

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
June 17, 2021

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

President Brown opened the meeting by addressing the COVID-19 pandemic, and read the following statement:

Due to the COVID emergency, we are again conducting our board meeting via live stream video conference using the Zoom Video Communications tool and pursuant to continuing authority of House Bill 404.

Members of the public may observe and hear the meeting using the Zoom login link found on the top of the District website, and those who wished to address the Board were able to make that request through the Zoom system prior to the start of the meeting.

I. Roll Call

PRESENT: Darnell Brown
Ronald Sulik
Samuel Alai
Jack Bacci
Timothy DeGeeter

ABSENT: Sharon Dumas
Terence Joyce

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

II. Approval of Minutes

MOTION – Mayor Bacci moved, and Mr. Sulik seconded to approve the Minutes of the June 3, 2021, Board Meeting. Without objection, the motion carried unanimously.

III. Public Session

There were no items.

IV. Chief Executive Officer's Report

Kyle Dreyfuss-Wells, Chief Executive Officer, provided an update regarding NEORSD's ongoing COVID-19 pandemic response. Ms. Dreyfuss-Wells informed the Board that as of June 17, 2021, NEORSD staff continues to have no active COVID-19 cases. There is one symptomatic employee awaiting test results. There are currently no NEORSD employees who are remaining at home because a member of their household has tested positive for COVID-19. There has been a total of ninety-one employees with confirmed diagnoses since the beginning of the pandemic, all of whom have recovered and returned to work.

On July 6, 2021, all Sewer District staff will return to their District locations bringing an end to telework. Beginning July, the face coverings and social distancing requirements will also end, however, those who choose to continue to wear face coverings can do so. These changes rely on continued progress in the pandemic.

The vaccination leave policies and policies to ensure that symptomatic employees do not report to a Sewer District facility will remain in place. The Sewer District continues to encourage staff to be vaccinated. All of the applicable policies are on the District's intranet.

The July 1, 2021, Board of Trustees meeting is scheduled to go forward in person, in the Public Meeting Room.

On June 11, Sewer District staff and its consultants received the American Council of Engineering Companies Ohio Engineering Excellence Grand Award for the Easterly Combined Sewer Overflow (CSO) Tunnel System. The Easterly CSO Tunnel System includes the Euclid Creek Tunnel, the Dugway Storage Tunnel, and the Euclid Creek Tunnel Dewatering Pump Station. The Sewer District was one of seven finalists for the Grand Award in Ohio and is now eligible to win the national award. Ms. Dreyfuss-Wells congratulated Devona Marshall, Director of Engineering and Construction, and her team.

The Sewer District held two virtual public meetings to discuss the future of Horseshoe Lake and Lower Lake Dams in Shaker Heights and Cleveland Heights. On June 14, approximately 55 people were in attendance for a joint council meeting of the two cities and on June 15, almost 230 attended. Frank Greenland, Director of Watershed Programs, presented an overview of the lakes, which are a series of dams on Doan Brook that are over 170 years old. Jen Elting, Senior Public Information Specialist, John Gonzalez, Communications Manager, and Matt Scharver, Deputy Director of Watershed Programs, participated in the presentation. Mr. Greenland discussed the next steps for the area, which includes the removal of the Class I Horseshoe Lake Dam and the restoration of Doan Brook in the area, as well as the reconstruction of the Lower Lake Dam.

Across the service area, there are twelve Ohio Department of Natural Resources (ODNR) classified dams, of which, six are the highest classification, Class I, including Horseshoe Lake dam and Lower

Lake dam. District staff have been working with member communities and dam owners to address necessary repairs, which may include removal and stream restoration, as is the case at Horseshoe Lake dam.

Regarding the proposed rates for 2022 through 2026, on May 21, 2021, Titles I, II, and V of the Code of Regulations were sent to all member communities to begin the thirty-day notice period, which ends June 21, 2021. Any comments received will be compiled for Board consideration at the July 1 meeting.

There was an inquiry received from the Cleveland Plain Dealer's Editorial Board regarding the days cash on hand. Ms. Dreyfuss-Wells invited Ken Duplay, Chief Financial Officer, to discuss the Sewer District's response.

Mr. Duplay advised the Board that Ms. Dreyfuss-Wells, Constance Haqq, Chief Administrative Officer, and he met with the Plain Dealer's Editorial Board on June 7 to discuss the proposed rate increase. Ms. Dreyfuss-Wells presented detailed information regarding the Sewer District and the proposed rate increase.

