MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
DECEMBER 4, 2008

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

I. Roll Call

PRESENT: D. Brown
T. Longo
D. DePiero
G. Starr
R. Sulik
S. Kelly – *arrived at 12:35 p.m.*
A. Liberatore

The Secretary informed the President a quorum was in attendance.

II. Approval of Minutes

Mayor DePiero advised that the there was a typographical error within the November 20, 2008 minutes in which the date of November 6, 2008 was incorrectly listed at the top of pages one (1) through twenty-one (21). The minutes were revised to reflect the appropriate date of November 20, 2008.

MOTION – Mr. Liberatore moved and Mayor Longo seconded that the minutes of the November 20, 2008 Board meeting be approved as revised. Without objection, the motion carried unanimously.

III. Public Session

Mr. Norman K. Edwards registered to speak at public session regarding Resolution 291-08 (Lee Road Relief Sewer Project), diversity, Mill Creek project, methane gas, and $50 million fluidized bed incinerator. Executive Director Ciaccia advised that Resolution No. 291-08 is on the agenda for Board consideration, however, the remaining issues do not pertain to the agenda. Mr. Brown requested Mr. Edwards come forward to address his comments to the Board on the agenda item. All other comments will be held for the appropriate public session.

Mr. Edwards requested clarification regarding Resolution 291-08 and questioned if this contract was an extension of the Mill Creek project. Mr. Edwards stated that he was "trying to clear his head" for his notes so he can "understand exactly what is going on." He stated that he noticed a project on Lee Road at Kerruish Park and requested an explanation.

Mr. Brown responded that this project involves work on an existing system. The Lee Road Relief Sewer System (hereinafter "LRRS") includes portions of Lee and Miles Roads, and that the storm system expansion is necessary to mitigate basement flooding.

Mr. Edwards questioned if the LRRS project ties into the Mill Creek project. Mr. Brown replied that the flow from the LRRS system will go to the Mill Creek interceptor and tunnel system.

Mr. Edwards questioned if the District "is advertising to bid this and the Mill Creek project is not completed?" Mr. Edwards advised that, as a tax payer, he was unclear as to why the District is bidding a project that "ties into another project" that has not yet been completed.

Mr. Brown explained that Miles and Lee Roads have existing relief sewer systems; therefore, the District's ability to increase the pipe size will enable greater flow storage with a goal of mitigating basement flooding in this area. Mr. Brown emphasized that the flow is already being collected and transferred into the existing system, and the "ability to collect the flow into the new system is not relevant as it relates to the expansion of the relief system."

IV. Executive Director's Report

Executive Director Ciaccia advised that departmental reports will be given to the Board at the December 18th Board meeting, and staff is prepared to present Program Management (hereinafter "PM") to the Board as an information item. The Small Business Enterprise (hereinafter "SBE") Program presentation is being deferred until the December 18th Board meeting. He advised against presenting PM and SBE at the same Board meeting due to the significance of these two topics. A recommendation will be made at the December 18th Board meeting regarding a disparity study consultant, which ties into the SBE program.

Mr. Brown was pleased to see the District's progress regarding these issues. He corroborated with Executive Director Ciaccia's recommendation of deferring the SBE presentation until December 18th in order to connect with the disparity study discussion.

Mr. Brown requested that the record reflect that Ms. Kelly joined the meeting.

Executive Director Ciaccia advised that the District continues to work with the developer and contractor on the Flats East Bank (hereinafter "FEB") Project, and the District previously committed $8 million to the FEB project. Director of Engineering and Construction, Kellie Rotunno, met with the developer and contractor, Independence Excavating, in an effort to identify the maximum project costs to be incurred by the District for project completion prior to bringing this back to the Board with a recommendation. Executive Director Ciaccia advised that Cuyahoga County will contribute funding to this project as well.

Ms. Rotunno added that meetings were held with the contractor on a daily basis to clarify the District's fiscal situation and its ability to commit to the FEB project. She wanted to acknowledge her staff and its efforts for "revealing unfavorable financial conditions" agreed to by FEB developers and stated that "the District is finding a way to work around to pay at the rates on this project" as it does on other projects. Ms. Rotunno stated that the contractor seems to be "moving in that direction so the project can continue to move forward." Ms. Rotunno advised that the goal is to "nail down the final numbers before coming back to the Board for any modification or request for additional funding." She assured that this would be the last time staff would come back to the Board requesting additional funding pertaining to this project.

Mr. Brown stated that the District's ability to move forward with this project is a "significant accomplishment" because the District, regardless of the FEB project, is required to mitigate the CSO impact in this area in order to comply with the Combined Sewer Overflow (hereinafter "CSO") Long-Term Control Plan (hereinafter "LTCP"). Mr. Brown questioned that if project scope or contract language is not consistent with how the District normally handles its negotiations, is the District working on the final terms and conditions of this contract? Ms. Rotunno affirmed.

Executive Director Ciaccia advised that staff is working with the congressional delegation, more specifically Senator Voinovich's office to develop a list of projects ready for implementation. President-elect Obama is considering an economic stimulus package that includes infrastructure; however, there are no water and wastewater components at this time. Executive Director Ciaccia assured that professional organizations such as NACWA, AMWA and WEF are striving to ensure that water and wastewater be included in the economic stimulus package. Government Affairs Specialist, Darnella Robertson, in conjunction with the Department of Engineering is developing a project list. Around five (5) projects are ready for implementation within 90 days, and at least two (2) projects are ready for implementation in 180 days. The District intends to submit this project list to the government.

Mr. Brown stated that City of Cleveland and Ohio Department of Transportation (hereinafter "ODOT") discussed the Riverbed Road Project and its impact on commerce and navigation in the channel. Mr. Brown recommended that ODOT must be a "willing partner" with the congressional delegation, City of Cleveland, the District and other stakeholders for any future petitioning from the federal government to obtain funding for this project. Mr. Brown wanted to share this information with staff to clarify the City of Cleveland's position. Executive Director Ciaccia advised that the District expects to partner in this effort as well. The District is currently assessing the existing interceptor in an effort to identify the solution.

