

MINUTES  
NORTHEAST OHIO REGIONAL SEWER DISTRICT  
BOARD OF TRUSTEES MEETING  
AUGUST 5, 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  
R. Sulik  
J. Bacci  
S. Kelly  
W. O'Malley  
G. Starr

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

II. Approval of Minutes

**MOTION** – Ms. Kelly moved and Mr. O'Malley seconded that the minutes of the July 15, 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") and the negotiations with the state and federal governments. Last week, District representatives met with the governments to discuss the green for gray infrastructure, timing of the completion of the negotiations, lodging of the Consent Decree, and Supplemental Environmental Projects (hereinafter "SEPs") that could be completed in lieu of penalties. The District submitted five candidate SEP projects.

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The District plans briefing the Board on August 19<sup>th</sup> during an Executive Session regarding the details surrounding the negotiations and staff recommendations. Staff requests that at said meeting the Board consider releasing certain elements of the CSO LTCP negotiations for public discussion. Staff is also requesting that the Board consider authorizing settlement of the CSO LTCP negotiations at the September 2<sup>nd</sup> Board meeting. The settlement will be filed with the court on September 30<sup>th</sup> and following will be the federally mandated 30-day comment period.

Staff is preparing a presentation to include public speaking points and press releases and this will be presented subsequent to the meeting with the Board on August 19<sup>th</sup>. Executive Director Ciaccia invited Board members interested in providing their suggestions on the crafting of this message to contact Director of Administration and External Affairs, Constance Haqq. There will also be sufficient time to discuss the message during the Executive Session on August 19<sup>th</sup>.

Mr. Brown commented that the Board is quickly approaching a decision point which will be based upon the due diligence conducted by this staff. The Board's "litmus test" will be whether the proposed CSO LTCP is fair, reasonable and in the best interest of the rate payers. Mr. Brown stated that this commitment will exceed the term limits of the members of this Board and that this Board has the "fiduciary responsibility in terms of that commitment on behalf of this organization and of this community."

Mr. Brown appreciated the staff's due diligence on this matter. The program requirements, duration, costs, penalties, ability to substitute green for gray infrastructure, and the rate structures are all important issues for the Board's deliberation and vote. Mr. Brown suggested that staff keep those concerns in the forefront as they prepare the presentation for the Board.

Mr. Brown stated that the Board will have a very small period of time to reach its final decision on this historical commitment and the issues of fairness, reasonableness and what is in the best interest of the rate payers should not be taken lightly. Executive Director Ciaccia replied that the staff has been preparing for this for quite some time and will have a "good story to tell" or at least "the best story out of a bad story."

Executive Director Ciaccia moved to the next report item regarding stormwater. Staff was appreciative of the very positive editorials printed in the *Akron Beacon Journal* and *The Plain Dealer*, which were in response to certain Summit County officials against the District's Stormwater Management Program (hereinafter "SMP"). Those officials have apparently advised their constituents not to pay for the stormwater service after the District begins billing for said program.

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With respect to the pending court case, the District objected to Paul Murphy's involvement with the case due to a conflict of interest, and he has since withdrawn himself from this matter.

A hearing is scheduled on August 24<sup>th</sup> before Judge Pokorny on the injunctive relief filed by the 12 communities in opposition to the SMP. The legal counsel representing those 12 communities have indicated stipulating to certain terms that would prevent the District from having to go forward with the hearing on August 24<sup>th</sup>. Executive Director Ciaccia advised that the District is not at "the point of recommending that we settle as it stands here today," but he refrained from going further with the discussion since this matter would have to be discussed during an Executive Session. Executive Director Ciaccia indicated that at this point, he is not recommending stipulating to anything to avoid the August 24<sup>th</sup> hearing but "we might reach that state" by the next Board meeting. In any event, Executive Director Ciaccia or Ms. Sundheimer will communicate with the Board regarding any decisions to be made going forward.

Executive Director Ciaccia informed the Board that in addition to the CSO LTCP discussion, the August 19<sup>th</sup> Board meeting will include a review of the disparity study results. The final report is due to the District on August 10<sup>th</sup>. Staff anticipates some level of disparity that will support a minority and female business component to the current Small Business Enterprise (hereinafter "SBE") program. This program will then have to be modified which Executive Director Ciaccia anticipated taking a better part of this year to complete in order for staff to conduct its due diligence.

Executive Director Ciaccia highlighted some of the revisions being made to the SBE program. Bids being advertised are substantial and the District is attempting to maximize subcontracting opportunities for SBEs. The District is adding the counties of Geauga and Medina to the SBE program for the reasons that many businesses having historically done business with the District are located in those regions and this would also be consistent with the NOACA (Northeast Ohio Areawide Coordinating Agency) region.

The District would like to give credit for joint venture relationships. The SBE program is currently geared towards subcontracting opportunities, but the District believes that credit should be given to small businesses joint venturing with non-small businesses.

