

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
DECEMBER 18, 2014

Meeting of the Board of Trustees of the Northeast Ohio Regional Sewer District was called to order at 12:44 p.m. by Darnell Brown.

I. Roll Call

PRESENT: D. Brown
R. Sulik
W. O'Malley
J. Bacci
T. DeGeeter
S. Dumas
R. Stefanik

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

II. Approval of Minutes

MOTION – Mayor Bacci moved and Mr. Sulik seconded to approve the minutes of the December 4, 2014, Board Meeting. Without objection, the motion carried unanimously.

III. Public Session

Chief Executive Officer (CEO) informed the Board that no one signed up to speak about a specific agenda topic.

IV. Chief Executive Officer's Report

CEO Ciaccia began his report by stating that Standard & Poor's and Moody's both affirmed the District's AA1 and AA+ bond ratings with stable outlooks. He asked Jennifer Demmerle, Chief Financial Officer (CFO) to report on the bond deal.

CFO Demmerle advised that the bond issue closed this morning and \$464 million in bonds were sold, including \$80 million for the refunding from the 2007 bond issue. The remaining \$384 million went for new projects through the beginning of 2017.

The demand for bonds was very strong. There were over \$1 billion in offers, which allowed for adjusting the rates downward around 20 basis points across all maturities, resulting in debt service savings of \$7 million compared to the initial pricing.

CFO Demmerle advised that \$7 million was saved by refunding that issue. The total in interest for the bond issue was 3.94%.

V. Action Items

Authorization to Advertise

Resolution No. 287-14

Advertise for a Boiler Feed Pump Purchase and Centrate Piping Modifications for the Southerly Maximum Achievable Technology Compliance and Operations Improvement Project. Anticipated Expenditure: \$550,000.00.

MOTION – Mayor DeGeeter moved and Mayor Stefanik seconded to adopt Resolution No. 287-14. After discussion and without objection, the motion carried unanimously.

Authorization to Re-bid

Resolution No. 288-14

Reject All Bids and Re-bid the Lease, for a Five Year Term, of Continuous Monitoring Equipment and Associated Services at the Easterly and Southerly Wastewater Treatment Plants. Anticipated Expenditure: \$1,237,000.00.

MOTION – Mr. O'Malley moved and Ms. Dumas seconded to adopt Resolution No. 288-14. After discussion and without objection, the motion carried unanimously.

Authorization to Advertise

Resolution No. 289-14

Purchase from NACR, Inc., Through the State of Ohio Term Schedule, a Three-Year Software Support and Maintenance Contract for the District's Avaya Phone System. Cost: Not-to-Exceed \$119,233.54.

MOTION – Mr. Sulik moved and Mayor Stefanik seconded to adopt Resolution No. 289-14. After discussion and without objection, the motion carried unanimously.

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instead of repaying the full amount with interest, it be divided over several years.

Mr. Brown inquired if there was a contract. CEO Ciaccia advised that the District financed it because Pepper Pike was going to shut down their facilities and tie their customers into District's system. The repayment timetable in the agreement was unspecified, with no set schedule. The agreement was unfortunately not good and needed to be renegotiated.

Mr. Brown questioned if Pepper Pike had made some or no payments. CEO Ciaccia explained that they were not making payments and staff called them on it. At that point there was a new mayor and he offered terms that staff felt were reasonable.

Mr. Brown inquired regarding the role of Cuyahoga County in this subject. CFO Demmerle advised that Pepper Pike is trying to get the money to repay the District through the County but that will not have an impact on the repayment. The agreement was rewritten so that if they do not get funds from the County, they are still repaying.

Mr. Sulik questioned why the repayment would be interest-free. CFO Demmerle explained that it was negotiated because of their financial difficulties. The amount of interest was around \$200,000.

Ms. Dumas expressed skepticism that Pepper Pike was having financial difficulties. CEO Ciaccia stated that he had the same reaction when the issue arose; the two parties had a contract that calls for a specific interest rate. Unfortunately, the contract was deficient because it had no payment schedule. Therefore a payment schedule had to be negotiated and they agreed to lump sum payments over a reasonable amount of time and recommended foregoing the interest payments.

CEO Ciaccia stated that the item could be tabled and they could ask the mayor of Pepper Pike to make his case. Mr. Brown was amenable to tabling it to allow more discussion. He inquired if there was urgency to address the item now. CFO Demmerle advised that Pepper Pike was scheduled to make a payment in the next two weeks of \$500,000.

Marlene Sundheimer, Chief Legal Officer & General Counsel, explained that Pepper Pike has authority under the current agreement to make the payment while further discussions take place regarding an amendment. Future payments will require the modifications.

Mr. Brown requested scheduling discussion during an executive session during the next Board meeting. CEO Ciaccia agreed because it is a contract issue.

Sewer Use Code Matters

Resolution No. 294-14

Adopting the Findings of the Hearing Examiner

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with Regard to the Sewer Account of Rick Labus,
Sewer District Case No. 14-011.

MOTION – Mayor Stefanik moved and Mayor DeGeeter seconded to adopt Resolution No. 294-14. After discussion and without objection, the motion carried unanimously.

