arguments will be made on the motions for summary judgment asking the court to determine which policy limits apply in this case. He was hoping to get a decision from Judge O'Donnell within a week. Ironically, the individuals responsible for the bribes went to and got out of jail, and the District is still trying to get the claim resolved.

Concluding his report, CEO Ciaccia advised that staff continues to have discussions with Region 5 of the U.S. EPA about changes to certain consent order provisions. Regarding Appendix 3, the EPA has agreed that it is not a major modification to reduce the number of Green Infrastructure projects from 12 to 9 as long as the District meets requirements. Discussions continue on Appendix 1 changes, regarding gray infrastructure projects. The talks are going well and it goes to show that negotiating in good faith goes farther than rhetoric.

V. Action Items

Authorization to Purchase

Resolution No. 59-15

Sole Source Direct Purchase One Multi-Stage Centrifugal Pump; from the Bergren Associates, Inc.; for the Southerly Maximum Achievable Technology Compliance and Operations Improvement Project. Cost: Not-to-Exceed \$85,000.00.

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Resolution No. 60-15

Sole Source Direct Purchase Telog Equipment; from Telog Instruments, Inc.; for the Sewer System Maintenance and Operations Department. Anticipated Expenditure: \$175,000.00.

MOTION – Mr. O’Malley moved and Mr. Sulik seconded to adopt Resolution Nos. 59-15 and 60-15. After discussion and without objection, the motion carried unanimously.

Authorization to Assign Agreement

Resolution No. 61-15

Assign Contract No. 14003333; Between the District and Kokosing Construction Company, Inc.; to Kokosing Industrial, Inc. Effective March 19, 2015. The Agreement is for the Southerly First Stage Settling Improvements Project. Cost: An Assignment Change Only with No Change in the Contract Price.

MOTION – Mayor Stefanik moved and Mayor Bacci seconded to adopt Resolution No. 61-15. After discussion and without objection, the motion carried unanimously.

Authorization to Enter into Contract

Resolution No. 62-15

Professional Services Contract with AECOM Technical Services, Inc. for the Kingsbury Run Preliminary Engineering Project. Contract Amount: \$2,616,461.00.

Resolution No. 63-15

Contract with Environmental Systems Research Institute, Inc. for Geographical Information System Technical Planning and Support Services. Cost: Not-to-Exceed \$75,000.00.

Resolution No. 64-15

One-Year Contract with Gartner, Inc.; Through the Ohio State Term Schedule; for Information Technology Advisory Services. Cost: \$53,663.00.

Resolution No. 65-15

Contract with the Cleveland Clinic Foundation for the 2015 Executive Physical Program. Cost: Not-to-Exceed \$110,000.00.

MOTION – Mr. Sulik moved and Ms. Dumas seconded to adopt Resolution Nos. 62-15 through

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65-15. After discussion and without objection, the motion carried unanimously.

Regarding Resolution No. 64-15, Mr. Brown questioned what the District gets from Gartner, Inc. Humberto Sanchez, Director of Information Technology (IT), explained that the contract is a subscription service that provides access to a large library of documents related to technology, technology changes and practices.

The contract also provides access to Gartner's analysts. Should questions arise regarding technology issues or practices, the District can set up an inquiry and review for which Gartner's analysts provide advice and recommendations.

Mr. Brown inquired whether the subscription is based on usage. Mr. Sanchez advised that it is a one-time fee.

Mr. Brown questioned whether Gartner would provide guidance and tools to support the IT governance committee. Mr. Sanchez affirmed and stated that some items planned for this year include IT performance metrics, governance, asset management, business intelligence and other projects planned for the year.

CEO Ciaccia advised that the District has been utilizing this service most years.

Authorization of Contract Modification

Resolution No. 66-15	Modify Contract No. 14001357 with Osborn Engineering Co. for the Westerly Wastewater Treatment Center Ferric Chloride Tanks Project. Cost: An Increase in the Amount of \$147,252.00 Bringing the Total Contract Price to \$1,332,252.00.
Resolution No. 67-15	Final Modification of Contract No. 12002019 with Shook Construction Co. for the Southerly Wastewater Treatment Plant Preliminary Treatment Facility Improvements Project. Cost: A Decrease in the Amount of \$1,201,118.22 Bringing the Total Contract Price to \$17,634,672.78.
Resolution No. 68-15	Modify Contract No.'s 13002534 and 13002535; with Smith & Nejedlik, Inc. and Sherman-Andrzejczyk Group; for Appraisal and Appraisal Review Services. Cost: A Time Extension of

Two Years or Until All Funds are Expended, with
No Change in the Contract Price.

