

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
AUGUST 4, 2016

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

I. Roll Call

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

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

II. Approval of Minutes

MOTION – Mr. Sulik moved and Mayor Bacci seconded to approve the minutes of the July 21, 2016, Board Meeting. Without objection, the motion carried unanimously.

III. Public Session

There were no items.

IV. Chief Executive Officer's Report

CEO Ciaccia stated that 47 of the District's 56 member communities have signed service agreements for the Regional Stormwater Management Program (SMP) and others are pending approval of their city councils.

The billing of fees has resumed and went well. The nearly \$20 million held in escrow while the SMP was suspended is anticipated to last through the remainder of 2016 and another \$20 million will be billed. SMP projects are being designed and maintenance activities are taking place.

Moving to the Operational Readiness Program, CEO Ciaccia indicated that staff is assessing staffing and structural needs because of additional assets coming into the system through the Combined Sewer Overflow (CSO) program. Additionally, Information Technology (IT) is conducting a significant strategic planning initiative.

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CEO Ciaccia stated that District staff is negotiating with the U.S. Environmental Protection Agency (EPA) regarding the consent decree relative to modifications to Appendices 1 and 3. The District is seeking modifications that would ultimately save ratepayers money.

The District has hired 30 people through the Good Neighbor Program to provide a District presence in communities in which projects are taking place. A number of the employees from the program bid into jobs at the District and most are performing successfully.

Staff is working on workforce development issues related to contracting. CEO Ciaccia reported that the District is working with the Construction Employees Association, the Building Trades Council and Urban League on their Jobs Now program. Triad Construction has approached the District about playing a role in workforce development as well on a project they will soon begin.

CEO Ciaccia noted that he had a meeting with Cleveland City Councilmen Johnson and Conwell about construction workforce concerns.

District staff is working on enhancing the performance management system as it relates to pay for performance and hiring processes.

The Audit Committee is considering developing a COSO enterprise risk management framework relative to internal controls.

V. Action Items

Authorization to Adopt Revisions

Resolution No. 204-16

Adopt Proposed Revisions to Title I and Title V.

MOTION – Mr. Sulik moved and Mr. O'Malley seconded to adopt Resolution No. 204-16. After discussion and without objection, the motion carried unanimously.

Mr. Brown stated that for many years prior to the consent decree the District made a number of investments designed to have a significant impact on the environment.

Discussions with the federal government over illegal discharges to the environment resulted in the consent decree and a 25-year term for compliance. The terms included affordability and green infrastructure language and set a rate structure satisfactory to the government that showed the District was in earnest moving forward with compliance and mitigation on a schedule.

Through Resolution No. 125-16, the District put out a notice to amend the rates for 30 days in which the community could comment on the proposed modifications to the regulations. In addition, the Board, staff and rate consultant had a number of meetings associated with considering the variables that went into establishing the financial needs of the District for the

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next five years and during the five years thereafter.

The Board moved forward with a scenario which anticipates an 8.3% annual increase for the years 2017 through 2021. The scenario is based on a number of assumptions, including attempting to secure 100% Water Pollution Control Loan Fund funding for eligible projects, phasing in the Member Community Infrastructure Program and not more than one time using part of the Rate Stabilization Fund, which would be replenished during this rating period. The Board and staff is mindful of the impacts on the rating period from 2022 to 2026.

The District realized over \$300 million in savings on project delivery through value engineering which directly impacted the proposed terms of the rating structure.

Mr. Brown stated that the Board wanted to make sure that the public interest is protected while striking a balance with the responsibilities to the federal government and the region to provide a positive environmental impact.

CEO Ciaccia advised that staff will discuss the Member Community Infrastructure Program over the next few Board meetings. He recognized Broadview Heights Mayor Sam Alai in the audience, who has been working with the District on the program.

Mr. Browns stated that there are many aspects of the program that bring value to the community and there are many people staff needs to find and sign up. He was concerned about the continuing challenge to make sure the community understands the necessity of why the rates are increasing, what compliance means and what are the ultimate benefits. The District must continue to reach out to make sure the community understands the answers to such questions.