V. Consent Agenda

No discussion ensued on Resolution Nos. 285-08, 287-08 through 289-08.

Resolution No. 285-08 — **Authorization to enter into Facility Encroachment Agreement No. CSX618476 with CSX Transportation, Inc. for Dugway East Interceptor Relief Sewer. Cost is $22,000.00.**

Resolution No. 286-08 — **Authorization to enter into Facility Encroachment Agreement No. CSX618477 with CSX Transportation, Inc. for Dugway East Interceptor Relief Sewer. Cost is $16,000.00.**

Ms. Kelly questioned how the District determined the value of the encroachment. Executive Director Ciaccia advised that the non-negotiable amount was provided to the District by CSX Transportation, Inc. Ms. Kelly inquired if the District obtained an appraisal or opinion of value supporting this amount to which Executive Director Ciaccia stated "no". Ms. Kelly questioned if this is the standard protocol used by the District. Executive Director Ciaccia advised that this protocol is used when encroachment occurs on railroad property.

Resolution No. 287-08 — **Authorization to enter into contract for annual maintenance and support for the ESRI software tools for the Geographical Information System with ESRI, Inc. Cost is $30,382.95.**

Resolution No. 288-08	**Authorization to enter into contract for annual maintenance and support for Kronos, Incorporated Software & Maintenance on Time Clocks. Cost is $31,032.08.**
Resolution No. 289-08	**Authorization to purchase 150 Microsoft Office 2007 professional licenses from Dell/ASAP under State of Ohio contract #OA07004. Cost not to exceed $46,483.50.**

MOTION – Mayor Longo moved and Mr. Liberatore seconded to adopt Resolution Nos. 285-08 through 289-08. Without objection, the motion carried unanimously.

VI. Action Items

Authorization to Advertise
No discussion ensued on Resolution Nos. 290-08 and 291-08.

Resolution No. 290-08	**BCI-3D Valley and Ardoyne Connection, Contract BCI-3D-VAC. Engineer's estimate is $600,000.00.**
Resolution No. 291-08	**Lee Road Relief Sewer. Engineer's estimate is $25,300.00.**

MOTION – Mr. Liberatore moved and Mr. Sulik seconded to adopt Resolution Nos. 290-08 and 291-08. Without objection, the motion carried unanimously.

Authorization to Issue Request for Proposals
No discussion ensued on Resolution No. 292-08.

Resolution No. 292-08	**Easterly WWTP Aeration Blowers Rehabilitation. Estimated budget is $300,000.00.**

MOTION – Ms. Kelly moved and Mayor Longo seconded to adopt Resolution No. 292-08. Without objection, the motion carried unanimously.

Authorization to Enter Into Contract, Human Resources
No discussion ensued on Resolution Nos. 293-08 through 296-08 and Resolution No. 298-08.

Resolution No. 293-08	**Employee Assistance Service Program with the Center for Families and Children. Cost not to exceed $40,000.00.**
Resolution No. 294-08	**Executive Physical Program with Cleveland Clinic Foundation. Cost not to exceed $40,000.00.**
Resolution No. 295-08	**Occupational Medicine with St. Vincent Charity Hospital. Cost not to exceed $45,000.00.**
Resolution No. 296-08	**Renewal of medical insurance with Kaiser Permanente. Projected cost for 2009 is $1,190,534.00.**
Resolution No. 297-08	**Renewal of medical insurance with Medical Mutual of Ohio. Projected cost for 2009 is $4,623,594.00.**
Resolution No. 298-08	**Short-term disability and life insurance with Fort Dearborn Life Insurance Company. Projected cost for 2009 is $731,448.00.**

Mayor DePiero was pleased that Medical Mutual of Ohio (hereinafter "MMO") offered the District a proposed rate reduction for 2009. He advised that the City of Parma contracted with MMO for its medical insurance and was offered "a similar type of renewal that bodes well," and that claims and past history affect rates.

Mayor DePiero inquired if District employees are offered one plan or different options such as 90%/10% or 80%/20%. Director of Human Resources, Douglas Dykes, advised that currently MMO offers employees one medical plan. Mayor DePiero inquired if this is an 80%/20% plan and if employees are required to make contributions to their health benefits. Mr. Dykes advised that employees contribute a flat fee per pay period. Employees contribute $75 per month for single coverage; $100 per month for employee plus one; and $125 per month for family coverage.

Mayor DePiero inquired if the District established a Healthcare Committee to discuss methods of controlling medical claims while improving the benefits offered to employees. Mr. Dykes stated that he is unsure whether the District had a Healthcare

Committee in the past; however, the establishment of a Healthcare Committee is included in Human Resources' 2009 objectives. Director of Operations and Maintenance, David McNeeley advised that "several contract cycles ago," a committee was formed with the unions to discuss the "healthcare environment" and research options to reduce medical costs.

Mayor DePiero stated that organizations are looking into various wellness programs, and the City of Parma, for example, holds annual health fairs which provide employees an opportunity to have their blood pressure and cholesterol checked. He inquired if the District sponsors similar types of programs. Mr. Dykes advised that the District holds an annual wellness fair, but has not yet established a wellness program. Jan Gyevat's group is working on the development of a wellness committee that will be cross-departmental in an effort to develop a wellness program for 2009. Mayor DePiero requested that Mr. Dykes advise the Board on program development, and supported the establishment of a wellness program which is a "progressive way of keeping healthcare costs in check."

Mayor Starr inquired as to how long the District has contracted with MMO for its medical insurance. Mr. Bucci speculated that it has been since the District's inception. Mayor Starr questioned if the District has ever advertised for bids for medical insurance. Mr. Dykes replied that the District has not, but in 2009 it plans to decide whether it will remain with MMO and/or Kaiser Permanente. Executive Director Ciaccia advised that the District must offer a medical plan consistent to what is stipulated in the union contracts, and MMO and Kaiser Permanente are specified as medical insurance providers within said contracts. Moreover, the District plans to address this issue during its current union negotiations.