With respect to SBE tracking, the District wants to create not only project specific goals, but also program goals.

The District will remove the requirement that the SBE must be headquartered in the six-county area and replace it with the requirement of having a "functional office within the six-county area." Executive Director Ciaccia explained that it has been very restrictive and difficult to define "headquartered".

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Language will be inserted in the current policy that would prevent any small business or businesses currently considered in default with the District from becoming certified into the SBE program.

Mr. Brown suggested that Ms. Kelly have some further engagement given her role in the development of the SBE Program. Ms. Kelly agreed. Executive Director Ciaccia advised that the staff will forward Ms. Kelly a copy of the disparity study upon receipt.

Executive Director Ciaccia moved to the next report item regarding the City of Cleveland Division of Water (hereinafter "CWD") billing issues. The billing blitz team is comprised of ten employees, one supervisor and consultants. This team is attempting to reduce the number of suppressed bills. There were initially 60,000 bills that were suppressed and at the end of last month that number has been reduced to 20,000. They are expected to get down another 5,000. The students will be going back to school at the end of next week and they are anticipating resolving another 15,000 before they depart.

The CWD and consultants are putting together a more highly technical team to address the more technically challenging bills. They are hoping to get the number down to 5,000 by October 1<sup>st</sup> which is within the vicinity of what is expected to be the normal back log for these types of bills. The District has not yet seen financial benefits, but Executive Director Ciaccia expects that to be turning around very soon.

Executive Director Ciaccia moved discussion to financial reporting issues. IBM was hired to assist in this process and some progress has been made. Eight reports are expected to be resolved in the next four weeks including the reports on the summer sprinkling program, suppressed billing, canceled bills, agency assessments, local charges, suburban consumption and adjustments.

District customer service representatives now have access to the CC&B system and can make direct transactions. They have processed over a hundred summer sprinkling program credits and this has taken some of the burden off of the CWD representatives.

Executive Director Ciaccia requested that Ms. Haqq provide the Board with an overview of the student programs offered at the District, and he informed the Board that a few students will share their student experiences with them.

Ms. Haqq advised that the Board was provided with a catalog outlining the various student programs offered at the District. She thanked Kim Jones and Mardele Cohen for writing the catalog and Linda Gray, Yvette Burke and all managers and supervisors who worked with the students and made this program possible.

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Four students were invited to briefly share their summer experience with the Board. Alexandria Haupt is a finance major at Baldwin Wallace College (BW). Kamau Mbalia, one of two Louis Stokes scholars and a senior at Central State University, worked at WQIS. Antonio Stinson was in the first class of our wastewater prep program. Mr. Stinson was recruited from Collinwood High School and has since graduated and become employed full-time at the District. Mr. Stinson is attending Cuyahoga Community College to pursue his academic studies. John Powers is the Richard Connelly scholarship recipient, and he is also employed full-time at the District.

Ms. Haupt advised that she is a junior at BW with a major in finance. She learned about summer assistant opportunities through one of the District's security officers. Over the past two months, Ms. Haupt worked in the administrative offices at Southerly and learned a great deal during that time. The summer students at Southerly had the opportunity to rotate with the different maintenance managers and unit process managers. Ms. Haupt primarily worked in the administration offices and conducted tasks such as timekeeping and records. Ms. Haupt also had the opportunity to shadow one of the unit process managers. Ms. Haupt learned how to test asphalt water for chlorine and take samples from the ash lagoon. She toured the disinfection building, second stage aeration tanks and observed how operators monitor the plant process. Ms. Haupt indicated that her overall experience at the District was enjoyable.

Mr. Mbalia thanked the Mr. Brown and Board members for allowing this happen and he apologized for his attire which was due to a long day of beach sampling. Mr. Mbalia advised that he attends Central State University and is obtaining his environmental engineering major and mathematics minor. He learned about the District through the Louis Stokes scholarship program at Central State. Mr. Mbalia applied for the scholarship and indicated that he was pleased to have received it and was even more pleased to conduct his internship at the District.

Mr. Mbalia indicated that the past nine weeks went quickly and that he had a great experience conducting sampling at Edgewater, Euclid & Villa Angela beaches to test water and pH levels. He also accompanied the investigators during industrial and environmental assessments and water quality and water chemistry sampling at the different creeks. Mr. Mbalia visited different companies and industries to help install samplers and to monitor discharge as well as address CSO responses and participated in boat collecting and sampling.

Mr. Mbalia wrapped up his discussion by stating that he had "a blast" and "would love to come back" to the District which he described as "a great environment" that provided him with a great experience and "great time overall."

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Mr. Stinson advised that he was recruited by the District during his 11<sup>th</sup> grade year at Collinwood High School. His counselor approached him regarding the opportunity at the District. For the past three months, Mr. Stinson has worked at the Easterly plant performing custodial and maintenance work. Mr. Stinson indicated that he has visited various District sites including EMSC, Southerly and the GJM Building.

