

MINUTES  
NORTHEAST OHIO REGIONAL SEWER DISTRICT  
BOARD OF TRUSTEES MEETING  
OCTOBER 15, 2015

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** – Mayor Bacci moved and Mr. Sulik seconded to approve the minutes of the October 1, 2015, Board Meeting. Without objection, the motion carried unanimously.

III. Public Session

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

IV. Chief Executive Officer's Report

CEO Ciaccia reported that a Suburban Council of Governments meeting was held last week during which he discussed the proposed community investment program. The District issued the policy to its Member Communities for comment. The public comment period is 60 days.

Moving to the next subject, CEO Ciaccia advised that District staff had conversations with Congresswoman Fudge's office regarding the need for affordability programs in the wastewater industry. Wastewater rates throughout the country are increasing above inflation because they

BOARD OF TRUSTEES

Regular Meeting

October 15, 2015

Page 2 of 9

were so low for so long and ample investment is needed in infrastructure and mandates. Continually increasing rates will create more of a hardship for some customers.

Conversations with Congresswoman Fudge's office revolved around an idea that Congress and the federal government should adopt a Low-Income Home Energy Assistance Program-type of program for water just as they do for the energy industry. Although getting something through Congress is a difficult task, he believes it is possible to eventually pass a bill in which the federal government plays a role in assisting people below poverty levels to avoid water shutoffs similar to energy, gas and electric.

CEO Ciaccia advised that he had been asked to sit on a blue-ribbon panel regarding affordability in the City of Detroit; the first meeting was held Tuesday. They recently established a regional water/wastewater utility that will operate similarly to the District and each community they serve, including Detroit, will have its own sewer collection and water distribution system. The City of Detroit has 40% of its population below the poverty level and operating a water system will be challenged with affordability issues.

CEO Ciaccia noted that there are real affordability issues that affect people below poverty levels and not ratepayers as a whole. That aspect will be a big factor in the District's rate study. The District has affordability programs like the Cleveland Water Department but the opportunity exists to enhance them.

Moving to another subject, he explained that the District, through the National Association of Clean Water Agencies, continues to fight the rider Illinois Senator Kirk is trying to place on the Environmental Protection Agency appropriations budget that would mandate zero overflows and cost the District an additional \$16 billion.

Concluding his report, CEO Ciaccia advised that through three quarters of the year the District is running ahead on operating revenue at 80.2% and on expenses at 71.5%. He was confident the District would be in good financial shape throughout the remaining quarter of the year.

V. Action Items

Authorization to Adopt Policy

Resolution No. 243-15

Adopt Northeast Ohio Regional Sewer District  
Public Purpose Expenditures Policy.

**MOTION** – Mayor Bacci moved and Mayor DeGeeter seconded to adopt Resolution No. 243-15. After discussion and without objection, the motion carried unanimously.

Mr. Brown thanked the members of the Governance Committee and members of the Board who

BOARD OF TRUSTEES

Regular Meeting

October 15, 2015

Page 3 of 9

attended the recent Governance Committee meeting. The Committee recommended adoption of the policy with the caveat that the third sentence of Section 9 under policy implementation be deleted. There will also be an amendment that addresses the policy update in Section 10 so it will happen annually.

Authorization to Enter Into Agreement

Resolution No. 256-15

Water Pollution Control Loan Fund (WPCLF) Loan Agreement with the Ohio EPA and the Ohio Water Development Authority for the WPCLF Financing of the Construction Costs of the Southerly Main Substation Replacement Project.

Resolution No. 257-15

Water Pollution Control Loan Fund (WPCLF) Loan Agreement with the Ohio EPA and the Ohio Water Development Authority for the Partial WPCLF Financing of the Construction Costs of the Westerly Wastewater Treatment Plant Ferric Chloride Tanks Project.

**MOTION** – Mayor Stefanik moved and Mr. O’Malley seconded to adopt Resolution Nos. 256-15 through 257-15. After discussion and without objection, the motion carried unanimously.

Authorization to Enter Into Contract

Resolution No. 258-15

Construction Contract with The Great Lakes Construction Co. for the Mary Street Pump Station Upgrade Project. Contract Amount: \$9,996,800.00.

Resolution No. 259-15

Three-Year Contract with The Fedeli Group for Benefits Consultant Services. Cost: Not-to Exceed \$150,000.00.

Resolution No. 260-15

Contracts with Various Vendors for Medical Coverage, Life Insurance, Flexible Spending Accounts, and Claim and Compliance Administration for District Employees Participating in the District’s Benefit Plans. Total Cost: Not-to Exceed \$13,022,000.00.