Mr. Duplay provided a summary of the information provided to the Plain Dealer, beginning with debt. The Sewer District currently has \$1.8 billion in outstanding debt, comprised of approximately \$1 billion in bonds, and the remaining amount is low interest loans through the Ohio Water Department Authority (OWDA). The Sewer District will pay approximately \$106 million in debt service payments in 2021, over \$120 million in 2022, and by 2026, the estimated debt service payments will be approximately \$164 million. This debt is a result of the large construction program.

There is an anticipated \$1.3 billion in construction expenses over the next five-year rate period, significantly driven by the Consent Decree obligations with 62%, over \$800 million, associated with Project Clean Lake.

As it relates to debt service and debt coverage, there are targets that ensure the financial security of the Sewer District. The trust agreements with the Sewer District's bondholders cannot fall below the minimum targets for debt service coverage or they would be in default and the debt would become payable immediately if the obligations are not met. Accordingly, the Sewer District has a Board adopted Debt Management Policy which has slightly higher levels of debt service coverage to ensure a cushion above the trust agreement minimums. Finally, management targets have been established and these coverage targets are associated with entities of a similar bond rating as the Sewer District.

The Sewer District maintains the second highest level of bond rating in both Moody's and S&P, of Aa1 and AA+, respectively. The target goals have helped the Sewer District to achieve and maintain

those high bond ratings, which provide lower interest rates for debt refinancing and have resulted in over \$83 million in savings over the last five years.

As was previously discussed in the rate study workshops, the constraining metric of the financial metrics for the upcoming five-year rate period is the management target of 150% or 1.5 times the total debt service coverage. This requires meeting current year operating and debt service obligations with current year revenue. This was the driving factor for the currently proposed 4.2% rate increase.

Cash reserves are a key aspect to the Sewer District's financial stability. As of March 31, 2021, as was presented in the first quarter statements, there is \$425 million in sewer accounts in cash and investments, which equates to just under 1,200 days cash on hand. This is 100 days below where it was in the last quarter of 2020, but above the long-term average of 900 days over the past ten years. Many factors over the past five years contributed to having a higher than projected cash balance, including accumulated savings, financial impacts of the COVID-19 pandemic, near-budget revenues, slowed spending, and accumulated savings in Operation and Maintenance and construction. Having cash on hand contributed to the Sewer District's ability to propose a lower rate increase for the next five-year period.

Mr. Duplay noted that the cash balance for sewer revenue in the May 2021 monthly report is \$467 million, however, this does not account for upcoming payment obligations. After accounting for the \$12 million bond debt service payment made on June 1 and the upcoming July 1 \$30.7 million debt service payment to OWDA, the cash balance will be approximately \$425 million.

Mr. Duplay reminded the Board that at the time of the previous rate study, the Sewer District was projecting a 9.6% rate increase for 2022 through 2026 and is currently proposing a 4.2% increase.

The Sewer District has always maintained strong liquidity in terms of cash on hand, cash investments, and reserves. This is important not only for favorable bond ratings, but also because the low interest loans are reimbursable loans. As a loan-financed construction project is ongoing, there must be cash on hand to pay the contractors upfront. The Sewer District then submits paperwork to OWDA for reimbursement of the dispersed funds.

The Sewer District is self-insured for its underground infrastructure, due to the complex nature and difficulty to insure those systems. Should there be a large emergency associated with underground infrastructure, it is necessary to have the reserves to fund the repairs. The Sewer District's operational insurance covers the aboveground infrastructure, buildings, plants, and vehicles.

The \$3 billion obligation for the Consent Decree requires the Sewer District to manage its construction program effectively and efficiently.

Although the cash position is higher than was projected, this allows for the lower proposed rate increase of 4.2%. The \$1.3 billion investment over the next five years will primarily be spread across five large projects that will be funded through low interest loans, with an additional 39 projects totaling \$430 million, to be cash-funded through a combination of current year revenue and by utilizing the reserves on hand to get back to the long-term level of 900 days cash on hand.

President Brown thanked Ms. Dreyfuss-Wells and Mr. Duplay for the information and noted that although this information has been presented and discussed multiple times, it is important for the Board to understand the finer points.

President Brown noted the significance of the upcoming \$3 billion spend on infrastructure projects and while the low interest loans are an important mechanism to save ratepayers money, the Sewer District must first pay out the funds in order to be reimbursed.

President Brown added that the Board understands the issues surrounding the bonding strategy and the Trust Agreement and that there are penalties to be imposed if the Sewer District is below the requirement minimums of the Trust Agreement, making it an important issue to be maintained. Additionally, were there to be a catastrophic infrastructure failure, the Sewer District would be financially responsible for any repairs.