Mr. Powers advised that he is studying construction engineering technology at Cuyahoga Community College and will be graduating December 2010. Mr. Powers is the first recipient of the Richard Connelly Scholarship, and he accepted the 90-day co-op opportunity which was offered to him. He had the opportunity to shadow five different District departments including Engineering and Construction, Safety and Security, WQIS, the testing laboratory and SSMO.

Mr. Powers advised that he was not initially familiar with the District operations and it was pretty overwhelming. Mr. Powers indicated that he was impressed with the District's infrastructure and mission, and he decided to pursue any opportunity that would keep him at the District.

Mr. Powers then received a second co-op opportunity in the Engineering department. He was briefly assigned to the Lee Road Relief Sewer (LRRS) project which lasted only eight weeks due to him being hired as a field technician at SSMO. Mr. Powers recently completed his 90-day probationary period.

As a field technician at SSMO, Mr. Powers identified their main focus to be collection systems and the elimination of CSOs. The "nine minimum control guidelines" influences the decision-making. He provided the Board with examples including maximizing the use for collection system for storage and maximizing flow to a WWTP, and eliminating CSO during dry weather and control the floatable materials released in the CSOs.

Mr. Powers reiterated that the main objective at SSMO is to eliminate CSOs as much as possible. Although it is unlikely that this will happen immediately, we would like to clean the water and remove the floatables so it does not make the environment look unattractive and to prevent the releasing of untreated water. The District will also take video footage on sewers that may be collapsing and those are viewed by the Engineering staff.

Mr. Powers advised that he is attending internal classes on wastewater treatment and that he hopes to obtain his Wastewater Collection II certification by June 2011.

Mr. Brown advised that the Board appreciated their comments and that the District strives to impress upon the students the importance of the work conducted by the District and how it enhances the quality of life for the communities.

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Executive Director Ciaccia moved to the last report item and he advised that NACWA annually presents peak performance awards. The Easterly plant received a gold award for the second year in a row. Westerly and Southerly received silver awards, which are given to plants having less than five violations in a year. Easterly had zero violations for two years in a row. We are striving to obtain platinum awards which are given to plants having zero violations over a continuous five year period.

V. Action Items

Authorization to Advertise

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|-----------------------|---|
| Resolution No. 215-10 | Inductively Coupled Plasma Mass Spectrometer (ICP-MS) for the Analytical Services Department. Anticipated expenditure: \$170,000.00.                                  |
| Resolution No. 216-10 | Lawn maintenance services for all District facilities. Anticipated expenditure: \$52,000.00.  |
| Resolution No. 217-10 | Lease of predictive maintenance equipment and services at the Southerly Wastewater Treatment Plant. Anticipated expenditure: \$75,000.00.                             |
| Resolution No. 218-10 | Snow plowing services at the Environmental & Maintenance Services Center, George J. McMonagle Building and outlying facilities. Anticipated expenditure: \$73,000.00. |
| Resolution No. 219-10 | Westerly 700 building improvements. Engineer's opinion of probable construction cost: \$965,000.00.   |

**MOTION** – Mayor DePiero moved and Mr. O'Malley seconded to adopt Resolution Nos. 215-10 through 219-10. Without objection, the motion carried unanimously.

Authorization to Issue Request for Proposals (RFPs)

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| Resolution No. 220-10 | RFPs for professional materials testing and inspection master service agreements. Estimated project period: 2011 to 2015. |
| Resolution No. 221-10 | RFPs for Southerly Low Voltage Equipment Replacement.   |
| Resolution No. 222-10 | RFPs for Southwest Interceptor Inspection and Evaluation Contract.  |
| Resolution No. 223-10 | RFPs for Walworth Run Outfall Repair (WROR).  |

**MOTION** – Mr. Sulik moved and Mayor Bacci seconded to adopt Resolution Nos. 220-10 through 223-10. Without objection, the motion carried unanimously.

Authorization to Purchase

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| Resolution No. 224-10 | Purchase Compellent Storage Area Network Hardware and Software Licensing from Cambridge Computer Services. Cost not to exceed \$53,474.27. |
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**MOTION** – Ms. Kelly moved and Mr. O'Malley seconded to adopt Resolution No. 224-10. Without objection, the motion carried unanimously.

Authorization to Enter Into Agreement

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|-----------------------|---|
| Resolution No. 225-10 | Continued engagement of Hahn Loeser & Parks LLP as special counsel to the Board of Trustees through December 31, 2011. Cost: the District has expended a total of \$67,894.41 through May 2010 for this engagement; Hahn Loeser agrees to continue its engagement at the current discounted hourly rate of \$400. |
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**MOTION** – Ms. Kelly moved and Mr. O'Malley seconded to adopt Resolution No. 225-10. Without objection, the motion carried unanimously.