Authorization to Advertise

Resolution No. 223-16

Three-Year Requirement Contract to Provide Uniform Rental, Cleaning Services and Storage Lockers at All District Facilities. Anticipated Expenditure: \$619,113.00.

MOTION – Mayor Bacci moved and Mayor Stefanik seconded to adopt Resolution No. 223-16. After discussion and without objection, the motion carried unanimously.

Authorization to Issue Request for Proposals (RFPs)

Resolution No. 224-16

RFPs for One or More Contracts for General Environmental Services in Support of the District's Capital Improvement Plan.

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Resolution No. 225-16 RFPs for Professional Services for the Cuyahoga River North Stormwater Master Plan Project.

Resolution No. 226-16 RFPs for Investment Advisory Services.

MOTION – Mayor Stefanik moved and Mayor Bacci seconded to adopt Resolution Nos. 224-16 through 226-16. After discussion and without objection, the motion carried unanimously.

Authorization to Enter Into Contract

Resolution No. 227-16 Two Year Contract with Camp Dresser McKee Smith for the Cuyahoga River South Stormwater Master Plan Study Project. Contract Amount: \$5,184,397.00.

Resolution No. 228-16 Contract with Deloitte Consulting LLP, Under State Terms, for the Oracle Planning and Budgeting Cloud Services Implementation Project. Cost: \$232,173.00.

MOTION – Mr. O’Malley moved and Mayor DeGeeter seconded to adopt Resolution Nos. 227-16 through 228-16. After discussion and without objection, the motion carried unanimously.

Referencing Resolution No. 227-16, Mr. Brown questioned whether the study would identify stormwater-related capital projects. Frank Greenland, Director of Watershed Programs, explained that the master plans will prioritize District design and construction and maintenance programs. Additionally, they will provide insight on how local systems interact with the regional network and what types of projects might be necessary.

Mr. Brown stated that some of the projects would be funded by the local cost-share process and staff will need to work with communities on such submissions. Stormwater does not respect municipal boundaries and that other communities are impacted when upstream communities do not perform the required mitigation. He hoped to stress the implications of not doing the projects.

Property-Related Transaction

Resolution No. 185a-16 Authorization to Modify Resolution No. 185-16 for an Increase in the Amount of the Settlement with Anthony Means. Cost: An Increase in the Amount of \$3,000.00 Bringing the Total Settlement Amount to \$9,400.00.

- Resolution No. 229-16 Authorize the Acquisition of One Permanent and One Temporary Sewer Easement in the City of Cleveland Necessary for Construction of the CSO 236 SWO Relocation Project. Total Consideration: \$154,808.00.
- Resolution No. 230-16 Authorize the District Enter Into a Right of Entry Agreement with Kurt's Getaway Bar and Grill. Consideration: \$1.00.
- Resolution No. 231-16 Authorization to Acquire One Parcel in Fee Simple from the Cuyahoga County Land Reutilization Corporation Necessary for the Big Creek West Branch Stabilization Project. Consideration: \$1.00.
- Resolution No. 232-16 Authorize the Appropriation of Two Permanent Sewer Easements and Two Temporary Easements Necessary for the Construction of the East 140th Street Consolidation and Relief Sewer Project. Total Consideration: \$6,270.00.
- Resolution No. 233-16 Authorize a Relocation Payment Associated with the District's Permanent Acquisition of Property in the City of Cleveland Necessary for Construction of the East 140th Street Consolidation and Relief Sewer Project. Consideration: \$9,558.23.

MOTION – Mayor Stefanik moved and Ms. Dumas seconded to adopt Resolution Nos. 185a-16 and 229-16 through 233-16. After discussion and without objection, the motion carried unanimously.

Sewer Use Code Matters

- Resolution No. 234-16 Authorization to Adopt the Findings of the Hearing Examiner with Regard to the Sewer Account of Michael Brown, Sewer District Case No. 16-003.

MOTION – Mayor DeGeeter moved and Mr. Sulik seconded to adopt Resolution No. 234-16. After discussion and without objection, the motions carried unanimously.