MOTION – Mr. O’Malley moved and Mayor Stefanik seconded to adopt Resolution Nos. 66-15 through 68-15. After discussion and without objection, the motion carried unanimously.

Property-Related Transaction

Resolution No. 69-15	Authorization for the District to Enter Into a Lease Agreement with Northern Lakes Management Company Necessary for Construction of the Dugway Storage Tunnel Project. Consideration: \$25,100.00.
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MOTION – Mr. Sulik moved and Mayor Bacci seconded to adopt Resolution No. 69-15. After discussion and without objection, the motion carried unanimously.

Authorization of Certification

Resolution No. 70-15	Authorizing the Certification of Delinquent Sewer Accounts to the Cuyahoga County Fiscal Officer for the First Half of 2015.
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Resolution No. 71-15	Authorizing the Certification of Direct Bill Delinquent Sewer Accounts to the Cuyahoga and Lorain County Fiscal Officers.
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MOTION – Mayor Bacci moved and Ms. Dumas seconded to adopt Resolution Nos. 70-15 and 71-15. After discussion and without objection, the motion carried unanimously.

Sewer Use Code Matters

Resolution No. 72-15	Authorizing a Settlement Agreement with Coyne Textile Services for Show Cause Hearing Case Number 14-002.
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MOTION – Mayor Stefanik moved and Mayor DeGeeter seconded to adopt Resolution No. 72-15. After discussion and without objection, the motion carried unanimously.

Mr. Brown stated that it seems like Coyne Textile has been an ongoing issue for a long time. Larry English, Assistant General Counsel, advised that the Cleveland part of Coyne Textile was having a number of different problems. Coyne Textile was trying experimental techniques,

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having management problems, and in terms of enforcement, they changed attorneys. The District got their attention, got them to focus on compliance, and most importantly, got them to eliminate almost 100 different customers they could not handle with their pretreatment system.

Mr. English concluded by saying through the settlement agreement, Coyne is not accepting new customers unless and until they have done research on whether they can take rags, et cetera, from customers and be able to clean them and still remain within compliance of District code. Since the implementation of the review, they have been in continuous compliance for many months.

VI. Information Items

1. Program Management Status Report and Update – February 2015

James Bunsey, Director of Engineering & Construction, advised that the cold weather during February significantly impacted cash flow at surface facilities; however, staff is still within the expected range at the end of February -- 74% of the most conservative cash flow line. The KPI is 85%.

Moving to planning, Mr. Bunsey noted that the Easterly chemically enhanced high-rate treatment project was consent decree-driven and has been piloted over the last 18 months. A report is due to the EPA tomorrow that shows the positive results. It should result in significant savings once this plan is approved.

Mr. Bunsey stated that staff will design and construct the facilities, which are very expensive and immense and will be located on the west side of the Easterly property. Staff will issue an RFP very early because the preliminary design and engineering is significant.

CEO Ciaccia advised that the project will be in the White City Beach area and will likely cause additional consternation for the community. Mr. Bunsey stated that the mayor of the community had been advised this was in the works. The facility could have been larger, but the favorable pilot study has allowed for a more efficient operation.

Mr. Bunsey stated that staff is concluding the process control and automation system master plan, which cost \$750,000 over 18 months and identified the short- and long-term instrumentation automation needs of all facilities. The end result is a 5-year plan with potential expenditures of up to \$45 million over the next 5 years.

The design of the Southerly First Stage Aeration Project was awarded to Brown & Caldwell for \$4.5 million. The project has long-term implications at Southerly in terms of future consent decree projects and energy optimization of aeration blowers.

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The Long-Term Westerly Residual Study awarded to Hazen & Sawyer last month is an optimization of biosolids generated from Westerly. While there is consideration to move them to Southerly for incineration, there are alternatives to make it more energy-efficient. The process of disposing of biosolids at Westerly as a whole may be made more efficient as well since the incinerators are aging.