Authorization to Enter Into Contract

Resolution No. 226-10 Contract with Rexel, Inc. for a replacement Final Effluent Pumping Station (PEPS) Control Panel for use at the Westerly Wastewater Treatment Plant. Cost: \$29,850.00.

Resolution No. 227-10 Contract with Trax Construction Company for the SOM Center Relief Sewer – Pepper Pike (SOMRS-PP) Project. Cost: \$620,274.00.

**MOTION** – Mr. Sulik moved and Mayor DePiero seconded to adopt Resolution Nos. 226-10 and 227-10. Without objection, the motion carried unanimously.

Authorization to Ratify Expenditure

Resolution No. 91a-10 Ratify expenditure in Contract No. 10000740 to Marous Brothers Construction, Inc. for the Southerly Emergency Repair 48” air header due to unforeseen conditions and delays that increased the contractor’s costs. Cost: expenditure in the amount of \$10,000.00, bringing the total contract price to \$93,187.50.

**MOTION** – Mr. Sulik moved and Mayor Bacci seconded to adopt Resolution No. 91a-10. Without objection, the motion carried unanimously.

Authorization of Contract Modification

Resolution No. 228-10 Modify Contract No. 09000776 with Kokosing Construction for the Cuyahoga Valley Interceptor Lift Station Improvements (CVI LS-3) Project. Cost: a time extension of 111 Days with no change in the contract price.

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Resolution No. 229-10

Modify Contract No. 09001512 with Doan Pyramid LLC for the Southerly Electrical Repair Project (SERP). Cost: a time extension of 63 Days with no change in the contract price.

Resolution No. 230-10

Modify Contract No. 09001691 with Mark Haynes Construction for the West Creek Watershed Restoration Projects. Cost: A Time Extension of 115 Days with No Change in the Contract Price.

Resolution No. 231-10

Modify Contract No. 3511 with Kenmore Construction Co. Inc. for the Easterly Primary Settling Tanks Rehabilitation (PST-2) Project. Cost: a time extension of 92 days and a decrease of \$320,945.55, bringing the total contract price to \$2,253,434.45.

**MOTION** – Mr. Sulik moved and Mayor Starr seconded to adopt Resolution Nos. 228-10 through 231-10. Without objection, the motion carried unanimously.

Authorization of Selection of Managers for 2010 Financing

Resolution No. 232-10

Authorization to Select Barclays Capital; Siebert Brandford Shank & Co., LLC; Stifel Nicolaus & Company, Inc.; Blaylock Robert Van, LLC; and KeyBanc Capital Markets for 2010 Financing.

**MOTION** – After discussion, Mr. Sulik moved and Mr. O'Malley seconded to adopt Resolution No. 232-10. Without objection, the motion carried unanimously.

Mr. Sulik pointed out that there are two Minority Business Enterprise (hereinafter "MBE") firms, one as co-senior and one as co-manager. Director of Finance, Jennifer Demmerle, affirmed.

Mr. Sulik inquired as to the percentage of the bond offering that those firms would be handling. Ms. Demmerle replied that this has not yet been negotiated, but we do anticipate 40% for the co-senior and co-managers.

Mr. Sulik inquired if Barclays Capital was a New York firm. Ms. Demmerle affirmed.

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Mr. Sulik questioned if “we have done our bonds through New York—Barclays?” Ms. Demmerle indicated that in the past we have and that the senior and co-senior are usually larger New York firms depending on the strong regional market and good bench strength.

Mr. Sulik questioned if Siebert Brandford Shank & Company is a New York firm wherein Ms. Demmerle advised that this is a Detroit firm.

Executive Director Ciaccia advised that members of the team were present at the meeting and he requested that they introduce themselves:

Kym Arnone from Barclays Capital; Sean Werdlow from Siebert Brandford Shank office from the Detroit office and also having dual headquarters in New York and California; Tim Offermatt from Stifel Nicolaus has a Cleveland office and they are headquartered in St. Louis; Nick Potonak from Blaylock Robert Van is in Cleveland but they are based in California and have a main office in New York; and Kurtis Holle from KeyBanc Capital Markets which is headquartered in Cleveland.

Mr. Sulik questioned if there are other types of bonds. Ms Demmerle replied that we intend to review a combination of tax exempt bonds and Build America Bonds.

Mr. Sulik inquired about Build America Bonds. Ms. Demmerle explained that those are taxable bonds similar to corporate bonds but the federal government issues a 35% subsidy back to the District, which is typically lower than a traditional tax exempt bond. Ms. Demmerle along with the underwriting team and financial advisor will analyze the options in order to determine how much of the issue should be tax exempt versus taxable.

Mr. Sulik inquired if those will be split between tax exempt and Build America Bonds. Ms. Demmerle replied that whichever is the best option at the time we go to the market in October.

Executive Director Ciaccia added that the exact size of this deal has not yet been determined and that state loans and how they compete has to be considered as well.

