

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
NOVEMBER 18, 2021

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

I. Roll Call

Present: Darnell Brown
Ronald Sulik
Jack Bacci
Samuel Alai
Terence Joyce

Absent: Timothy DeGeeter
Sharon Dumas

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

II. Approval of Minutes

MOTION – Mayor Alai moved, and Mr. Joyce seconded to approve the Minutes of the November 4, 2021, Board Meeting. Without objection, the motion carried unanimously.

III. Public Session

There were no items.

IV. Chief Executive Officer's Report

Kyle Dreyfuss-Wells, Chief Executive Officer, provided an update regarding NEORSD's ongoing COVID-19 pandemic response and informed the Board that NEORSD staff has five active COVID-19 cases, and two employees with COVID-19-like symptoms awaiting test results. There are currently no employees remaining at home because a member of their household tested positive. There has been a total of 116 employees with confirmed diagnoses since the beginning of the pandemic, 111 of whom have recovered and returned to work.

Ms. Dreyfuss-Wells advised the Board that she would provide a brief year-in-review of 2021 and an introduction to the 2022 through 2024 Strategic Plan. Ms. Dreyfuss-Wells emphasized that, as it relates to People and Relationships, NEORSD staff handled the second year of the pandemic incredibly well, achieving significant accomplishments. In response to COVID-19, NEORSD focused on safely and efficiently reconstituting staff, while providing information about and access to the COVID-19 vaccine, including providing support to staff to allow time to get the vaccine and recover from any side effects.

There was continued focus on racial justice and diversity, equity, and inclusion (DE&I). This was the first year with department-specific DE&I goals, metrics, and Key Performance Indicators (KPIs) that allow NEORSD to track advancements and obstacles at the department level as opposed to the organization on a larger scale.

NEORSD continued its advocacy for affordability and equity both at the local and national levels and is very focused on ensuring that its customers are aware of its affordability programs.

Regarding Projects and Programs, NEORSD continued its work with U.S. EPA, Ohio E.P.A., and the Department of Justice to modify its Consent Decree around Project Clean Lake. NEORSD is ten years into the Consent Decree and has completed the Doan Valley Tunnel system and is in the beginning phases of construction of the Shoreline Storage Tunnel, NEORSD's first soft ground tunnel.

The Regional Stormwater Management Program (RSMP) has invested \$80 million in projects addressing flooding, erosion, and water quality issues. The Stormwater Master Plans were completed and identified over \$1 billion in need across the region for stormwater projects. The local sewer system evaluation studies were completed, providing technical support for \$47 million in Member Community Infrastructure Program investments since its inception.

Ms. Dreyfuss-Wells advised the Board that the Strategic Plan for 2022 through 2024 has been completed and highlighted the fact that all three wastewater treatment plants (WWTPs) received Peak Performance Awards from the National Association of Clean Water Agencies.

Regarding Finances and Future, 2021 included the enormous undertaking of establishing the rates and affordability program for 2022 through 2026. To date, \$41 million has been invested in small, minority and women-owned businesses through the Business Opportunity Program (BOP). Additionally, there has been significant cost savings achieved through the Finance Department's work in debt refinancing and the Operations & Maintenance Department's focus on energy savings and efficiencies at all NEORSD facilities.

Ms. Dreyfuss-Wells turned her attention to the Strategic Plan for 2022 through 2024, a copy of which was provided to the Board. Ms. Dreyfuss-Wells recognized Constance Haqq, Chief Administrative Officer, and her team for their work on the finished product, noting that this

Strategic Plan is very different and more approachable than years past. The intent of the document is to draw staff in and encourage them to find their individual role within the Strategic Plan.

The Strategic Plan contains NEORSD's five strategic areas of focus: Customer and Community Connections; Environmental Protection and Sustainability; Financial Viability; Operational Excellence; and Workforce Planning Engagement and Investment.

Ms. Dreyfuss-Wells has shared her 2022 priorities with Senior Staff, who have shared them with their managers, and staff are compiling their 2022 goals through the Performance Management System, around the Strategic Plan. NEORSD priorities include continuing to guide the organization through the pandemic and ensuring that any lessons learned about the future of work and the role of remote work are applied going forward. NEORSD will also be focused on successfully implementing the 2022 to 2026 rates with a focus on its affordability programs and financial management strategies.

NEORSD is focused on proactive and comprehensive succession planning to accommodate retirements in the next three to five years; continuing to participate in and lead local and national discussions around affordability and equity; and ensuring that everyone is a leader in their space in the organization as it relates to issues of DE&I, how discrimination can hold people back, and the need to push through that.

President Biden has signed the bill providing \$55 billion for water infrastructure. NEORSD will focus on ensuring that some of those funds are applied to NEORSD and member community projects.

