

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
NOVEMBER 4, 2010

Meeting of the Board of Trustees of the Northeast Ohio Regional Sewer District was called to order at 12:31 p.m. by Darnell Brown.

I. Roll Call

PRESENT: D. Brown
R. Sulik
D. DePiero
J. Bacci
W. O'Malley
G. Starr

Ms. Kelly was absent.

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

II. Approval of Minutes

MOTION – Mr. O'Malley moved and Mr. Sulik seconded that the minutes of the October 21, 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 2010 bond issue. Deputy Executive Director, F. Michael Bucci, Director of Finance, Jennifer Demmerle and Executive Director Ciaccia travelled to Chicago to meet with Standard & Poor's (hereinafter "S&P") and Moody's investors for the purpose of reviewing the District's bond rating. S&P upgraded the District from an AA rating to an AA+ rating. Moody's reaffirmed the District's AA1 rating, which according to Executive Director Ciaccia is equally as high.

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Their report listed positive indicators to be the District's sound financial management, good liquidity, reserve funds, the Board's willingness to deal with rate issues, and the Consent Order negotiations nearing its final stages. Challenges include the economy, the District's large Capital Improvement Program (hereinafter "CIP") and the debt that will be issued in order to support the CIP. Executive Director Ciaccia explained that the District received a stable rating due to its sound financial management.

Subsequent to the meeting held in Chicago, the District recalibrated its bond issue from \$412 million to \$338 million. Due to some bids coming in under estimate, the completion of value engineering on some construction projects and the structure of the program, we were able to readjust this bond issue.

Mr. Bucci and Ms. Demmerle currently are in New York today pricing bonds. Executive Director Ciaccia was hopeful that the District will receive good interest rates given the better bond rating, the structure of our bond issue and the issuance of Build-America bonds.

Executive Director Ciaccia moved to the next report item regarding the Combined Sewer Overflow Long-Term Control Plan (hereinafter "CSO LTCP") also known as Project Clean Lake. On October 26th the District met with state and federal governments. This meeting involved reviewing the consent order language and discussing green for gray infrastructure.

At the November 18th Board meeting, staff intends to present the Board with the elements of the negotiations of the consent order along with the District's recommendations. Executive Director Ciaccia does not anticipate the Board taking action at said meeting.

Executive Director Ciaccia moved to the next report item regarding the meeting held on October 28th with the Suburban Council of Governments (hereinafter "SCOG"). Mayor Starr, Mayor Bacci and Mr. Sulik were present at said meeting. The SCOG was provided with updates on the Stormwater Management Program (hereinafter "SMP") and Project Clean Lake. Many excellent questions were posed during this meeting. The SCOG expressed their desire to re-convene after the Board's November 18th meeting. The SCOG will meet on November 23rd to discuss Project Clean Lake.

Executive Director Ciaccia advised that the District will hold six public meetings to discuss the basic elements of Project Clean Lake and explain to the public what a CSO is. Executive Director Ciaccia presented the Board with an overview of the presentation that will be given during those public forums.

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The presentation will include information on the history of the sewers and the District; the District's roles and responsibilities as an environmental steward; how the sewers are connected throughout this region; defining what combined sewers are and where CSOs are located throughout the sewer system.

Executive Director Ciaccia referred to slides depicting the outfall located at Edgewater Beach and the results of CSOs being discharged into the environment. Executive Director Ciaccia referred to images showing CSOs at Kingsbury Run, the Cuyahoga River, Lake Michigan in Milwaukee, Gowanus Canal in Brooklyn, New York, and Cranwood Creek here at the District. Executive Director Ciaccia noted that in the Gowanus Canal YouTube video people were shown running and covering their noses and mouths.

The presentation will define the CSO problem, explain the Clean Water Act (hereinafter "CWA") and define the CSO policy. Project Clean Lake and information explaining the consent decree process will be discussed and a comparison of the volumes of CSOs emitted in 1972 versus today and in 2035 will be shown.

The presentation will provide an overview of articles that were featured in various newspapers and the District's anticipated investments including gray and green infrastructure. Executive Director Ciaccia referred to images depicting green infrastructure at Sailor Grove in Pennsylvania and also green infrastructure in Portland, Oregon.