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Authorization to Engage Outside Counsel

Resolution No. 233-10

Request to engage Squire, Sanders & Dempsey LLP and Forbes, Fields & Associates Co., LPA to serve as bond counsel and co-bond counsel respectively, for the District's 2010 and 2012 bond issues. Cost: the total estimated cost of the engagements with SS&D and Forbes Fields is \$125,000.00 for the 2010 bond issue only. Attorney fees for the 2012 bond issue will be determined based upon the size of the bond issue and the complexity of the deal. The fee agreement will be brought before the Board for approval prior to the 2012 bond issue. The fees will be paid from the proceeds of the bond sales.

**MOTION** – After discussion, Mr. O'Malley moved and Mayor Bacci seconded to adopt Resolution No. 233-10. Without objection, the motion carried unanimously.

Mr. Sulik referred to the resolution request indicating that the amount will not exceed \$300 million for the 2010 bond issue, and he questioned as to what the fund will be used for.

Ms. Demmerle stated that the \$300 million will cover the larger ongoing projects and a portion will be applied to the Euclid Creek Tunnel (hereinafter "ECT") project. The other portion will be used for the Capital Improvement Program (hereinafter "CIP") and probably get us through the end of 2012.

Mr. Sulik commented that the ECT and Tunnel Dewatering Pump Station (hereinafter "TDPS") projects puts us at \$350 million. Ms. Demmerle explained that some of those projects have loans attached to them and that we are doing a combination of bonds and loans.

Mr. Sulik commented that "this money is kind of spoken for already so it's not like we just got a lot of other projects with this."

Executive Director Ciaccia stated that the District's current indebtedness is around \$580 million, which will increase. This amount is already tied up in the projects that we have to get out. With the adoption of the CSO LTCP and the other CIP projects we are most

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likely going to be getting in to the bond market more often and therefore we can expect our total indebtedness to increase dramatically over the next five years.

Mr. Sulik commented that with the 2012 bond issue we can expect to be about \$1 billion in debt to finance our projects. Executive Director Ciaccia replied that we will be close and by 2016 we will probably exceed that amount.

Executive Director Ciaccia explained that the options are onerous such as cash financing of projects which means we have to raise money up front. We intend to integrate cash funding into our program since it is the most prudent approach, but debt management will be a significant part of our program.

Mayor Starr questioned as to the District's debt limit. Ms. Demmerle replied that the District does not have a debt limit but must work within its rate covenant. The District must ensure that its net revenue is at least 100% of its debt service on all of its bonds and loans. The goal for bonds is 1.25, which means that net revenue for bond debt service is at least 125%.

Mayor Starr inquired if our projection on debt is based upon only one more year increase. Ms. Demmerle affirmed and advised that our five year forecast predicts increasing the rates 15% to 18% in order to meet the covenant bond.

Mayor Starr questioned, "You will have increase rates 15 to 18 percent just for the debt on capital projects?" Ms. Demmerle replied that we will in addition to a combination of other things. In order to support \$1 billion in debt over the next five years in our CIP, the District will have to increase its rates to ensure that it meets its rate covenant.

Mayor Starr inquired as to what the "other things" were. Ms. Demmerle replied operating expenses.

Mayor Starr questioned if the rate increase could be higher than 15% to 18%. Ms. Demmerle advised that the District is in the midst of rate study for that next five-year period and we should have a better idea of those rates by the end of September.

Mayor Starr inquired if the 15% to 18% rate increase included the "CSOs as part of the capital." Ms. Demmerle indicated that this was a large component of it.

Executive Director Ciaccia clarified that the 15% to 18% increase was an average and that the rates could be higher than 15% or 18% in the first two years but by the third, fourth and fifth year be far less than 15%. Our goal is to "smooth it out as much as we can." The District will need a big cash influx up front in order to cover the debt, future projects and to advance the CSO LTCP.

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Mr. Brown commented that it seemed to be the staff's recommendation that we front load a number of these larger projects as part of the CSO implementation strategy. This will in turn affect our initial percentages of rate increases. Mr. Brown suggested that as we look at our strategy and approach we need to include "what we are required to do and the cost thereof" as well as the costs-associated with front loading some of these larger projects. Executive Director Ciaccia agreed.

Executive Director Ciaccia advised that the District and the Board have taken the initiative to eliminate CSOs and as a result had to raise rates to accomplish this task. The District will be advancing the ECT and TDPS projects and they will be costly. The August 19<sup>th</sup> presentation will cover the cost of escalation to inflation over the years, which is pretty staggered when you deal with numbers like this. It is much better to complete these projects at today's prices versus tomorrow's prices.

Authorization of Appropriation

Resolution No. 234-10

Appropriate one (1) permanent easement (ECT-2P) across Cuyahoga County Auditor's Permanent Parcel No. 116-19-001, owned by Brown Properties Holdings LLC, which is necessary for the construction of the Euclid Creek Tunnel Project. Cost: Fair Market Value of \$2,000.00 to be deposited with the Cuyahoga County Probate Court.