Mayor Starr questioned if the District cannot change healthcare providers unless agreed upon by its unions, or if changes can be made so long as the medical benefits provided are consistent with the contract language. Mr. Bucci clarified that during the past negotiation cycle(s), although the medical insurance providers were specifically listed as MMO and Kaiser, language was added to include "or equal", which allowed for an identical plan.

Mayor Starr inquired if the District looked into self-insurance options, and he inquired if Mr. Dykes had past experience with these types of medical plans. Mr. Dykes replied that he had past experience with self-insurance plans, but was unsure if the District looked into this option. Various medical insurance options will be reviewed as Human Resources moves forward with its 2009 objectives.

MOTION – Mr. Liberatore moved and Mr. Sulik seconded to adopt Resolution Nos. 293-08 through 298-08. Without objection, the motion carried unanimously.

Authorization to Enter into Contract

Resolution No. 299-08	**Easterly Final Clarifier Rehabilitation (FCR-5) with Nerone & Sons, Inc. Cost not to exceed $3,160,962.50.**
Resolution No. 300-08	**Court Reporter Services for a one (1) year period with Mehler & Hagestrom. Cost not to exceed $35,000.00.**

Mayor Starr complimented the court reporter on the meeting minutes and stated that, "in light of past experience, these minutes have been excellent and well documented."

Mayor Starr moved discussion to Resolution No. 299-08 regarding the Easterly Clarifier Rehabilitation (hereinafter "FCR-5"). He stated that the engineer's estimate was $4.5 million and the lowest bid was $3.1 million. He requested an explanation as to the $1.4 million difference. Ms. Rotunno explained that Nerone & Sons, Inc. (hereinafter "Nerone") is already "mobilized to the plant site" and is probably extending mobilization costs to the District. Furthermore, due to the economy, Ms. Rotunno added that contractors "are very hungry" and bids are very competitive at this point. Executive Director Ciaccia added that all six (6) bids received were considerably close in amount which is an indicator of a good bid.

Mayor Starr indicated that, in a prior meeting, there was public discussion regarding Nerone being "under investigation for an abundance of emergency work." Executive Director Ciaccia clarified that at the previous Board meeting he stated that he is "not aware of Nerone being under any investigation for an abundance of emergency work." Nerone did receive emergency work through the District's previous contracting process, and this process has been reviewed. Executive Director Ciaccia assured that there is no internal investigation, nor to his knowledge is there an external investigation regarding the allegations made pertaining to emergency work. Executive Director Ciaccia added that he is unaware of Nerone being under any type of investigation.

Mayor Starr stated that the District would be aware if there were any internal investigations against Nerone, and he questioned whether Executive Director Ciaccia had any knowledge of an investigation. Executive Director Ciaccia stated that he was not aware of any. Mayor Starr added that as issues are raised, there has to be evidence to support the allegations in order for the Board to make an "intelligent vote."

MOTION – Mr. Liberatore moved and Ms. Kelly seconded to adopt Resolution Nos. 299-08 and 300-08. Without objection, the motion carried unanimously.

VII. Information Items

1. Program Management

Executive Director Ciaccia advised that the District entered into a contract with CH2M Hill for Phase 1 of PM. Phase 1 of this two-phased approach is an assessment of the District's current standing on project deliverables. Early 2009, the District will be ready to incorporate PM into the Capital Improvement Program (hereinafter "CIP").

Mr. Brown inquired if the PM presentation addresses the Phase 1 scope in terms of compliance. Executive Director Ciaccia affirmed.

Ms. Rotunno stated that, since joining the District, "this has been a fast and furious eight (8) months." She acknowledged staff members Devona Marshall, Rick Switalski and Greg Binder on their efforts to ensure the success of PM Phase 1. Furthermore, Ms. Rotunno thanked her colleagues and the time each spent in the many meetings held regarding PM.

Ms. Rotunno began the PM presentation. She advised the Board that discussions include a PM overview; Phase 1 efforts; Tasks A & B completed under Phase 1; SBE program; and Phase 2.

Ms. Rotunno stated that according to the Project Management Institute, PM is the centralized coordination and management of a specific program to achieve its strategic goals, objectives and benefits, and that the District has numerous objectives and strategic goals it wants to achieve. The District has many projects to be managed under its CIP, and "the goal is to return benefits and objectives to the District in the form of goals being met."

Ms. Rotunno indicated that the goal for Phase 1 is to determine procedure and tools necessary to support the successful implementation of the District's CIP. Task A under Phase 1 is to determine the District's current standing, and Task B is the development of an implementation plan to determine where the District "needs to be."

Ms. Rotunno advised that the Task A needs assessment included the Consent Decree compliance schedule; resource capacity to deliver future CIP; need to validate CIP and prioritize projects applying Asset Management principles; better project controls (scope, schedule and budget) and standardization; and specialized expertise.

Ms. Rotunno referred to a pie graph depicting the four (4) main tasks under Task A: Task A1 is to validate the District's CIP; Task A2 is to evaluate resources; Task A3 is to

evaluate processes and procedures; Task A4 is to review the existing skills and training structure in order to determine the District's needs.

Ms. Rotunno stated that Task B is the implementation plan, or "where we need to go." Task B1 is to determine the necessary controls and reporting standards to manage CIP. Task B2 is to determine the performance metrics and measures to gauge success. Task B3 is the SBE program evaluation and development needed for integration into PM. Ms. Rotunno stated that the deliverable of Task B is the implementation plan.

Ms. Rotunno introduced Program Manager, John Barron, of CH2M Hill who resides in Cleveland since joining the District in August, and Deputy Program Manger, Tim O'Rourke. Ms. Rotunno turned discussion over to Mr. Barron who presented the Task A findings.