President Brown offered kudos to Ms. Marshall and her team for the Sewer District receiving the American Council of Engineering Companies Ohio Engineering Excellence Grand Award. To see the improvements in the community that impact ratepayers' quality of life, for example, when it rains on the northeast side of Cleveland and there is not significant road and basement flooding is very rewarding.

On behalf of the Board, President Brown offered appreciation for the explanation and rationale behind the proposed rate increases and added that it is the Board's responsibility to ask the tough questions and maintain accountability.

V. Action Items

Authorization to Advertise

Resolution No. 189-21

Authorization to publish notice calling for bids, in accordance with Ohio Revised Code Chapter 6119.10, for a one-year requirement contract for paving services necessary to resurface or repair asphalt and sidewalks located at the Easterly Wastewater Treatment Plant, the Southerly Wastewater Treatment Center, the Environmental and Maintenance Services Center, and the George J. McMonagle building with an anticipated expenditure of \$303,000.00.

Resolution No. 190-21 Authorization to publish notice calling for bids, in accordance with Ohio Revised Code Chapter 6119.10, for a two-year requirement contract for the Eastside Stream Sediment and Debris Removal project with an anticipated expenditure of \$1,500,000.00.

Resolution No. 191-21 Authorization to publish notice calling for bids, in accordance with Ohio Revised Code Chapter 6119.10, for the Southerly Boiler Feedwater Pumps Replacement project with an anticipated expenditure of \$200,000.00.

MOTION – Mayor Alai moved, and Mr. Sulik seconded to adopt Resolution Nos. 189-21 through 191-21. Without objection, the motion carried unanimously.

Authorization to Issue Request for Proposal

Resolution No. 192-21 Authorization to issue an RFP, in accordance with Ohio Revised Code Chapter 6119, for the Westerly Security Camera Implementation Project to install additional security cameras at the Westerly Wastewater Treatment Plant.

Resolution No. 193-21 Authorization to issue an RFP, in accordance with Ohio Revised Code Chapter 153, for design and construction administration/resident project representation services for the Southerly Second Stage Aeration Improvements project.

MOTION – Mr. Sulik moved, and Mayor Alai seconded to adopt Resolution Nos. 192-21 through 193-21. Without objection, the motion carried unanimously.

Authorization to Purchase

Resolution No. 194-21 Authorization to purchase Beamex instrumentation calibrators and the associated database system from sole source supplier Beamex, Inc., necessary for the centralization of storage and calibration of instrumentation data, in a total amount not-to-exceed \$96,946.06.
WITHDRAWN

Authorization to Enter Into Agreement

Resolution No. 195-21 Authorization to enter into a two-year professional services agreement with Lakeside Building Services, Inc. for janitorial services at the George J. McMonagle, Environmental and Maintenance Services Center, and Fleet Services facilities in an amount not-to-exceed \$635,683.32.

MOTION – Mayor Bacci moved, and Mr. Sulik seconded to adopt Resolution No. 195-21. Without objection, the motion carried unanimously.

Authorization to Enter into Contract

Resolution No. 196-21 Authorization to enter into a three-year requirement contract with Quasar Energy Group for sludge cake removal services for the Southerly and Westerly Wastewater Treatment Plants in an amount not-to-exceed \$3,445,184.00.

Resolution No. 197-21 Authorization to enter into a contract with Black Box Network Services for the Network Infrastructure Upgrade project for targeted upgrades of the District’s business network hardware in an amount not-to-exceed \$84,751.00.

MOTION – Mr. Sulik moved, and Mayor Alai seconded to adopt Resolution Nos. 196-21 through 197-21. After the following discussion, without objection, the motion carried unanimously.

President Brown inquired, regarding Resolution No. 196-21, how this contract compares to what the Sewer District has paid for this service historically and if the cost includes an increase in the amount of materials to be disposed of.

Frank Foley, Director of Operation and Maintenance, explained that the contact is to haul biosolids from both the Westerly and Southerly Wastewater Treatment Plants (WWTPs). The contracts for these services in the past have been much smaller as the current three-year contract is for the removal of 6,600 tons of biosolids and the new contract is for the removal of 50,400 tons of biosolids. The reason for the increase is that the biosolids from the Westerly WWTP are being hauled away pending construction of the biosolids pump station and force main to the Southerly WWTP.

The price under the new contract is approximately \$14 less per ton than the previous contract. Additionally, the solids processed through Quasar’s Collinwood bioenergy facility will be applied to farm fields in surrounding counties, providing a sustainability aspect to this contract.