NEORSD is hopeful that modifications to the Consent Decree will be completed in 2022. There will be continued focus on the relationships with labor and management. Additionally, NEORSD hopes to finalize and obtain Board approval of the revisions to Title III, the Separate Sewer Code, and Title IV, the Combined Sewer Code, in 2022.

President Brown thanked Ms. Dreyfuss-Wells for the update and added that significant work was achieved during very challenging times, that unfortunately have not yet ended. NEORSD will remain optimistic about what the future holds, and remain laser focused on the public's expectations of this agency.

President Brown added that after ten years of working on the Consent Decree, it is interesting to look back on planning and past assumptions compared to actual implementation and impact of reducing combined sewer overflows (CSOs). Additionally, stormwater was previously considered to be a less critical issue than CSO, however, due to climate change, has become much more critical. It may be prudent in the future to assess how NEORSD has aligned its goals and assumptions as it relates to outcomes.

V. Action Items

Authorization to Advertise

- Resolution No. 363-21 Authorization to publish notice calling for bids, in accordance with Ohio Revised Code Section 6119.10, for a three-year requirement contract for refractory inspection and repair services with an anticipated expenditure of \$178,000.00.
- Resolution No. 364-21 Authorization to publish notice calling for bids, in accordance with Ohio Revised Code Section 6119.10, for a one-year requirement contract for ferric chloride solution at all Wastewater Treatment Plants with an anticipated expenditure of \$510,000.00.
- Resolution No. 365-21 Authorization to publish notice calling for bids, in accordance with Ohio Revised Code Section 6119.10, for the Big Creek Flood Reduction near Sprague Road project with an anticipated expenditure of \$937,000.00.
- Resolution No. 366-21 Authorization to publish notice calling for bids, in accordance with Ohio Revised Code Section 6119.10, for the Southerly Fire Alarm and Fire Protection Upgrades project with an anticipated expenditure of \$625,000.00.
- Resolution No. 367-21 Authorization to publish notice calling for bids, in accordance with Ohio Revised Code Section 6119.10, for a one-year contract for Avaya Software support and maintenance.

MOTION – Mayor Alai moved, and Mr. Joyce seconded to adopt Resolution Nos. 363-21 through 367-21. Without objection, the motion carried unanimously.

Authorization to Enter Into Agreement

- Resolution No. 368-21 Authorization to enter into a professional services agreement with Cuyahoga Community College to provide support with the third cycle of the District’s Maintenance Training Program for the period January 3, 2022, through January 2, 2026, in an amount not-to-exceed \$175,000.00.
- Resolution No. 369-21 Authorization to enter into a loan agreement with the Ohio EPA and the Ohio Water Development Authority to accept WPCLF funding for construction costs related to the Shoreline Storage Tunnel project for an amount up to \$201,580,000.00.

Resolution No. 370-21 Authorization to enter into a State Supplemental Environmental Project agreement with the National Park Service, an agency of the United States Federal Government, for the District's operation and maintenance of the Canal Pump Station for a twenty-five-year period, as required under Appendix 6 of the District's Consent Decree with the United States, the United States Environmental Protection Agency, the United States Department of Justice, and the State of Ohio.

MOTION – Mr. Joyce moved, and Mayor Bacci seconded to adopt Resolution Nos. 368-21 through 370-21. After the following discussion, without objection, the motion carried unanimously.

President Brown asked for additional information regarding Resolution No. 369-21, noting that there is typically a 30-year agreement for a Water Pollution Control Loan Fund (WPCLF) loan, and this is for a 40-year agreement. Ken Duplay, Chief Financial Officer, explained that this is not a typical WPCLF loan.

Mr. Duplay explained that significant work was done prior to submitting this Resolution Request and added that he, Brandon Knittle, Manager of Debt and Treasury, and Katie Waag, Assistant General Counsel, have worked very closely with financial advisors from Baker Tilly Municipal Advisors and bond counsel from Squire, Patton, Boggs.

The Shoreline Storage Tunnel (SST) is a \$201 million project, large enough to merit special consideration, as it is on its own approximately the size of prior bond issuances. The project was always intended to be a WPCLF-funded project and NEORSD is anticipating taking advantage of some new features of the WPCLF program through this loan.

Historically, this was a rigid program without many financing options. It was originally a 20-year straight amortization program which grew over time to allow 30-year loans, which NEORSD has also utilized for sewer and Consent Decree projects. Over time, it further grew to offer the ability to modify the payments over time to best fit the borrower's debt profile. NEORSD has utilized this structuring flexibility in the past on each of its bond issuances but not with loans. For example, the 2010 bond issuance does not have a principal payment due until 2026. Now the loan program has expanded to include 40-year loan terms.