VI. Information Items

1. Financial Report and Investment Advisor Performance Report for the Six-Month Period Ending June 30, 2016

Jennifer Demmerle, Chief Financial Officer, stated that the District continues to meet all financial metrics. As of June 30, sewer operating revenues are up 10% from this point last year, which was expected with the 11% rate increase and 1% decrease in consumption. SMP billing resumed in July and that revenues will be in the next quarterly statement. Sewer operating expenses increased 2% from last year, which is within budget and projections.

The SMP has expensed \$1.6 million as of June 30. Staff expects those expenses to increase as revenue comes in the next few months. At the end of July, staff billed close to \$3 million.

The District has over \$450 million in cash, of which 93% is invested. CFO Demmerle explained that \$127 million remains from the 2014 bond issue, which will last into the first quarter of 2017. Nominations for WPCLF funds for projects next year are due August 31 and will include \$407 million in awards.

2. Operation & Maintenance Quarterly Board Update

Ray Weeden, Director of Operations & Maintenance, advised that the department is comprised of 450 employees of diverse functions and skill sets. Staff is under budget and tracking well in all categories.

Staff is removing 95% to 96% of the total suspended solids from wastewater coming into the plants. Similarly, staff is removing total carbonaceous biochemical oxygen demand from the plants and exceeding what is required to remove by State permit.

Phosphorous is being removed by 75% for all three plants, which is also more than required. Phosphorus is a nutrient that can contribute to the growth of algae in the lake.

Mr. Weeden explained that the Renewable Energy Facility (REF) at Southerly has realized total natural gas savings of \$87,000 in the second quarter and \$156,000 savings year-to-date. The REF process also saved the District \$136,000 on electricity expenses.

The Operational Readiness Project will assess the organizational structure of the department and the skill sets needed today and the future. About 17% of the Operations & Maintenance workforce is either eligible to retire now or within the next five years. One third of those retirement-eligible is management. A final report from this project is expected to come to the Board in February 2017.

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Don Hamilton, Field Tech Operator, advised that the SSMO department's core responsibilities are to maximize storage in the collection system, maximize flows to treatment plants and eliminate overflows to the environment.

The District currently has 122 CSO outfalls and new projects and storage tunnels are designed to maximize storage and minimize overflows. The District also has 24 automated regulators, which maximize storage and minimize overflows to retain flow into the interceptor system.

Mr. Hamilton explained that the District has 11 pump stations that average 6 million gallons per day. That amount is expected to increase to 160 million gallons per day by the end of the rate cycle. Additional responsibilities in 2021 include over 100 miles of new sewers, 50 new regulators, 100 new drop structures, 15 new control structures and 20 green infrastructure sites.

Mr. Brown noted that by the end of this next rating period the District will have additional infrastructure and instrumentation that will store or treat flow that used to go out to the lake.

3. Regional Stormwater Management Program Update

Mr. Greenland advised that flooding has not been an issue in 2016 due to near-drought conditions.

The major components of the SMP are master planning, inspection and maintenance, construction of projects to solve problems and encouraging good practices.

Mr. Greenland explained that staff will conduct a condition assessment of culverts during the master planning process because they have a measurable impact in terms of condition and hydraulic carrying on community flooding issues.

Staff is considering 2017 construction projects and accelerating some 2016 design activities to take advantage of the revenue coming in. Over time they will prioritize the projects. The mission is to improve conveyance capacity.

Moving to construction, Mr. Greenland indicated that a number of projects are under design and a couple will go to construction. Staff continues to look for projects to accelerate that cash flow. Many projects encompass the repair of erosion-type damages.

Staff is working with homeowners and larger parcels to review applications for credit.

Outreach efforts will increase with school districts to make sure they can take advantage of the materials to teach a watershed-based education to the students. Staff also finalized a process for challenging fees and bills.

Mr. Greenland stated that staff is working with member communities on the Community Cost-Share Program to make sure they know to take advantage of the money.

VII. Open Session

There were no items.

VIII. Public Session (any subject matter)

There were no items.

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 Mayor DeGeeter seconded the motion to adjourn at 1:37 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