Authorization of Contract Modification

Resolution No. 198-21 Authorization to modify Contract No. 21001954 with Henderson Contracting Company, LLC for grounds maintenance services at an additional District-owned property not included within the scope of the original contract and to increase the contract amount by

\$11,000.00, thereby bringing the total contract amount not-to-exceed \$84,984.12.

MOTION – Mayor Bacci moved, and Mr. Sulik seconded to adopt Resolution No. 198-21. Without objection, the motion carried unanimously.

Property Related Transaction

Resolution No. 199-21 Authorization to enter into a license agreement with the City of Cleveland for the temporary use of the properties known as PPNs 105-06-005, 105-07-039, and 105-07-040, located at 1240 East 61st Street; PPN 105-35-001, located at 740 East 72nd Street; PPN 107-01-001, located at 700-1150 East Boulevard; PPN 108-02-001, located on Carr Avenue; PPN 11-01-003, located at 10801 Leuer Avenue; and PPN 111-03-001, located on East 110th Street, all in the City of Cleveland, owned by the City of Cleveland, necessary for the construction of the Shoreline Storage Tunnel project with total consideration of \$1.00.

Resolution No. 200-21 Authorization to acquire one permanent stormwater easement and one temporary easement at the property known as PPN 344-25-003, located at 6611 Smith Road, in the City of Brook Park, owned by Lukuch Investments, LLC, necessary for the construction and maintenance of the Debris Racks and Access Road Improvements at Various Locations project with total consideration of \$24,000.00.

MOTION – Mr. Sulik moved, and Mayor Bacci seconded to adopt Resolution No. 199-21. Without objection, by roll call vote, the motion carried with all present members voting yes and recusal from discussion and abstention from voting by President Brown.

MOTION – Mayor Bacci moved, and Mayor Alai seconded to adopt Resolution No. 200-21. Without objection, the motion carried unanimously.

Authorization to Grant Credit

Resolution No. 201-21 Authorizing the District to issue a credit adjustment in the total amount of \$51,386.92 against sewer charges on the NEORS Account ending in 2225 for Lakeside Yacht Club at 4851 North Marginal Road, Cleveland.

MOTION – Mayor Bacci moved, and Mayor Alai seconded to adopt Resolution No. 201-21. Without objection, the motion carried unanimously.

Authorization of Bond Issuance and Repeal of Resolution

Resolution No. 202-21 Providing for the authorization, issuance and sale of not to exceed \$210,000,000 Northeast Ohio Regional Sewer District Wastewater Improvement Refunding Revenue Bonds, Series 2021, for the purpose of refunding some or all of certain obligations previously issued for the purpose of acquiring, constructing and improving water resource projects, all as authorized by the Trust Agreement; authorizing the execution of an Eleventh Supplemental Trust Agreement to extend the pledge of Net Revenues and Special Funds to secure such Series 2021 Bonds, to provide covenants appropriate to the protection and disposition of such Net Revenues and Special Funds, and to secure the payment of the principal of and interest on the Series 2021 Bonds at their respective maturities on a parity with the Series 2005 Bonds, the Series 2007 Bonds, the Series 2010 Bonds, the Series 2014 Bonds, the Series 2016 Bonds, the Series 2017 Bonds, the Series 2019 Bonds, the Series 2020 Bonds and Additional Bonds that may be issued in the future; authorizing the execution of an Escrow Agreement for the purpose of effecting the refunding of the Refunded Bonds; authorizing the preparation and distribution of a preliminary and final Official Statement; authorizing the execution of a Bond Purchase Agreement, a Certificate of Award, and a Continuing Disclosure Agreement; designating BofA Securities, Inc. as senior manager and Citigroup Global Markets Inc. as co-senior manager and Bancroft Capital, LLC, KeyBanc Capital Markets, Inc. and Siebert Williams Shank & Co., LLC as co-managers; repealing Resolution No. 375-20 adopted by this Board on December 17, 2020 in its entirety, and authorizing such other actions as are necessary and appropriate to accomplish the transactions hereby authorized.

MOTION – Mr. Sulik moved, and Mayor Bacci seconded to adopt Resolution No. 202-21. After the following discussion, without objection, the motion carried unanimously.

President Brown noted that, in reviewing the supporting information, it appears that the Sewer District is seeking a tax exemption, should one become available at the federal level and inquired as to whether it is being requested in order for the Sewer District to be prepared to act on such an opportunity.

Mr. Duplay explained that the Sewer District requested Board approval in December of last year to move forward with a refunding transaction in early 2021. Shortly after meetings with the rating agencies, the market shifted. The Sewer District was anticipating an approximately \$100 million taxable transaction at that time. The transaction has been on hold due to market conditions, which are slowly improving.