The SST could potentially have a 100-plus-year useful life and will be depreciated on NEORSD's financials for the next 75 years. Therefore, the recommendation to extend the term of the typical 30-year loan is appropriate, as the term of the debt is well within the useful life of the asset. NEORSD is hoping to move forward with a structure that includes deferred principal payments. NEORSD would make a minimum payment of approximately one quarter of 1% of the original loan amount as its principal payments through 2040, plus semiannual interest. This structuring accomplishes several things, including rate relief in the near term.

Mr. Duplay provided graphics demonstrating the differences between funding the project through a 30-year loan and a 40-year loan and explained that shifting some of this principal into future years, when NEORS D has greater debt service capacity, will continue the practice of structuring debt to smooth rate increases over the time, helping to avoid large rate spikes in the next 10 to 15 years. It provides flexibility moving forward to take on additional debt, if needed, in the current term, and is still a significantly lower cost of borrowing versus going to the capital markets for this kind of transaction.

An amortization of a traditional 30-year loan with ODWA for this project would result in approximately \$8 million a year in total debt service, principal, and interest, through 2052. The schedule could change depending on how the project progresses and when it closes. It would be a 30-year term with equal payments.

What is being proposed is a structure allowing for approximately \$4 million per year payments through 2040 with payments that then increase in 2041 and onward. NEORS D will take on fewer loans going forward. This structure impacts the ability to control rates in the period of 2027 through 2040 and lessens the pressure on those periods, taking advantage of available debt service capacity in future periods.

A standard 30-year term loan for Shoreline Storage Tunnel Project would be at a current estimated interest rate of about 0.71%. One could expect, if going to the capital market to structure debt in this way today, to pay approximately 3%, almost \$200 million worth of interest on the project versus approximately \$23 million through the ODWA standard loan. The structured program has higher interest cost than a standard loan because it is a combination of a higher interest rate and a longer term, however, for the term that NEORS D would pay, the interest rate is 1.56% on 40-year debt. While it does cost more in total interest over time versus a standard loan, the benefits are that the near-term rate pressures are relieved and NEORS D can allocate debt service into years with greater debt service capacity.

The higher interest rate and longer term do result in greater total interest costs versus a traditional loan, but the structured loan will allow for lower projected annual rate increases from 2027 to 2040, reducing those by about 0.2% a year.

This is a program that NEORS D could utilize in the future to fund very large projects, as working with ODWA as they expand their program is significantly less expensive than going through the bond market.

President Brown thanked Mr. Duplay for the explanation, noting that it is a good decision.

President Brown asked for additional information regarding Resolution No. 370-21. Eric Luckage, Chief Legal Officer, explained that the dam in question was known as the Brecksville Dam and also

as the Route 82 Station Road or Canal Diversion Dam. It was located on the Cuyahoga River and has been removed. It was originally constructed in 1827 to provide additional water flow in the Ohio Erie Canal. The Ohio EPA and U.S. EPA have deemed it to be one of several causes of non-attainment of water quality standards and determined that it should be removed.

The removal of the dam ended the supply of water from the river to the canal. The EPA determined that the best solution is for a pump station to maintain water flow from the river to the canal. The pump station was built by the Friends of the Crooked River with funding from the City of Akron and the National Park Service. As part of the penalty portion of the Consent Decree, Ohio EPA determined that the State Supplemental Environmental Project would NEORSD to operate and maintain the pump station for 25 years.

Resolution No. 370-21 is requesting authorization for an agreement with the National Park Service to facilitate NEORSD's operation and maintenance of the pump station for 25 years.

Authorization to Enter Into Contract

Resolution No. 371-21 Authorization to enter into a construction contract with Sterling Professional Group for the George J. McMonagle Administration Building 2nd Floor HR Area Office Space Renovation project in an amount not-to-exceed \$371,018.80.

MOTION – Mr. Sulik moved, and Mayor Bacci seconded to adopt Resolution No. 371-21. Without objection, the motion carried unanimously.

Authorization of Contract Modification

Resolution No. 372-21 Authorizing final adjusting change order for Contract No. 20001990 with Marous Brothers Construction, Inc. for the CSO Outfall Repairs & Improvements project by decreasing the contract amount by \$225,940.38, thereby bringing the total contract amount to \$1,997,559.62.

MOTION –Mr. Joyce, and Mayor Alai seconded to adopt Resolution No. 372-21. Without objection, the motion carried unanimously.

Property Related Transactions

Resolution No. 373-21 Authorization to acquire 18 permanent stormwater easements at the properties known as PPNs 432-09-019, located in the City of Brooklyn, 454-33-001, 455-15-007, 455-22-004, 455-22-010, 455-22-007, 455-22-011, 455-24-002, 455-12-002, 455-12-017, 455-13-004, 455-13-011, 455-15-049, 455-12-001, 455-12-052, 455-15-047, 456-14-081, and 456-14-071, all located in the City of Parma, owned by West Creek Conservancy, necessary for the construction and maintenance of the Big Creek Greenway project with total consideration of \$1.00.