Mr. Barron expressed his gratitude toward Ms. Rotunno and her staff. He explained that at times it could be a "daunting task" to enter an organization, but this has been a welcoming experience which is reflected in the success of the collaboration on Tasks A & B.

Mr. Barron moved discussion to explain the method of validating the CIP, including a review of the LTCP projects and discussions held between the Board and staff regarding the Consent Decree; reviewing the treatment plants, facility plans that identify strategic projects and recommended timelines to ensure proper operation; evaluating the collection systems and identifying a series of projects resulting from inspections; repairing and replacing components of old systems; performing assessments of potential revenue and timing for the implementation of the SMP. Collectively, more than 150 projects have been identified.

Mr. Barron thanked Mr. Switalski, Mr. Binder and Ms. Demmerle for their efforts in development of a valid CIP. A cost loaded schedule is a key component needed in order to validate the CIP which includes logic, timing and prioritization. The CIP projects are in a central location allowing for an analysis to be completed, including financing components and an affordability study. The District now has the ability to prioritize each project individually and to make any necessary adjustments.

Mr. Barron stated that validating the CIP facilitated a fully loaded cash flow curve and schedule. He referred to the graph depicting the annual outlay (on left) and escalated cumulative value (on right) for a thirty (30) year CIP. The escalated value per year at approximately 3% is $7.8 billion. Mr. Barron stressed the importance of prioritizing District projects due to the need of implementing a $7.8 billion CIP over the next thirty (30) years.

Executive Director Ciaccia explained that anticipated projects for the CSO LTCP are factored into the CIP, making the number relatively large. Executive Director Ciaccia advised that escalation was factored into the estimated amount as well. There are some tentative projects being negotiated with the Environmental Protection Agency (hereinafter "EPA") not included in the CIP amount, and Executive Director Ciaccia used high rate treatment for bypasses as an example.

Mr. Brown inquired if the CIP includes CSO LTCP and the cost of repair or replacement of existing facilities for proper operation and maintenance. Executive Director Ciaccia affirmed and stated that it also includes stormwater management.

Mr. Barron referred to the pie chart revealing the breakdown of the distribution of the CIP for the CSO LTCP, plants interceptors and stormwater. The number shown in parentheses is the 2007 value, and the escalated value is listed below. Mr. Barron stated that the CSO LTCP is a substantial component of the CIP and does include projects currently under negotiations with the government.

Mayor Starr questioned if inflation increases were incorporated into the CIP projections. Mr. Barron indicated that 3% escalation was added to the base year of 2007. Each year the CIP will be revalidated and escalation will be appropriately adjusted.

Mayor Starr inquired as to the approximate escalation percentage range. Ms. Demmerle stated that the range is 3% to 5%. Mr. Bucci added that the percentage is contingent upon when the study is completed, for example, if the study was completed in the 1980's during President Carter's term, then 18% inflation would be used.

Mayor Starr stated that the District has "known projects," and questioned the probability of "unknown projects." Mr. Barron stated that historical data was used to determine placeholders for undefined projects including the amounts expended for rehabilitation, replacement and asset management.

Executive Director Ciaccia stated that the numbers are good but may need redefining due to completion of necessary further validation.

Mayor Longo inquired if the chart includes initiated projects. Mr. Barron stated that the chart incorporates projects from 2009 and thereafter. Mayor Longo questioned if the CIP listing includes specific and indefinite projects. Mr. Barron affirmed and stated that ongoing projects are included as well. Mayor Longo specifically questioned if, for example, in 2009 the estimate of $150 million includes more than one (1) project. Mr. Barron advised that the CSO LTCP and ongoing fluidized bed incinerator project contributes significantly to the CIP making up approximately four (4) to five (5) projects over the next five (5) to seven (7) years.

Mayor Longo questioned if the project compilation specifically lists known projects. Mr. Barron stated that approximately 170 projects will be completed over the next 30 years including the aforementioned undefined projects. Mayor Longo questioned if this chart "flowed into the bar chart." Mr. Barron replied that the bar chart is a "primavera schedule" fully cost loaded using criteria provided by finance including costs associated with construction, engineering, CA/RE inspection, land acquisition (if necessary), District labor and P&O costs.

Mayor Longo questioned if the whole graph "goes up in smoke" and has to be redone contingent upon whether the Consent Decree sets the CSO LTCP compliance at 15, 20 or 30 years. Executive Director Ciaccia stated that the timeline could be a factor; however, he felt the District captured the majority of projects required for completion in the 20 year timeline. Mr. Brown added that the "projects do not go up in smoke," but the timelines and associated costs would change. Mr. Bucci further explained that the tools needed to support the CSO LTCP are being developed, which further assists the District regardless of whether the CSO LTCP becomes a 20, 25, 30 or 35 year plan.

Mr. Brown asked if this "contemplates the revenue streams required to support these projects at these levels?" Executive Director Ciaccia stated "no," but this will give the District further predictability as to necessary cash flow increases. An economic analysis was completed for the ongoing negotiations with the government for the CSO LTCP which will need to be refined, and according to Executive Director Ciaccia, "this information will be crucial in a rate study" allowing for precision as to the District's needs and affordability. Adjustments may be made to the CIP contingent upon the results.

Mr. Barron stated that Task A1 findings include a cost loaded schedule; independent District estimates to be re-estimated on an annual basis using a structured escalation method; risk registry on each project to identify key risk factors and develop a mitigation plan; implement project prioritization to determine associated costs incurred and move projects forward accordingly based on its financial impact; and build logic into the 150 projects. Mr. Barron added that some critical projects will need to be primarily completed and part of the management strategy is to move forward with requirements of the CSO LTCP.