**MOTION** – Mr. O’Malley moved and Mayor Bacci seconded to adopt Resolution Nos. 258-15

BOARD OF TRUSTEES

Regular Meeting

October 15, 2015

Page 4 of 9

through 260-15. After discussion and without objection, the motion carried unanimously.

Mr. Sulik asked for an explanation regarding Resolution No. 260-15.

Fran Mackovjak, Human Resources Manager, stated that the World Health Organization recently released information showing that the United States is ranked number one in the world on healthcare spending but 37th in wellness of population and the performance of the health care system.

The District, as an employer, is responsible for providing health insurance to its employees and takes seriously keeping those costs down. According to a recent Employers Resource Council survey, employers with more than 500 employees spend a minimum of \$13 million annually on healthcare expenses.

Ms. Mackovjak advised that the two most common ways employers manage health insurance costs are through wellness programs and health education.

Over the last three years renewals have been fairly low and consistent through successful negotiations with the help of The Fedeli Group. The District became self-insured in 2014 and immediately realized a \$285,000 savings in taxes alone. Staff anticipates realizes savings in 2015 and future years.

Ms. Mackovjak explained that healthcare costs continue to rise. The District has 100 more lives in 2015 than 2013, meaning there are more claims. Another major contributing factor is a 43% compounded change in cancer claims from 2010 to 2014. Cancer represented 29% of total medical- and drug-related claims in 2014.

Another contributing factor is chronic conditions, which the District is endeavoring to address aggressively with the wellness program. Chronic conditions represented 18% of the District's total medical and drug spends in 2014.

Ms. Mackovjak advised that poorly managed chronic conditions will eventually result in large expenditures and contribute to a loss of productivity. Programs designed to help employees make healthier choices, including early detection and prevention will be key. Additionally, as the workforce becomes eligible for retirement they may access benefits they have not accessed before. Degenerative arthritis was a major cost driver in 2014, totaling \$595,000 in claims.

Ms. Mackovjak advised that staff has a prescription drug management plan to address rising costs. Prescription drugs are going to be added to stop-loss coverage to get ahead of the curve with new and expensive specialty drugs.

This year there is an unprecedented 17% increase from HealthSpan, primarily due to the union

BOARD OF TRUSTEES

Regular Meeting

October 15, 2015

Page 5 of 9

contract requiring HMO and PPO offerings. However, only 44 employees are utilizing this plan and 60% are not in the union. Staff is considering removing the plan for non-union employees and eventually for union employees.

Ms. Mackovjak explained that the wellness program is now results-based. Employees are getting physicals, check-ups and are being incentivized for such behavior. In the future employees will be rewarded for improvements in health metrics year after year.

The George J. McMonagle Building will become a tobacco- and smoke-free campus with plan to expand the smoke-free environment throughout the organization. Employees will be accountable for their own health and District staff will provide them with the tools to do so.

Mr. Sulik inquired regarding the cost increases for Medical Mutual and HealthSpan. Ms. Mackovjak explained that HealthSpan was a 17% increase and a 5% increase for Medical Mutual.

Ms. Dumas inquired regarding the plan to get ahead of high drug costs. Ms. Mackovjak advised that staff is putting in a fourth tier on the prescription drug plan and charging a 20% coinsurance up to \$200 a month for each prescription.

Authorization of Contract Modification

Resolution No. 261-15

Final Adjustment of Contract No. 13004373 with North Bay Construction for the Easterly Primary Settling Tanks Rehabilitation PST-4 Project. Cost: A Decrease in the Amount of \$435,587.75 Bringing the Total Contract Price to \$3,035,202.93.

Resolution No. 262-15

Modify Contract No. 10001370 with Prism Municipal Advisors, LLC for Financial Advisory Services. Cost: A Contract Transfer Only to H.J. Umbaugh & Associates, Certified Public Accountants, LLP Due to a Merger with No Change in the Contract Price.

**MOTION** – Mayor Stefanik moved and Mayor DeGeeter seconded to adopt Resolution Nos. 261-15 through 262-15. After discussion and without objection, the motion carried unanimously.

Authorization to Pay Dues

Resolution No. 263-15

2015 Water Environment Research Foundation  
Subscription Fee. Cost: \$96,813.38.

**MOTION** – Mayor Bacci moved and Mayor Stefanik seconded to adopt Resolution No. 263-15. After discussion and without objection, the motion carried unanimously.

Sewer Use Code Matters

Resolution No. 264-15

Adopting the Findings of the Hearing Examiner with Regard to the Sewer Account of 1258 W. 65<sup>th</sup>, LLC, Sewer District Case No. 15-005.

**MOTION** – Mr. O’Malley moved and Mr. Sulik seconded to adopt Resolution No. 264-15. After discussion and without objection, the motion carried unanimously.