The Sewer District is currently anticipating an approximately \$50 million refunding transaction with 7% to 8% in net present value savings.

The authority for the current Resolution which was adopted in December will expire on June 30, 2021. Accordingly, the current request is to extend the authority to move forward with this transaction.

Regarding the tax exemption request, on the advice of bond counsel, the Sewer District has requested authority to issue taxable and tax-exempt advance refunding transactions. The tax-exempt transaction is currently not allowable under the tax law; however, there has been discussion at the federal level, within the ongoing infrastructure bill discussions, to reinstate that ability. The Sewer District has requested this authorization because should the tax exemption become available, it would likely lead to more significant savings.

President Brown requested that the Board be notified should the Sewer District take advantage of such an opportunity.

VI. Information Items

President Brown noted that the Chief Legal Officer's Report for Settlement and Release Agreements for January 2021 through June 2021 was included in the Board Packet and instructed Board Members to direct any questions or concerns directly to Eric Luckage, Chief Legal Officer.

President Brown invited Ms. Marshall to provide the Capital Improvement Program update for May 2021.

Ms. Marshall began her presentation with cashflow. The month of May ended at 70% of planned, as did April. \$8.6 million was paid out in May, for a year-to-date total of \$47.3 million.

Regarding Key Performance Indicators (KPI), the construction contract for the Shoreline Storage Tunnel project was awarded within 60 days of planned, meeting that KPI. The engineer's estimate as the average of the three lowest bids was within 10%, meeting that KPI. The amount of this construction contract is \$201.6 million.

The \$35.2 million construction contract for the London Road Relief Sewer Project was closed. It is the last component of Control Measure 6, which is the largest component under the Consent

Decree in terms of the number of projects as well as the overall CSO control that will be achieved. The contract was closed within 95% of the original contract amount, meeting that KPI. The Business Opportunity Program (BOP) goals in this project were set at 10% MBE/WBE and 5% SBE. The projected actual for MBE/WBE is 17.69% and the projected actual for SBE is over 6%, meeting the KPI. The work orders by change categories as a percent of construction was less than 0.5%, equating to \$172,000. The majority of those changes fell under the category of differing or unforeseen site conditions.

Ms. Marshall then provided construction highlights, focusing on the three projects that achieved substantial completion in May.

The Westerly Grating and Combined Sewer Overflow Treatment Facility (CSOTF) Washdown Replacement Project was a \$1.1 million construction contract which replaced the damaged CSOTF tank washdown system as well as some existing grating throughout the plant to replace it with safer anti-slip surface type grating. Additionally, equipment associated with the Chemically Enhanced High-Rate Treatment (CEHRT) Pilot Project that was required under the Consent Decree to demonstrate ability to meet performance requirements prior to advancing design was removed. The CEHRT design is currently in process and is essentially a retrofit of the existing CSOTF tanks to increase the level of treatment achieved in those tanks. Ms. Marshall provided photographs demonstrating the active construction at the site and the approach that the contractor took to complete the work.

The next project highlighted was the Easterly Wastewater Treatment Plan Outfall Sewer Repairs Project, which was a \$314,000 construction contract to repair the failing joints in the Easterly WWTP submerged outfall pipe and to address sinkholes that occurred as a result of those failures. Ms. Marshall provided photographs demonstrating the location of the submerged outfall to the far east of the WWTP, under the Yacht Club property. The failures were discovered because of the sinkholes and through investigation, including underwater investigation of the area.

Lastly, the CSO Outfall Protection Project was a \$415,000 construction project to construct a 150-foot-long armor stone revetment for the purpose of protecting CSO Outfall 207 and its structural integrity. Ms. Marshall provided photographs demonstrating the extensive erosion that occurred between 2007 and the onset of the project in 2020, as well as the active construction and the final restoration of the project.

Open Session

President Brown inquired as to the timing of the appointment and swearing-in of officers for the upcoming year. Mr. Luckage advised the Board that it will occur at the first Board meeting in July.

VII. Public Session (any subject matter)

There were no items.

VIII. Executive Session

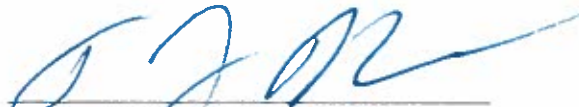
There were no items.

IX. Approval of Items from Executive Session

There were no items.

X. Adjournment

MOTION – President Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved, and Mr. Sulik seconded the motion to adjourn at 1:27 p.m. Without objection, the motion carried unanimously.



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



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