Mayor Longo inquired if the 150 project timeline goes out 5, 10, or 15 years. Mr. Barron replied that it is over 30 years beginning in 2009. Mayor Longo asked how the District was able to identify 150 projects 30 years in advance. Mr. Barron explained that the CSO LTCP identified a significant portion of the CIP. Facility plans at each plant identified phasing of critical projects over the next 5, 10 or 15 years. Rehabilitation and repair activities were identified based on the historical data, and anticipated revenue streams

coming from stormwater have been considered as well. Mr. Barron stated that future projects have been clearly identified as well as unidentified "placeholder" projects.

Mayor Longo stated that "normally you are lucky to forecast out three 3 to 5 years" and that "things dramatically change quickly." Mr. Brown stated that discussions about priorities may bring clarity to the projects that are needed, and project cost and financial impact to the District will determine which projects will move forward in the "out years," as well as, which projects may or may not affect the District's ability to control CSO. Mr. Barron corroborated with Mr. Bucci's prior comment describing PM as a tool which allows the District to "look at the uncertainties" and re-estimate or refine projects moving forward.

Mr. Barron moved discussion to Task A2 which is the evaluation of resources. This is an understanding of the capacity of the existing resources. PM evaluated the organizational structure to increase the throughput within the organization in order to achieve its objectives, and looked into construction management processes, project management and delivery support. PM completed a Full-Time Equivalent Staffing Analysis as a comparison or benchmark against other utilities. When juxtaposed to other utilities, Mr. Barron described the District as "unique." The District's CIP has $150 million to $170 million projects whereas, compared to smaller utilities, you would not find so many large projects. The United States, the consulting and regulatory communities view the District as a "very unique program."

Mr. Barron stated that the District was interested in conducting a 37 skill set evaluation. Information and feedback was obtained from senior staff and program managers pertaining to relevance and experience with PM.

Mr. Barron stated that additional criteria included the benchmark of resources against other utilities. He referred to a graph depicting current, average and future levels. The District is averaging $100 million annually and approximately 42 projects. Average size, the number of project managers and dollars per project manager were compared to other utilities (listed on the slide). Mr. Barron stated that the future and "resource load" or number of project managers and staff dedicated to each project indicated that the staffing levels are consistent with what is needed in order to effectively implement the CIP.

Mr. Barron moved discussion to Task A2 needs and findings, and he stated that increased throughput is necessary as well as additional PM capacity as the CIP reaches $200 million annually. There will be a project engineer and construction supervisor hand-off. Mr. Barron stated that the District has a "great model" which needs to be fine tuned in order to ensure an efficient hand-off between design and construction. Stronger project management including visibility and accountability is needed. Project support roles must

be refocused in order to obtain greater effectiveness and to support the project manager in the deliverance of the CIP.

Mr. Barron moved discussion to the processes and procedures and explained this to be a "key component" of Task A. The District is desirous of documenting all projects, processes and procedures; defining gaps between existing systems and those required for Phase 2; and identifying redundancy, extras and bottlenecks that inhibit efficient CIP delivery.

Mr. Barron moved discussion to the needs and findings of Task A3. He stated that CIP execution is dependent upon complex cross-departmental communications and processes and includes significant input from the Legal and Finance Departments. There is a lack of processes used to evaluate risk on a project and enterprise basis. Project schedules and costs are not consistently developed and tracked whereas a system is being implemented to alleviate this issue. In order to identify reduction opportunities and to ensure that project objectives are met, value engineering needs to be conducted earlier in the design phase. Processes and procedures should be formalized to determine disposition of retired assets for future undefined projects.

Mr. Barron moved discussion to skills, training and structure and he stated that these are significant components. The District needs to enhance and make its project managers more effective in order to achieve the deliverance of the CIP. The District is desirous of undergoing PM training through the Project Management Institute. Project scheduling through a central location is needed to achieve a detailed project timetable. Contract administration and management will be used to ensure timely deliverables. The estimating processes must be robust, and the District should obtain independent estimates. Mr. Barron supported revalidating estimates because of its impact on the CIP's financing. Staff is looking into alternative engineering and construction organizational structures in an effort to deliver the best CIP. The District should define roles and responsibilities of pivotal positions within the organization for effective CIP delivery.

Mr. Barron referred to the slide pertaining to Task A4 regarding integration and training. Mr. Barron stated that his "typical day" includes some direct project management activities, some proactive and preventative activities, and a large amount of reactive activity or "reaction to what is going on in the field." Mr. Barron stated that he is desirous of decreasing the amount of the PM's team administrative tasks and minimizing reactivity. His intent is to increase direct project management activities and manage the CIP to identify risk and "drive the train." He referred to program managers as the "engineers of the delivery train." Mr. Barron stated that he is striving to increase the amount of proactive activities, evaluate risks, formulate a mitigation plan and identify risks "before they start." Proactive risk management is important because it affects the

budgets and enterprise risk. Project risk can be large or small and affect enterprise levels. Mr. Barron reiterated that he wants to decrease risk and increase project delivery.

Mr. Barron moved discussion to the organizational structure of the District and he advised that Ms. Rotunno did some restructuring. There are now program managers in charge of the plants and collection systems. The Stormwater Management Program is moving forward. The District is determining the steps needed in order to allow program and project managers to efficiently and effectively deliver the CIP.

Mayor Longo inquired if this is an ongoing process that will change and evolve contingent upon the people involved, types of projects and urgency for project delivery. He questioned if this network is being established within the District to most efficiently manage these projects.

Mr. Brown moved discussion to the evaluation of the resources, and suggested that staff "skills and competencies" be developed in order to ensure performance and delivery that coincide with best practices within the industry. Mr. Barron replied that Task A is to determine where the District stands presently and to identify the needs and findings.

Mr. Barron moved discussion to Task A4 which is the needs and findings. He stated that the District requires an enhanced organizational structure for the Engineering and Construction Department. Program manager roles are being defined. Project management training, schedule and cost management are a necessity. The opportunity to develop and implement risk management strategies is now accessible.