**MOTION** – Mayor DePiero moved and Mr. Sulik seconded to adopt Resolution No. 234-10. Without objection, the motion carried unanimously.

Authorization of Easement

Resolution No. 235-10

Acquire from Merex Corp. three permanent easements (Cuyahoga County Permanent Parcel Nos. 116-19-003, -004 and -038) necessary for construction of the Euclid Creek Tunnel Project. Consideration: \$255,000.00.

**MOTION** – Ms. Kelly moved and Mr. O'Malley seconded to adopt Resolution No. 235-10. Without objection, the motion carried unanimously.

Mr. Sulik inquired since we are purchasing property can this be considered an easement. Ms. Sundheimer clarified that we are acquiring permanent easements.

VI. Information Items

1. Outside Counsel Expenditure Report as of May 2010.

Executive Director Ciaccia advised that there will not be a presentation on the Outside Counsel Expenditure Report but that the information was incorporated into the Board packets. Staff was available to entertain any questions from the Board.

Mayor Starr inquired if Bricker & Eckler will be interviewing past employees. Ms. Sundheimer stated that there are a few past employees that are also being interviewed so long as it is relevant to a particular project, or questions have been raised and they need background information. Those past employees are contacted and asked to cooperate during the interviews.

Mayor Starr questioned, "How many employees?" Ms. Sundheimer indicated that she did not have the total number but there were at least one or two past employees at this point. Bricker & Eckler have a few more interviews to conduct before completing their final report.

Mayor Starr questioned, "What departments are they from?" Ms. Sundheimer replied that "the interviews have been predominately from the engineering and construction department" but it is not limited to engineering and construction.

Mayor Starr inquired what happens if employees agree not to cooperate. Ms. Sundheimer explained that if we have this type of situation, we encourage the employees or past employees to cooperate and offer to meet them after hours, or on their terms. We try to work with them.

Mr. Brown commented that the District is spending a large sum of money for legal representation and at some point he would like to know what our cost and potential risk or exposure is on each of these matters. Mr. Brown stated that he would like a "snapshot of what was in play" as to why taking these actions is beneficial to the District.

Ms. Sundheimer explained that discussing risks and strategies in a public document could be a dilemma, but at the Board's request, she could prepare a report or presentation for an Executive Session. She could publicly present a snapshot of the matter and the cost but advised against discussing relative risks and legal strategies involved in each of these matters.

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Mr. Brown indicated that the Board will discuss this matter with its legal counsel.

2. NEORSF Financial Report and Investment Advisor Performance Report for the Six-Month Period Ending June 30, 2010.

Ms. Demmerle advised the Board that this is the Second Quarter Financial Investment Advisor Report which is consistent with the information that Executive Director Ciaccia provides in his monthly Board reports. Ms. Demmerle stated that "these statements are in a constant state of flux." We continue to work through some reporting issues with the City of Cleveland Fiscal Control Department and there has not been much change from the first quarter.

We continue to operate within our current year budget and revenues are slightly behind by about 4%. Cash collections continue to run behind as CWD works through the suppressed bill issue. The total investment as of June 30<sup>th</sup> is \$235 million and we are earning about 1.15% on that portfolio, which is not much of a change since last year since the market continues to be at its slowest point.

Mr. Sulik referred to the short-term investments between 2009 and 2010 and he stated that there was a 50% decrease, but the cash increased. He questioned if the District is accumulating cash because the investments are so low. Ms. Demmerle replied that the long-term investments earn about 0.9% and we are waiting for the market to turn back before continuing to invest long-term.

Mr. Sulik referred to receivables and questioned if this is because "the suppressed bill account has gone up that much?" Ms. Demmerle affirmed and stated that the increase in accounts receivables has resulted from the suppressed bill issue and has affected our beginning balance of our receivable which is overstated by about \$17 million. This number could decrease as we work through those issues.

Mr. Sulik inquired if this should be resolved in the next couple of months and Ms. Demmerle speculated by either October or November.

Mr. Sulik commented that he would "hate to see the increase in allowance for doubtful accounts, but I guess that's the reality of the economy. We are almost up to \$20 million." Mr. Sulik inquired about the District's record of collecting on doubtful accounts, and of this \$20 million, what are we going to get or take a hit for?

Ms. Demmerle explained that the allowance on doubtful accounts is an estimate and we allocate a percentage of our revenue towards that account which is deemed uncollectable. The percentage has been raised to 3% of the District's revenue due to the economy. That account eventually turns into write-offs. Each year staff comes to the Board to approve a



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certain amount of write-offs for uncollectable amounts which consists of foreclosure, bankruptcies, abandoned properties and final bills.

Mr. Sulik questioned as to what percentage would we get back? Ms. Demmerle replied that the percentage we think is going to be uncollectable is based upon a percentage of our total revenue.