The presentation will include the benefits of this program as well as the return on our investments. For every \$1.00 spent returns \$2.63 to our community for construction projects that will be completed. According to the Cleveland State University Economic Impact Analysis, 31,000 jobs will be created and the District will generate \$443 million in tax revenues.

Executive Director Ciaccia referred to an image depicting the 25-year projection of how the dollars will be spent. Fifty percent (50%) will be applied to operations and maintenance of our core business. Of the capital that will be spent over the next 25-years, 26% will be applied towards Project Clean Lake and 24% will be for the maintenance of our existing capital infrastructure.

Discussions will include the rate impacts, next steps and public comment session at the November 18th Board meeting. The public will be informed of the consent decree, the U.S. District Court's 30-day comment period and the decree becoming legally binding if approved.

The customers will be informed of these changes through various advertising methods.

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Executive Director Ciaccia advised that Director of Engineering and Construction, Kellie Rotunno, Director of Watershed Programs, Frank Greenland, and various members of our team will be presenting this information to the communities prior to the Board's deliberation on November 18th.

Executive Director Ciaccia then turned discussion over to the Board and he questioned whether the Board members had any suggestions or modifications to the material that will be presented to the public.

Mr. Brown commented that the presentation provides accurate and factual information about the program, but the primary drivers of this program which are the CWA and the consent decree should not be understated. Although we are environmental stewards, we would not be making these types of investments so quickly.

Mr. Brown referred to an article featured in the *Hudson Daily Sun* which he described as a very factual and accurate article. Mr. Brown read aloud from page two of the article: "The NEORS D Board of Trustees is scheduled to vote on the program on December 2nd. If trustees approve, they will forward it to the Environmental Protection Agency for approval."

Mr. Brown read aloud from page three of the article: "The project will help bring NEORS D in compliance with EPA's Clean Water Act as well as help the residents deal with stormwater runoff."

Mr. Brown commented that the "driver is buried at the end of these articles" and the driver is federal compliance. Mr. Brown indicated that there has been debate over "how much money is enough to spend before we get to a point of diminishing returns" and what the District would have done will differ from what will be required of us over the next 25 years.

Mr. Brown stated that as a Board member he will have to defend the position taken by this Board in the community and therefore we must ensure that the public understands the drivers behind this program. Mr. Brown stated that the methodology is great and that it will be a very good program, but he was concerned with the context of the message.

Executive Director Ciaccia agreed and stated that Mr. Brown raised an excellent point and that the presentation will be modified to incorporate his suggestions of putting the drivers front and center.

Mayor DePiero indicated that it would be constructive to show the public what other cities throughout the country are facing these lawsuits and consent decrees. Executive

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Director Ciaccia replied that this information is in the presentation as well as the CWA, but that we need to make it more prominent.

Mr. Sulik suggested that the public be advised that these are unfunded federal mandates. The public should know that there will be no government help for this particular program. Executive Director Ciaccia indicated that this was another good point that will be placed front and center. He was glad to have provided the Board with a chance to critique the presentation.

Mayor Bacci indicated that at the SCOG meeting Executive Director Ciaccia provided the mayors and city managers with an overview of the national outlay. Mayor Bacci commented that the District should explain why we are doing this program, who is already doing the program, and who is going to have to do it in the future, and it should be presented in the beginning.

Mayor Starr referred to the article referenced by Mr. Brown in the *Hudson Daily Sun*. On page two, the average bill will be based on metric cubic foot. Mayor Starr commented that he has been accustomed to "utilizing an MCF which is one thousand cubic feet of water or 7,500 gallons." Executive Director Ciaccia clarified that it is one thousand cubic feet and that "M" stands for one thousand. Mayor Starr explained that the article indicated that "M" stood for "metric."

Mayor Starr questioned how the taxpayers will know how much he or she will have to pay and what standards are we using? How do we average the typical family? Is it a single individual, a couple, or a family of three or four?

Executive Director Ciaccia replied that as part of negotiations with the governments, we had to determine what level of financial burden implementing the program would place on this community, and we had to identify the average user consumption. In the past, we used one MCF per month as the average and through our analysis it has been determined that this amount is around seven MCFs per year. We were able to extrapolate the average customer's consumption.