Mr. Barron turned discussion over to Ms. Rotunno.

Ms. Rotunno moved discussion to Task B1 – CIP controls, reporting and standards. A reliable and timely program control management information system (MIS) will assist with providing a quick retrieval of project information as financial, SBE or payment inquiries are received. The development of design and construction procedures that assist with budget and schedule control is needed in order to alleviate the existing inconsistent manual process being used. Ms. Rotunno stated that, aside from invoicing, there is no established procedure that supports project management and accounting. The District design documents including specifications, bid forms and contract standards need to be restructured.

Ms. Rotunno advised that staff is desirous of providing the Board with monthly CIP status reports to include annual cash flow projections, program performance metrics, contract awards, project commencement, contract completion and close-out and tracking of assets, SBE compliance, and project and program milestones achieved. Ms. Rotunno provided the Board with visual images of proposed reporting style formats including

histograms, pie charts and other graphics in which she described to be an effective way to communicate performance metrics of capital improvements.

Ms. Rotunno moved discussion to the Task B1 findings. She stated that the District intends to develop an implementation plan which defines the tools necessary in order to take the District to the next level. Identification of the types of information needed for the MIS as well as those employees needing access to the system will be required. Ms. Rotunno stated that the District will standardize its estimating to ensure annual costs are being consistently developed with the same percent contingency regardless of whether an internal or external consultant is completing the estimate. Ms. Rotunno stated that an early action item under PM Phase 2 is the development of a Contracting Procedures Manual, as per the Calfee audit. The District will interface and use its existing Oracle system to the fullest extent. She described Oracle as a "robust system full of capabilities" that can be modified to effectively manage the CIP. The standardization of drawings and specifications will occur. Staff will have accessibility to data information in order to manage CIP projects daily.

Ms. Rotunno moved discussion to Task B2 – performance metrics. Strategic Initiative Number 8 requires a more rigorous process be established in order to baseline a CIP schedule and provide a validation process. Strategic Initiative Number 11 requires the development of a job cost based CIP with a cost loaded schedule which assists with CIP execution and financial planning.

Performance metrics that will be tracked include percentage of annual CIP delivered versus what is planned; cost of the CIP projects versus CIP budget; accuracy of the engineer's estimates relative to bids received; schedule of program execution versus the plan; and disputes and claims management. The District is interested in how disputes and changes orders are being handled. Contract administration will be a key metric.

Ms. Rotunno moved discussion to Task B2 findings. She stated that Task B2 needs must be consistent with the Strategic Plan. Data collection will be handled more specifically to determine "how, when, or who" needs access. Finalization of the report format as well as the frequency of reporting will need to be determined. Managers and project managers of respective departments will be held accountable in reaching set goals to ensure CIP deliverance. The District will examine any necessary corrective actions.

Ms. Rotunno moved discussion to the SBE program. The SBE program evaluation will be implemented into PM Phase 1. Ms. Rotunno advised that diligent efforts are being made by many to ensure a successful and effective SBE program. The Department of Administration and External Affairs is developing the outreach components. The Legal Department is moving forward with the disparity study to ensure the SBE program is

legally defensible. The Finance Department is securing proper staffing levels to effectively manage the SBE program.

PM is involved with the development of the SBE program as well. Ms. Rotunno stated that information was collected regarding the District's existing Minority Business Enterprise (hereinafter "MBE") and Women's Business Enterprise ("WBE") program and weaknesses were identified in other program models. Meetings were held with business community organizations and general contractors currently working with the District to identify MBE/WBE program weaknesses. Meetings were also held with MBE and WBE firms that worked with the District to inquire as to their view of the District MBE/WBE program. PM is assisting the Finance Department with the development of SBE policies and procedures. Ms. Rotunno advised that a formal presentation will be given at the December 18th Board meeting regarding the SBE program.

Ms. Rotunno moved discussion to PM Phase 2. The goal of Phase 2 is the execution of the Phase 1 implementation plan; deploy tools and resources to position District staff to successfully manage future increases in the annual CIP execution. Ms. Rotunno referred to the slide which showed a "gap" between Phases 1 and 2. The District's goal is developing the proper training, tools and resources required to "close the gap." Ms. Rotunno stated that using the $100 million currently delivered and assuming that the capacity continues to increase at the escalation rate, there is a need for some augmentation.

Ms. Rotunno moved discussion to define the expected services of PM Phase 2. PM will provide CIP management, implementation controls, standards development, assistance with the SBE program execution, staff training and development, tool development and implementation including the MIS system, project scheduling, estimating, document management, staff augmentation (if necessary during the "spiky years"), and transition planning. According to Ms. Rotunno, transition planning is necessary to ensure that staff is prepared to operate PM.

Ms. Rotunno stated that, in April 2008, she advised the Board that the five (5) year CIP value for 2009 through 2013 was about $200 million, and that annual PM administration costs could range from 5% to 10%. Given the aforementioned scenario, 5% would equate to $10 million needed to manage the CIP. District resources cover $3.5 million, and the balance would be covered by another means such as PM, which would range between $6.5 million to $16.5 million to receive that augmentation. Ms. Rotunno stated that the average annual CIP increased and that the validated five (5) year CIP value, in December 2008, is $1.1 billion. The District clarified its program manager needs. Ms. Rotunno stated that she is "confident that the District is going to be on the lower end of the scale" presented to the Board in April, more specifically, between the 4% to 5% range for program costs needed in order to administer the CIP. Ms. Rotunno stated that 4%

would equate to $10 million, and the District would be responsible for administering $3.5 million of that $10 million. The program manager would be responsible for $6.5 million of assistance per year over the next five (5) years, and could be as high as $8 million of assistance per year over the next five (5) years.

Ms. Rotunno that 2.8% to 3.5% PM assistance with the CIP for an estimated five (5) year period would cost the District $30 million to $40 million for PM Phase 2. Upon completion of Phase 1 deliverables, staff will come back to the Board to request permission to enter into contract with negotiations to begin in January.