Executive Director Ciaccia added that CWD is faced with the same problem and we need to increase the amount that is escrowed at the time of the purchase so we can collect our money when the properties are sold. Ms. Demmerle agreed and stated that Mr. Bucci, Ms. Kelly and herself met with the Board of Realtors to discuss the District's predicament.

Mr. Sulik commented that the payables have increased 100% from last year. Ms. Demmerle replied that the increase in payables is due to our collection fee that we owed to the CWD. We have not paid them since October for the reason that the invoices have suppressed bills and we cannot verify the amounts. The District continues to work with Fiscal Control on this issue. At this point we are sitting on money.

Mr. Sulik inquired if we are accruing it wherein Ms. Demmerle advised that considering the expense we are accruing but it has not hit our cash.

Ms. Sulik stated that "budget-wise, we are still holding in on it" and he questioned, "Expense-wise?" Ms. Demmerle advised that expenses are doing very well and we are within 45% at the halfway point.

Mr. Sulik questioned if we over-budgeted. Ms. Demmerle indicated that she did not anticipate staying at that level.

### 3. Economic Impact Study Results – Cleveland State University.

Executive Director Ciaccia stated that last year he met with Mayor Jackson to discuss the CIP and potential rate increases the District is facing. At that time, he suggested looking in to the local economic stimulus package being presented by President Obama. Executive Director Ciaccia advised that this was the onset of conducting an Economic Impact Analysis (hereinafter "EIA"). Dr. Ziona Austrian from Cleveland State University (hereinafter "CSU") was at the meeting to present the Board with the results of the EIA. Before Executive Director Ciaccia turned discussion over to Dr. Austrian he stated that he believed "this is a story that we are going to have tell, along with our story on big capital spending and rate increases."

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Dr. Austrian advised that CSU has been working on this EIA for several months along with members from the District staff. The objective of this study was to measure the economic impact of the District's construction and operation activities. Dr. Austrian stressed the importance of conducting the EIA and she stated that the District plays an integral role in the physical infrastructure in northeast Ohio as well as the economy.

Dr. Austrian defined "economic impact" as an analytical approach used to estimate economic benefits for a specific region and a specific time period. It is a summation of three different components. Direct impact is the operation and construction expenditures or everything that you do in order fulfill the District's mission. Indirect impact is local jobs and production and is used to produce everything that you need to do in order to accomplish your mission. Dr. Austrian indicated that it is referred to as "secondhand external and other know affect" and is similar to a tiered-effect. New construction projects requiring having to buy materials, equipment and labor which cause a ripple effect to the economy through the suppliers. Another component of impact is reading used impact and this is created through spending patterns of employees who work in the District or for the suppliers.

CSU conducted an EIA for two different regions, the Cleveland and Akron metropolitan areas and Cuyahoga County. This is where most of the District's services are being provided in the study and measures impact for a five-year period, 2012 through 2016.

The EIA is based on cost estimate data that the District provided CSU. The first is detailed planning level cost estimates for capital projects. CSU received data for over a hundred projects and issued projected operating expenditures which were based on past expenditures. CSU received data on the shares of labor and material and how much of those expenditures were done in Northeast Ohio and in Cuyahoga County.

CSU used the IMPLAN model to conduct the EIA. IMPLAN is a sophisticated economic impact assessment system which allows CSU to conduct EIAs for every region. Dr. Austrian stated that IMPLAN is an input, output model that accounts for inter-industry buy and sell relationships within the economy. Industries buy and sell from each other and with the household sector. We provide labor services to industries and then we also buy their goods and services.

These regional relationships between industries and the household sector determine how the economy will respond to change and change could be a District construction project. If you introduce change into the economy through all of these inter-relationships, we create an impact within the economy.

An IMPLAN estimates the multipliers which measure the lethal effect to the economy and are usually larger for broader regions.

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Dr. Austrian referred to a slide depicting a summation of capital expenditures during the five-year period. In 2012, capital expenditures are estimated at \$288 million and it is significant to note that 85% of those expenditures will remain in Northeast Ohio and 50% are taking place in Cuyahoga County. There were different estimates for the five years and by 2016, we have about \$248 million of capital expenditures with 76% in Northeast Ohio and 45% in 2016. According to Dr. Austrian, those percentages are important because only spending within the region is captured in the EIA and everything spent outside of Northeast Ohio is excluded. It is the same for other expenditures for the five years from \$130 million in 2012 to \$136 million by 2016. Eighty-five percent of the District's operating expenditures are within Northeast Ohio and 71% is within Cuyahoga County.

There are five measures of economic impact. Impact is measured separately for the capital project and the operating expenses. Employment impact measures the amount of additional jobs that will be created in Northeast Ohio and in Cuyahoga County as a result of District activities. Labor income impact measures the additional household earnings that will be created from the economy and the summation of employee compensation amplifies the income. Output income measures the variance of all goods and services that are created in the economy as a job District activity. Value added impact is taking all of this output and excludes the inter-medial goods in the production process. Tax impact is the additional tax revenues that will be collected as a result of District activities.