Executive Director Ciaccia explained that this analysis can be somewhat complicating as we get into structuring our rates. Currently, our rates are based solely on consumption even though we have been treating three times the amount of water that is billed. We take in much more water due to combined sewers, inflow and infiltration and this is coming from the suburban communities. The District is totally reliant upon 1/3 of the revenues of the water that is treated. We should consider moving away from a total consumption-based charge and replace it with a fixed charge similar to the City of Cleveland Division of Water (hereinafter "CWD"). This model would prevent us from being as affected by fluctuations in consumption. We can take the average customer

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based on consumption, but this will get tricky as we move forward with factors relative to our rate structure. We do also charge a minimum bill and if we switch to a fixed charge, we will most likely eliminate the minimum bill.

Mayor Starr inquired about the minimum charge. Executive Director Ciaccia replied that the minimum charge is approximately \$42. Mr. Brown questioned what those costs include wherein Executive Director Ciaccia advised that this is the cost of one MCF. The customer will be charged for a minimum of one MCF whether it is used or not used.

Mayor Starr questioned if this is in Subdistrict 1 or Subdistrict 2. Executive Director Ciaccia replied \$42 is for Subdistrict 1 and the amount is slightly higher in Subdistrict 2; however, we are in the process of equalizing the rates for Subdistricts 1 and 2 and this will take place over the next couple of years.

Executive Director Ciaccia explained that CWD eliminated their minimum charge and switched to a fixed charge plus an actual usage charge. Therefore, if a fraction of one MCF is used, then that is what you will be billed for in addition to the fixed rate. The District is considering a similar rate structure.

Mayor Starr questioned whether the U.S. EPA's 10-state standard is 100 gallons per day per individual? Executive Director Ciaccia was unsure of this standard and stated that this was the old way of estimating consumption. Mr. Greenland indicated that there is likely a standard or guideline for wastewater consumption per individual and infiltration allowances but we would have to research this information.

With respect to the rate issue, Executive Director Ciaccia has been informing the Board that rates could potentially increase between 15% and 18% annually, but we continue to take steps to minimize those increases. We reduced the amount of the bond issue and will likely receive good interest rates. Since we are going to the bond market as opposed to using WPCLF (Water Pollution Control Loan Funds) loans we have more flexibility since WPCLF loans are for 20 years and bonds can carry out for 30 years. In an effort to keep the next five years of rate increases manageable, we plan to defer some of the principal payments and a couple of years of the interest payments. Executive Director Ciaccia projected that rate increases will more likely be in the 12% to 15% range given those variables.

Mayor Starr stated that the Board is being asked to waive [privilege on] certain documents related to the CSO LTCP consent decree but they just received the information at 12:30 p.m. today. Mayor Starr indicated that he is noticing a pattern of getting this information on the same day, and he questioned how the Board can be expected to vote on something that they just received. Mayor Starr questioned as to why the information was not emailed in advance of today's meeting.

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Executive Director Ciaccia replied that we were developing the material and making sure the information was accurate and that Mayor Starr can refrain from voting on the issue if he does not feel comfortable with voting.

Mayor Starr questioned, "How long did you have this?" Executive Director Ciaccia replied "we just finalized it today."

Mayor Starr commented "a \$3 billion project" wherein Executive Director Ciaccia explained that "it is a briefing paper."

Mayor Starr commented that "this is like the old ways" and that he wished the Board would receive ample notice ahead of time. Most cities have a five-day waiver requirement.

Executive Director Ciaccia moved to the next report item and he stated that he is scheduled to meet with Mayor Jackson on November 8th to discuss the CSO LTCP. There will be an Executive Session today to discuss certain aspects of the negotiations and waiving attorney/client privilege over a certain document.

Executive Director Ciaccia moved to the next report item regarding the District's finances. Cash remittances are down by 7.31% this month. According to the CWD this is related to factors surrounding the billing cycle and therefore there it was not a particular problem rather the number of accounts that happened to get billed in that particular month. The District received financial reports from the CWD through September and those have been verified. Accounts receivables are down \$4 million from the previous month.

Executive Director Ciaccia turned discussion over to Director of Information Technology, Humberto Sanchez, to report on the Summer Sprinkling program account status.