Mr. Brown thanked Ms. Rotunno and Mr. Barron for their "excellent presentation." He described PM as a "good tool" that if used correctly will improve the outcome of project delivery. The critical task is being able to execute the plan. Mr. Brown stated that the ability to understand performance metrics, reaching a Board consensus as to the expected outcomes and timelines and communication of information is important. Mr. Brown stated that this plan is a good "roadmap" detailing "where we want to go," what it will take to reach the desired destination and the costs associated with the journey. Mr. Brown indicated that this is a transparent process and thanked Executive Director Ciaccia and Ms. Rotunno for their efforts.

Mayor Starr agreed with Mr. Brown and stated that this was "a very impressive plan." He commended Ms. Rotunno on her efforts and inquired if she could summarize PM in one (1) to two (2) sentences specifically explaining what the District is trying to accomplish. He inquired if this could be explained to the public as "trying to better keep track of your money."

Ms. Rotunno stated that she considers the District to be a "guardian" to this region, Lake Erie, water quality, and the ratepayer's resources and financial commitment. PM identifies the tools needed in order to deliver a quality program with minimal changes and cost overruns, and provides an opportunity for the District to be accountable on a daily basis.

Mayor Starr inquired as to how long PM has been in existence. Ms. Rotunno replied that it was founded by the U.S. government and has been around a long time.

Mayor Starr asked which government agency implemented PM and whether it has been successful. Ms. Rotunno stated that the City of Cleveland implemented PM for its Plant Enhancement Program, and it was found to be successful. PM was also used for the Cleveland Hopkins Airport expansion which was a $1.4 billion effort. Ms. Rotunno added that agencies within the region undertaking "enormous capital programs" get expertise in the tools in order to "ramp up and be fully accountable for the executions of those programs."

Mayor Starr inquired if this is the first time the District has implemented PM. Ms. Rotunno responded that, to her knowledge, this is the "first time in the District's existence" PM was implemented.

Mayor Starr referred to page six (6) of the presentation and inquired as to the revenue rate percentages built into the $7.8 billion over the next 30 years. Ms. Demmerle replied that the District will work within the rates set until 2011. The District is estimating a 15% to 18% rate increase commencing in 2012 and thereafter, and these rate changes will be brought to the Board. Mayor Starr questioned if the estimated rate changes have been already calculated into the plan from 2012 to 2038 wherein Ms. Demmerle replied "no." Executive Director Ciaccia added that the revenue needs projections have not yet been calculated into those respective years. In order to determine revenue requirements, the District will explore cost loading and conduct a rate study. The District will examine each project in an effort to lessen the impact.

Mayor Starr commented that in "30 years, plus and minus inflation," $8 billion will be spent and "we're still working on trying to figure out what the percentages will be or the assumptions in the rate side." Executive Director Ciaccia stated that, from a percentage and projection standpoint, the first five years of this plan (2012 through 2016) on a percentage basis will bring forth large increases. Beyond 2016, on a percentage basis, the numbers decrease as the actual rates increase "because it is a lesser percentage on a higher rate."

Mayor Longo inquired if the projected annual administration costs include the consultants being used to help administer these programs. Ms. Rotunno replied that specific design contracts with other consultants are represented in the $7.8 billion CIP costs. Mayor Longo questioned if the cost of the PM consultant is included in the $10 million or $11.5 million in which Executive Director Ciaccia advised that it is. Mayor Longo stated that design consultants will be needed for projects to ensure that "everything is completed the way it is supposed to be." In addition, Mayor Longo questioned if the District will expend $10 million to $11 million to administer all these programs. Executive Director Ciaccia clarified that PM consultants are calculated into the plan over the next five (5) years, and that design consultants are built into the $7 billion CIP over the next 30 years.

Mayor Longo questioned if there is a "rule of thumb" that the District "should consider going into the CIP outlined here as opposed to just doing it the way we've always been doing it?" Ms. Rotunno stated that if you examine the size of the program being delivered versus what the District has been able to deliver in the past, then problems will arise. Communities including Columbus have taken on PM. Ms. Rotunno stated that when she presented this information in April 2008, benchmarks were established as it

pertains to percentage of program costs and what other entities were paying and investing to manage their capital programs. These percentages ranged from 10% and 15% of the program cost.

Mayor Longo stated that if an entity has $10 million of capital projects, then PM may not be beneficial. He questioned if there is a "point where you reach the economy of scale?" Ms. Rotunno replied that the District has been able to deliver $100 million.

Mr. Brown stated that the $6.5 million or $8 million per year is "strictly the cost to administer the program," and that it does not include engineering costs. Ms. Rotunno affirmed.

Mr. Brown inquired as to what is the "return on investment" for implementing PM. He questioned if there are consequences if the District continues following past project delivery protocol. According to Ms. Rotunno, the District could potentially improve its $100 million annual performance levels with extra tools and benefits; however, the CIP will increase to $200 million annually. If the District delivers only $125 million of that $200 million, then this will almost double the CIP timeline.

Executive Director Ciaccia reminded the Board that the District will be under a Consent Decree and any "slippage" or associated risks will have to be factored in, which staff is working on.

Mr. Brown questioned if Phase 2 includes transitioning from "dependent on the consultant to dependency on staff?" Ms. Rotunno affirmed and stated "in an ideal world," the District will be "ready to walk on its own" after five (5) years. However, the need for PM consultants may exceed five (5) years. The goal is to make the District self-sufficient, enhance staff skill levels and provide the tools needed for program delivery.

VIII. Open Session (no items for discussion)

IX. Public Session (any subject matter)

Mr. Norman K. Edwards stated that the Board authorized entering into a contract with Nerone and asked the Board if it is aware that the District "is in common pleas court with them on this project?" Mr. Brown stated "yes, we realize that."