Authorization to Modify Contract

Resolution No. 265-15

Authorizing the Chief Executive Officer to modify Northeast Ohio Regional Sewer District Contract No. 1500866 to extend the contract with Maria Heckaman & Associates, Inc., for temporary staffing services.

**MOTION** – Mayor Stefanik moved and Ms. Dumas seconded to adopt Resolution No. 265-15. After discussion and without objection, the motion carried unanimously.

VI. Information Items

1. Program Management Status Report and Update – September 2015

James Bunsey, Director of Engineering & Construction, stated that the District is at 93% cash flow. With the weather being very good for construction, we expect to see this through the end of the year.

Ms. Bunsey advised that there are currently 33 active and 23 completed Project Clean Lake projects, representing 27% of the overall Project Clean Lake program. Overall, there are 87 projects currently with the majority being in construction, as well as collections and CSO.

Moving to the CSO advanced facilities plan, Mr. Bunsey advised that staff has identified \$354 million of value engineering reduction from original budget estimates. \$287 million was applied

in 2014 and \$67 million in 2015. While positive value engineering savings continue to accrue it is unlikely the goal of \$120 million will be met.

Moving to design updates for the last quarter, staff issued one RFP, had three advertisements and two professional awards.

Mr. Bunsey advised that in terms of construction, the Easterly Aerated Grit Project will be completed in January and will finish at 93% of contract value, meeting KPI.

The Southerly Maximum Achievable Control Technology Project the mercury removal project has a milestone in mid-November, in which staff will put the fluidized bed incinerator with the new scrubber online. Testing for EPA and air regulation purposes will be November 30 and December 1 and represent the first proof-of-concept of the lower-cost method of removing mercury from the air stream.

Mr. Bunsey advised that the Dugway Interceptor Relief Sewer Project was completed two months ahead of schedule and to budget. The Dugway Storage Tunnel is also progressing satisfactorily.

However, Mr. Bunsey advised the Board of a geotechnical issue that may become a claim by the contractor. At the shaft site one, as the contractor was excavating an area of water and silty sands, they had boiling and intrusion into the shaft, which required removal of equipment and personnel. District Staff is confident that the data submitted with the plans show that they needed to do extra dewatering.

The Tunnel Dewatering Pump Station is the project behind schedule about six months and \$9 million behind in cash flow. Mr. Bunsey and senior staff will meet with the principals of Walsh on site Tuesday. The project does not have a schedule constraint from the consent decree but the longer the project is not online they cannot realize the environmental benefit of the tunnel.

The Euclid Creek Tunnel was completed under budget. The community benefit and construction sequencing scope was added subsequently by Board authorization for \$5.7 million and was moved from another project into this project. The intent was to close within 95% of contract value to help understand and contain unexpected costs such as differing site conditions. Staff does not think it should be counted against the contract value because \$5.7 million of the \$10 million general allowance – which was only 5% -- was used intentionally. Subtracting that figure the value would have been 95.3%.

Moving to the Euclid Creek Tunnel, Mr. Bunsey explained that the project was successful from a Business Opportunity Program perspective. The project closed at almost 20% while the goal was 14%, meeting KPI.

BOARD OF TRUSTEES

Regular Meeting

October 15, 2015

Page 8 of 9

Mr. Bunsey advised the Board that in terms of planning KPIs, the District has met six of its seven goals and will attain the seventh.

Designs are being completed 16 days late, which is within the 90-day goal. Value engineering during design is \$18.8 million accrued to date against the goal of \$23 million.

The average of the lowest three bids is 2.6% of the engineer's opinion, better than the KPI of 10%. Construction contracts are being awarded within 90 days average of planned.

Mr. Bunsey stated that the District is also meeting its KPIs in terms of substantial completion within 120 days of the original contract plan and on average close construction contracts within 95% of the contract amount. Baseline work orders are at 2.1% programmatically, which is outstanding for construction.

VII. Open Session

There were no items.

VIII. Public Session (any subject matter)

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

IX. Executive Session

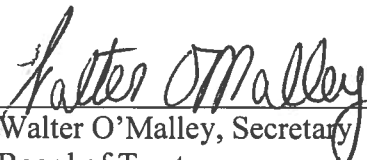
There were no items.

X. Approval of Items from Executive Session

There were no items.

IX. Adjournment

**MOTION** – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved and Mr. O'Malley seconded the motion to adjourn at 1:12 p.m. Without objection, the motion carried unanimously.

  
\_\_\_\_\_  
Walter O'Malley, Secretary  
Board of Trustees  
Northeast Ohio Regional Sewer District



BOARD OF TRUSTEES  
Regular Meeting  
October 15, 2015  
Page 9 of 9

A handwritten signature in black ink, appearing to read "Darnell Brown", written over a horizontal line.

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