Mr. Sanchez advised that the District engaged the CWD's consultant and has made good progress over the last week. We now have a program that will be used to calculate the proper discount for all accounts. We are instituting a process that will be used to incorporate that into the bill so those amounts get posted to those bills. Mr. Sanchez explained that we had our trial week using the program as well as the whole process and it went well. We have to fine tune a couple of items before the second trial which will take place next week. The District will then be in a better position to determine when we will start applying the discounts. Executive Director Ciaccia has given the timeline of having this completed in two billing cycles.

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Executive Director Ciaccia referred to the previous discussion held with Mayor Starr wherein he referenced a document that is to be discussed in Executive Session today and that the Board received it today at 12:30. Said document is a draft of the recommendation that will be made to the Board at the November 18th meeting. The final recommendation will be distributed with the Board packets on November 12th in advance of the November 18th meeting. Staff would like to have discussion with the Board during Executive Session to determine whether certain attorney/client information can be released with the Board packets on November 12th. In response, Mayor Starr commented that "we did not receive this document until 12:30 today" wherein Mr. Brown advised that these issues will be discussed further during Executive Session.

V. Action Items

Authorization to Advertise

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| Resolution No. 307-10 | Two (2) year requirement contract for office supplies to be used at all District facilities. Anticipated expenditure: \$130,000.00. |
| Resolution No. 308-10 | HVAC improvements for the Environmental and Maintenance Service Center. Engineers' opinion of probable construction cost: \$550,000.00. |

MOTION – Mr. Sulik moved and Mayor Bacci seconded to adopt Resolution Nos. 307-10 and 308-10. Without objection, the motion carried unanimously.

Authorization to Issue Request for Proposals (RFPs)

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| Resolution No. 309-10 | One (1) year contract for Avaya Phone System Maintenance Services. |
| Resolution No. 310-10 | Maintenance Vocational Training Program. Anticipated Expenditure not to exceed \$180,000.00. |
| Resolution No. 311-10 | RFPs for assessment services for internal and external applicants. |

Resolution No. 312-10

RFPs for background check services for
internal and external applicants.

MOTION – Mayor DePiero moved and Mr. Sulik seconded to adopt Resolution Nos. 309-10 through 312-10. After discussion, the motion carried unanimously.

Mr. Sulik referred to Resolution Nos. 311-10 and 312-10 and he inquired whether all employees were subject to background checks or just new hires.

Director of Human Resources, Douglas Dykes, advised that all new employees are subject to background checks and the assessments are to supplement the hiring process. Face-to-face interviews will be conducted to determine the organizational fit of the candidate as well as other factors that are measured. That information will be provided to the hiring manager in order to assist in making the most accurate hiring decision.

Mr. Sulik questioned whether the assessments are conducted on new hires only. Mr. Dykes replied that “right now it is done on most new hires, but it is not done on all.”

Mr. Brown commented that we have an array of competencies or areas of concern that can be evaluated and provide us with a profile or the ability to predict or understand how one may fit in, their culture, potential challenges or what he or she may be highly successful at, and he questioned if this process provides us with the predictability and ability to create a profile for an employee’s ability to be successful in our environment? Mr. Dykes affirmed and he advised that it also provides us with the opportunity to identify areas of deficiency and will enable us to develop a performance plan.

Mayor Starr referred to Resolution No. 312-10 authorizing the issuance of background checks for internal and external applicants and he questioned how much the District paid for those services in the past? Mr. Dykes estimated that the District expended around \$11,000 in 2010 for background checks and that the extent of the background checks can differ depending on the level of the position.

Mayor Starr questioned that with public access, the internet and the “expanded staff that we have here now, why can’t we do this in-house?” Mr. Dykes replied that we do not have the expertise to obtain some of the information.

Mayor Starr requested that Mr. Dykes elaborate. Mr. Dykes advised that some colleges do not regularly release information to an organization and that felonies outside of the state of Ohio are not readily available through the internet. This would result in a significant amount of time spent on trying to obtain background information whereas these companies are familiar with the process and can obtain the data much quicker.

Authorization to Purchase

Resolution No. 313-10

Purchase from Thermo Electron North America, LLC an inductively coupled plasma mass spectrometer for the Analytical Services Department. Cost not to exceed \$129,075.00.

MOTION – Mr. O’Malley moved and Mayor Bacci seconded to adopt Resolution No. 313-10. Without objection, the motion carried unanimously.