Mr. Edwards stated that he "does not understand how you're giving contracts to somebody that you're in litigation with and they're seeking millions of dollars." Mr. Edwards stated that "he is having flashbacks" and has been attending Board meetings the past five (5) years and is "not impressed." Mr. Edwards indicated that he is "outraged at

our tax dollars being thrown out of the window." He has inquired about methane gas and diversity, and he does not see any changes.

Mr. Edwards questioned if the District "is being run as a dictatorship or does the Board vote?" Mr. Edwards stated that he possesses documents "that are floating out there on the streets" that the Board is not aware of. Mr. Edwards advised that he is doing his paperwork and homework. Mr. Edwards stated that it is "very sad...with knowledge that is being kept from the Executive Director."

Mr. Edwards asked Mr. Brown if the "Board votes on items that have impact on projects?" Mr. Brown requested further clarification from Mr. Edwards. Mr. Edwards questioned if the Board or director votes to fire contractors? He questioned why the Board would "give Nerone & Sons two (2) projects and you're going to court with them and you're spending multimillions of our tax dollars in legal fees?"

Mr. Edwards stated that he wrote a letter to President-elect Obama and plans on visiting him very soon. Mr. Edwards declared that he "will do everything in his power to hold up the dollars from this Board until the minorities get a fair shake." Mr. Edwards commented that he does not see diversity within the District, "not because you talked to the Greater Cleveland Partnership or the Urban League or the NAACP."

Mr. Edwards stated that "for the Board members that have been up there as long as they've been on this Board, for there not to diversity, for the dollars that have been spent, who knows where they went." Mr. Edwards alleged that Nerone was given $20 million of emergency work which was "no bid." Mr. Edwards stated that "as a black man, he could not bid here and the people that were legitimate contractors." Mr. Edwards commented that "everybody wants to come in here and hunky dory, everything is smooth and you approve this guy and you can wind up with five—who knows how many millions in legal fees plus you could lose the case." Mr. Edwards questioned how many other cases are in litigation?

Mr. Edwards referred to a past discussion involving $100,000 in savings, and stated that the District spent this "on legal fees with Nerone already" which is not savings. Mr. Edwards questioned if the "buddy system is still in place?" He commented that there are no changes from the previous administration and is "not impressed by the Executive Director." Mr. Edwards stated "I will fight this until I die. I'm not going to go away. I'm not happy. I will be effective because I will go to Washington D.C. I will give documents and the documents that are out here that the Board is not shared with at all."

Mr. Edwards stated that the "director is making decisions" and "there should be no Hitler running anything here. There should be no dictatorship." The Board should vote and go over items thoroughly. Mr. Edwards declared that "these are not your monies," and that

he "pays you to sit up there." Mr. Edwards stated that "you get a salary," and that this is "my money, my mother's money, my grandmother's money and it's not fair for us to be left out."

Mr. Edwards described the Board as "smoke and mirrors" because it "gave a contract to somebody and you're in court." Mr. Edwards inquired as to "how many millions of dollars have been spent in legal fees between all of the contractors?" Mr. Edwards alleged that the District is "on the verge of bust and everybody sits up there thinking that I'm crazy because I'm going to the next level and I'm not going to shut up." Mr. Edwards requested an answer. Mr. Brown advised Mr. Edwards that he reached the five (5) minute limit. Mr. Edwards inquired if his question would be answered.

Mr. Brown stated that he will give a similar response to that made at the last Board meeting regarding this topic. The District is required to competitively bid contracts and under state code is required to award contracts to the lowest, best and most qualified bidder. The District is not authorized to preclude a contractor from the bidding processes or withhold awarding a contract based on ongoing legal disputes. Mr. Brown stated that the Board is required to uphold the law.

Mr. Edwards stated "Independence Excavating, you guys gave them $8.5 million..." Mr. Brown stated that he answered Mr. Edwards' question and was not interested in a debate. He reminded Mr. Edwards that he exceeded the five (5) minutes allowed. Mr. Edwards questioned if there can be a time extension, and he stated that "I know you don't like this being out in public, but I'm going to get it out in public one way or another." Mr. Edwards exclaimed that he will bring 100 people to the Board meeting, and stated that this "is not fair" and the "Board is being run in a reckless, abandoned way!"

Mr. Edwards shouted "totally clueless this Board is and each one of you up there should be ashamed of yourselves to take a salary and to take our money and throw it down the sewer! Throw it straight down the sewer!"

Mr. Brown asked Mr. Edwards to leave the Public Meeting Room. Mr. Edwards was escorted from the meeting by security.

X. Executive Session

Mr. Brown stated that there were matters for discussion in Executive Session.

MOTION – Mayor Longo moved and Ms. Kelly seconded the motion to enter into Executive Session designating all matters discussed in Executive Session be protected from public disclosure pursuant to the Ohio Public Records Act and attorney client privilege, and to specifically designate discussions in Executive Session regarding the

KMM&K litigation, Yvette Kimber-Kendrick litigation, and the renewal of Executive Director, Julius Ciaccia, Jr.'s, employment contract be kept confidential pursuant to Ohio Revised Code §102.03(b) and as attorney-client privileged communications. A roll call vote was taken and without objection, the motion carried unanimously.

The Board met in Executive Session from 2:08 p.m. to 3:15 p.m.

XI. Approval of Items from Executive Session

Resolution No. 301-08 **Authorizing the District to enter into an employment contract with Julius Ciaccia, Jr., as Executive Director of the Northeast Ohio Regional Sewer District, commencing January 1, 2009 through December 31, 2012.**

Mr. Brown stated that the renewal of Executive Director Ciaccia's contract is for a four (4) year period and that compensation is to coincide with any potential annual staff increases.

MOTION – Mayor DePiero moved and Mr. Liberatore seconded to adopt Resolution No. 301-08. Without objection, the motion carried unanimously.

XII. Adjournment

MOTION – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mr. Sulik moved and Ms. Kelly seconded the motion to adjourn at 3:17 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