Dr. Austrian referred to a summary of impact in Northeast Ohio, a seven-county area, from capital expenditures for the five years combined. Almost 26,600 jobs are going to be created in Northeast Ohio. Labor income will increase by \$1.2 billion. Total value added will increase by \$1.6 billion. Output will increase by \$3.6 billion. Dr. Austrian explained that there is a five-year estimate as a result of the District's capital expenditure in this five-year period. The direct impact accounts for 41% to 56% of all impact. Indirect and induced impact accounts for about 20% to 30% and it varies slightly by the measure itself. There is \$354 million of tax impact; 62% federal tax and 38% in state and local taxes.

Dr. Austrian moved discussion to the distribution within the economy and which factors are most affected by District activities. Of the estimated 26,600 jobs created, 42% will be in construction, 18% in the professional scientific and technical services, 7% in retail and 5% in health care. Construction and professional services are the largest sectors impacted by labor income. Dr. Austrian stated that "if we look at value added in output setting in construction and professional services of the sectors most affected, these are followed by manufacturing, real-estate, finance and insurance."

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Dr. Austrian stated that the less of the total capital expenditures are spent in Cuyahoga County and that the results are lower than the impact for Northeast Ohio. Approximately 13,000 jobs will be created. There will be about \$615 million in additional labor income, over \$800 million in additional total value added and \$1.8 million in output. There is about \$170 million in tax impact and of that 64% will be federal and 36% in state and local taxes.

Dr. Austrian moved discussion to the District's operating expenditures summary over the five-year period 2012 to 2016 in Northeast Ohio and in Cuyahoga County. Approximately 5,000 jobs will be created, close to half billion dollars in labor income, over \$600 million in value added and almost \$1 billion in output. Tax is about \$90 million and it is evenly distributed between federal and state and local taxes.

Dr. Austrian noted that when you analyze the data by industries within the economy, different sectors will be impacted. Industries affected by the District's construction projects and operating budget include employment, health, retail trade, professional services, adult services, accommodation and food services.

Dr. Austrian moved discussion to the summary of all results and she stated that "the terms of the economic impact is the shell that expenditures are done in the region we are studying," and the more spending that remains in the local economy, the higher the impact. When allocating all of the capital and operating expenditures over the five years approximately 83% of all expenses of the District remain in Northeast Ohio and 56% of all expenditures remain in Cuyahoga County and the last proportion remains here.

Dr. Austrian referred to a table summarizing the five-year impacts in Northeast Ohio. Ohio. Approximately 31,600 jobs will be created over the five-year period. There will be \$1.6 billion in additional labor income, \$2.2 billion in value added, \$4.6 billion in output and \$443 million in additional tax revenue.

The five-year impacts in Cuyahoga County will result in an estimated 16,600 jobs, approximately \$1 billion in labor income, \$1.3 billion in value added, \$2.7 billion in output and \$236 million in tax.

In Northeast Ohio, for every \$56,000 in District spending, we estimate that one job will be created. For every \$1.00 spent there will be additional labor income of \$.092, \$1.25 in value added, \$2.6 dollars in output and \$.25 in taxes.

In Cuyahoga County, for every \$106,000 of District spending, we estimate that one job will be created. Every \$1.00 spent will result in \$0.55 additional labor income, \$0.74 in value added, \$1.50 in output and \$0.13 in taxes.

On behalf of the Board, Mr. Brown thanked Dr. Austrian for the good information on the economic impact the District has on this region. He described it as a local stimulus program and he suggested that the results will be shared with partnering entities and agencies and communities. Executive Director Ciaccia assured the Board that this information will be shared in our message as we discuss the CSO LTCP and CIP.

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 one matter for discussion in Executive Session.

**MOTION** – Mayor Bacci moved and Mr. Sulik seconded to enter into Executive Session to discuss the settling of KM&M litigation involving the Big Creek Interceptor 3D project 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 1:53 p.m. to 2:19 p.m.

X. Approval of Items from Executive Session

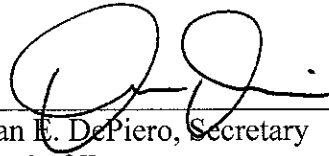
Resolution No. 236-10

Authorizing Settlement of *KM&M, Joint Venture v. Northeast Ohio Regional Sewer District*, Case No. CV-08-656948.

**MOTION** Mayor DePiero moved and Mayor Bacci seconded to adopt Resolution No. 236-10. Without objection, the motion carried unanimously.

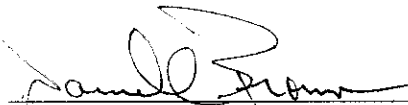
XI. Adjournment

**MOTION** – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mr. Sulik moved and Mr. O'Malley seconded the motion to adjourn at 2:20 p.m. Without objection, the motion carried unanimously.



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



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