Authorization of Agreement Modification

Resolution No. 314-10

Modify Resolution No. 270-06 by increasing the cost for auditing services with Ciuni & Panichi, Inc. due to an increase in the scope of work. A cost increase in the amount of \$4,623.00 bringing the total five (5) year fee not to exceed \$264,198.00.

MOTION – Mayor DePiero and Mr. Sulik seconded to adopt Resolution No. 314-10. Without objection, the motion carried unanimously.

Authorization of Contract Modification

Resolution No. 315-10

Assignment of District contracts from AECOM USA, Inc. to AECOM Technical Services, Inc.

MOTION – Mr. Sulik moved and Mayor Bacci seconded to adopt Resolution No. 315-10. Without objection, the motion carried unanimously.

Authorization of Easement

Resolution No. 316-10

Acquire from Northern Lakes Management Co., Parcel 27WD Warranty Deed and Parcel 27T Temporary Easement necessary for construction of the Euclid Creek Tunnel Project. Consideration: \$67,200.00.

MOTION – Mayor DePiero moved and Mr. O’Malley seconded to adopt Resolution No. 316-10. Without objection, the motion carried unanimously.

Authorization to Enter Into Contract

- Resolution No. 317-10 One (1) year contract with St. Vincent Charity Hospital Occupational Medicine Centers to provide occupational health services to District employees. Cost not to exceed \$43,000.00.
- Resolution No. 318-10 Contract with MWH Americas, Inc. for professional design services for the Easterly Electrical Infrastructure Improvements (EEII) project. Contract Fee: \$1,371,766.48.
- Resolution No. 319-10 Contract with ESRI, Inc. for the 2011 renewal of annual maintenance and support for software tools and image server license. Cost: \$37,172.15.
- Resolution No. 320-10 Contract with LCPtracker, Inc. for software licensing and maintenance for the prevailing wage application. Cost not to exceed \$82,445.00.
- Resolution No. 321-10 One (1) year requirement contract with Polydyne, Inc. for 90,000 pounds of liquid polymer for use at the Southerly Wastewater Treatment Plant. Cost: \$202,500.00.
- Resolution No. 322-10 One (1) year contract with K.A. Steel Chemicals, Inc. for sodium hydroxide solution for all Wastewater Treatment Plants. Cost: \$91,045.00.

MOTION – Mayor Bacci moved and Mr. Sulik seconded to adopt Resolution Nos. 317-10 through 322-10. A roll call was taken and the motion carried with one abstention by Mayor DePiero on Resolution No. 317-10.

Authorization to Rescind Resolution and Modify Contract

Resolution No. 323-10

Authorization to rescind Resolution 299-10 with Ikon Office Solutions for a service/maintenance contract for the Ricoh equipment at all District facilities and extend Contract No. 09002170 with American Copy Equipment to allow the District to complete the evaluation for State term pricing of additional vendors.

MOTION – Mr. O’Malley moved and Mr. Sulik seconded to adopt Resolution No. 323-10. Without objection, the motion carried unanimously.

VI. Information Item

1. Northeast Ohio Regional Sewer District Financial Report and Investment Advisor Performance Report for the Nine Month Period Ending September 30, 2010.

Executive Director Ciaccia advised that he regularly reports on this information during his monthly report to the Board and that the main issue is that the financials through September have been received and verified.

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 a matter for discussion in Executive Session.

MOTION – Mayor Bacci moved to enter into Executive Session to discuss the status of the CSO LTCP consent decree negotiations 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 1:19 p.m. to 2:12 p.m.

X. Approval of Item from Executive Session

Add-On

Resolution No. 324-10

Authorization for the Board to waive attorney-client privilege on the draft authorization request to amend Resolution No. 55-05 and to execute the CSO LTCP Consent Decree along with briefing document and attachments

MOTION – Mayor DePiero moved and Mayor Bacci seconded to adopt Resolution No. 324-10, as amended, to release attorney-client privilege on draft authorization requests to amend Resolution No. 55-05 and to execute the CSO LTCP consent decree along with briefing documents and attachments, and to release the draft consent decree when it is signature-ready. A roll call was taken and the motion carried unanimously.

XI. Adjournment

MOTION – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor DePiero moved and Mayor Bacci seconded the motion to adjourn at 2:14 p.m. Without objection, the motion carried unanimously.



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



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