Mr. Bunsey advised that the Green Ambassador Fairhill/MLK Project was awarded and the notice to proceed was issued in early March. The bids received were approximately 4% lower than the average of the three lowest, which met the KPI. The project was also awarded within nine days of when planned, meeting another KPI.

The Green Ambassador Urban Agriculture Project also met KPIs for being awarded on time and 9% below the average of the three lowest bids. The notice to proceed was issued 20 days in advance.

Mr. Bunsey noted that an item on the Board's agenda was extending the contract of the design engineer for the ferric chloride tanks project. Extending that contract will result in \$1.1 million of capital savings by conducting additional design. The facility will be smaller, some older facilities removed, and it will be less maintenance-intensive.

Moving to construction, the Euclid Creek Tunnel is below grade except for the shafts completed. Site restoration work will commence when the weather warms.

Mr. Bunsey advised that the Tunnel Dewatering Pump Station has faced scheduling issues because of the cold winter. The contractor is behind; however, concrete for the initial deck was poured which opened the area for additional construction crews, and the subsequent warmer weather has enabled more crew members to work.

The surface features for the Easterly Secondary Systems Improvement Project was also significantly impacted by the weather but is still on schedule.

The Dugway West Interceptor Relief Sewer Project is more than 50% completed with microtunneling, which is the most technically difficult part of the job. The notice to proceed for the Dugway Storage Tunnel was issued and construction began in February.

On March 24 a community meeting will be held regarding the DWIRS and Dugway Storage Tunnel.

Mr. Bunsey advised that staff is working closely with Operations to commission the first portion of the Easterly Aerated Grit Project, which is expected in May.

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Staff received some complaints about the bypass pumping that was installed in the yard in front of Easterly. The pumps are temporary and electric, are not noisy, but are visually unappealing. They allow for demolishing the Collinwood pump station.

The CSO Bundles Project No. 2 has reached substantial completion and was on time, meeting its KPI.

The Sewer Capacity Restoration and Repair Project was under the total contract value significantly, also meeting KPI.

Mr. Bunsey advised that the sole KPI that was not met on the project level in February was the Business Opportunity Plan. Additional hazardous materials were removed from the sewer and not as much work was completed as hoped and it was descopeed it.

At that time, Mr. Bunsey introduced Robin Liss, Project Manager, to provide an overview of the Southerly Maximum Achievable Control Technology (SMACT) Project, which is air emissions control technology to be installed in the incinerators.

Ms. Liss advised that the Board preauthorized purchase of three mercury scrubbers which would maintain the schedule with the U.S. EPA for compliance in March 2016. The new scrubbers will be placed on top of the existing scrubber. The project was estimated at \$40 million in construction and \$1 million in maintenance. The newer technology allows staff to save significantly.

The technology has five compartments. A filter allows gas to flow through different modules of sorbitol poly composite material. When gas escapes the scrubbers it is cleaned and freed with the removal of mercury.

One scrubber will be placed on each of the three incinerators with a guarantee from EnviroCare, the provider of the equipment, that mercury and sulfur dioxide will be removed.

Ms. Liss stated that the filtering will require replacement in two to three years. Staff has worked very closely with Operations to ensure it can be done easily and accessibly. Staff also worked with EnviroCare to lock in fees for the next five years for replacement equipment.

Ms. Liss advised that the contract terms allow for one source of responsibility. They will assign the EnviroCare contract to the installation contractor when they come on board. The District will seek approval from the Board to authorize the issuance of bids in April. Construction contracts are estimated to be awarded by August 1, 2015, and the project completed to come in compliance with EPA regulations by the deadline of March 21, 2016.

VII. Open Session

There were no items.

VIII. Public Session (any subject matter)

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

IX. Executive Session


There were no items.

X. Approval of Items from Executive Session

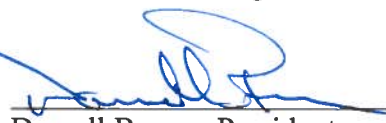
There were no items.

IX. Adjournment

MOTION – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved and Ms. Dumas seconded the motion to adjourn at 1:10 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