Resolution No. 374-21
WITHDRAWN Authorization to enter into a memorandum of understanding with the Southwest Enforcement Bureau (SEB) to allow the SEB to store equipment at the District-owned property known as PPNs 521-16-001 and 521-16-004, located at 4700 East 49th Street, in the Village of Cuyahoga Heights with total consideration of \$1.00.

Resolution No. 375-21 Authorization to acquire one temporary easement at the property known as PPN 457-24-017, located on Celeste Drive, in the City of Parma, owned by the City of Parma, necessary for the construction and maintenance of the Baldwin Creek Relief Culvert at Stormes Drive in Parma project with total consideration of \$1.00.

MOTION – Mayor Alai moved, and Mayor Bacci seconded to adopt Resolution Nos. 373-21. Without objection, the motion carried unanimously.

MOTION – Mr. Sulik moved, and Mr. Joyce seconded to adopt Resolution No. 375-21. Without objection, the motion carried unanimously.

VI. Information Items

Devona Marshall, Director of Engineering and Construction, provided the monthly update on the Capital Improvement Program (CIP) for October 2021, beginning with cash flow. The month of October ended at 93% of planned, down from September which closed at 98%, due to two pay applications that came in on the Shoreline Storage Tunnel construction project. Regarding actual dollars spent in October, \$7.5 million was paid out in October with a year-to-date total of approximately \$129 million.

Regarding KPIs, the construction contract for the District-wide HVAC Equipment and Systems Upgrades Project was awarded within 60 days of planned, meeting that KPI. However, the KPI for

the engineer's estimate was not met as the average of the three lowest bids on the project came in at 12% under the estimate.

Substantial completion of the Doan Valley Regulators and Relief Sewers Project was achieved within 90 days of planned, meeting that KPI. This is the last project of Control Measure 8 of the Consent Decree, which is the Doan Valley Tunnel System, and a critical milestone of the Consent Decree, which is to achieve full operation of this Control Measure by the end of 2021. With the completion of this project, NEORSD is also achieving that critical milestone.

The construction contract for the Easterly/Westerly Low Voltage Equipment Replacement Project was closed within 95% of the original contract amount, meeting that KPI. The KPI for the BOP goal of 10% MBE/WBE was exceeded with a 22.34% actual. Total work orders as a percent of construction came in at 4.43%, which equates to approximately \$456,000. The majority of the work orders were performed under the category of owner requested changes and the remaining under differing or unforeseen site conditions.

Ms. Marshall provided construction project highlights beginning with the Morgana and Burke Systems Improvement Project. It is a \$6.7 million project to rehabilitate approximately 15,000 linear feet of culvert. The goal is to maintain the structural integrity and flow capacity of the culvert, and in some instances, improve the flow capacity. The project is scheduled to achieve substantial completion in May 2022.

The first category of work under this project is cleaning and spot repairs, which involves crack and mortar repairs and tile replacement. Approximately 10,000 linear feet of the repair falls under this category. There will also be reinforced concrete repairs and significant debris removal. As this is a live sewer system, bypass pumping is also required.

The next category of work to be performed is relining of approximately 2,650 linear feet. Ms. Marshall provided photographs of the areas in disrepair.

The remaining category is full replacement of approximately 2,300 feet of culvert. Ms. Marshall demonstrated an area that will be replaced with a 48-inch reinforced concrete pipe.

Ms. Marshall then provided an update regarding the Burke Brook Open Channel Improvements Project, which is a \$4.1 million construction project to replace two sections that are open channel and carry CSO. The project is also performing regulator modifications in the area to achieve CSO control. The project is scheduled to achieve substantial completion in October 2022 but is significantly ahead of schedule. There are currently punch list and final site restoration items in progress.

Ms. Marshall provided photographs of the project area near I-77, demonstrating the areas of open channel that are being replaced with closed conduit, active construction, and final restoration of the site including the re-established storm-only drainage channels.

Open Session

There were no items.

VII. Public Session (any subject matter)

There were no items.

VIII. Executive Session

Mayor Bacci, pursuant to Ohio Revised Code Section 121.22(G)(1), moved, and Mr. Sulik seconded to enter into Executive Session to consider the employment and compensation of a public employee. By roll call vote, the Board voted unanimously to enter into executive session at 1:15 p.m.

The Board returned to open session at 1:23 p.m.

IX. Approval of Items from Executive Session

There were no items.

X. Adjournment

MOTION – President Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved, and Mr. Sulik seconded the motion to adjourn at 1:40 p.m. Without objection, the motion carried unanimously.



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



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