Authorization of Property-Related Transaction

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|-----------------------|---|
| Resolution No. 295-14 | Authorize One Fee Simple Acquisition in the City of Cleveland Necessary for Construction of the Dugway West Interceptor Relief Sewer Project. Consideration: \$25,000.00. |
| Resolution No. 296-14 | Authorize Two Fee Simple Acquisitions from Everett Durham Jr. and Ralphie Durham Necessary for Construction of the Dugway Storage Tunnel Project. Total Consideration: \$155,000.00. |
| Resolution No. 297-14 | Authorize 3 Permanent Easement and 2 Temporary Easement Acquisitions with the City of Cleveland Necessary for Construction of the Dugway West Interceptor Relief Sewer Project. Total Consideration: \$16,525.00. |
| Resolution No. 298-14 | Authorize 1 Total Take Appropriation Necessary for Construction of the Dugway West Interceptor Relief Sewer Project. Consideration: \$1,000.00. |

MOTION – Mr. O'Malley moved and Mr. Sulik seconded to adopt Resolution Nos. 295-14 through 298-14. After discussion and without objection, the motion carried unanimously.

VI. Information Items

1. Chief Legal Officer & General Counsel Claims Report to NEORS Board of Trustees – June through November 2014.

Mr. Brown acknowledged that the claims report is for those over \$25,000 in value and it is a requirement to submit them to the Board periodically for review. He asked the Board to review the material.

2. Program Management Status Report and Update – November 2014.

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James Bunsey, Director of Engineering & Construction, advised that the Capital program has been going very well. Staff will report on possible concerns on a monthly basis next year.

There are currently 115 open projects and over 130 contracts. In November, the open contracts went from a value of \$1.04 billion to \$1.2 billion.

Andrea Remias, Senior Project Manager, and her team concluded the annual review of the Capital program, which examines the next 10 years readjusted based on available cash flow and the bond issuance. They are vetted and included in the Capital improvements plan.

Mr. Bunsey stated that in terms of the District's consent decree, Control Measure 24 at CSO-63 was completed two months early and monitoring will begin next. There are 24 more measures to be completed. During the month of March reports are due to the U.S. Environmental Protection Agency (EPA) for two plants and the co-benefit analysis report is due in April.

Moving to advanced facilities planning, there has been \$357 million in potential savings combined with realized savings on some bids -- the total of which is over half a billion dollars out of the \$3 billion plan.

Mr. Bunsey explained that the preliminary alignment of the Doan Valley Tunnel will be presented to the Board next month while they look to award the contract to the successful consultant.

The East 140th Street project and the Mary Street pump station had their 30% design reviews completed. Over \$1 million in potential value-engineering was identified by changing the configuration of that small pump station.

The green infrastructure program is progressing; one project is out for bid and one will be shortly.

Mr. Bunsey stated that the Southerly MACT is a work in progress. The schedule is short and time-constrained. Things are happening on the fly as staff has a compliance date approaching, but they are on schedule to be in compliance when the time is necessary.

Moving to the Easterly Wastewater Treatment Plant, Mr. Bunsey advised that there is a small buckle on the sheet wall piling where there is large excavation on the west clarifier area. Staff concluded that it is non-compensable; the contractor may or may not come back with a claim. The contractor's work area is past the area and the buckling has not affected any work of significance.

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The Easterly aerated grit facility is nearing completion; flow will be diverted to it during the second quarter of 2015.

The Euclid Creek Tunnel is nearing completion. Shaft No. 5 is completed and the near-surface features are either re-landscaped or will be re-landscaped the beginning of next year.

Mr. Bunsey stated that there have been schedule issues with the tunnel dewatering pump station. They have had a very difficult time forming and pouring the concrete decking requirements for the pumps. They have since gone to a second shift, realigned supervision at the site and included additional staff. The project seems back on schedule now. There may be issues with non-compensable time.

The DWIRS has been very positive for the Capital program this year. The Contractors staff was successful doing its longest microtunneling run, which was over 1,040 feet over 14 days. This is a very successful project technically and for community relations. Staff was working 24 hours a day and the education process was well received. Mr. Bunsey explained that such installations can be large and noisy; staff was able to utilize utility electricity instead of generators so it was much quieter.

Staff continues to work to close out the contracts for the Renewable Energy Facility (REF). They should be done by the end of the year.

Mr. Bunsey advised that it is important to note that the Operations department -- now that they have assumed ownership of the REF over the last week -- has increased the autogenous burning from 10% to routinely hitting 70% to 100%. One of the incinerators has been autogenous for a couple days, or using no gas.

Moving to Key Performance Indicators (KPIs), he stated that cash flow is good after a bad start. They are at 86% of where they expected. Projects are being delivered on time. The KPI is off a bit on estimating but staff is saving because the engineer's opinion is a little higher than construction bids by 12% on average. Projects constructed on time and on budget. Additionally, Business Opportunity Program goals have been good.

VII. Open Session

There were no matters for Open Session.

VIII. Public Session (any subject matter)

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

IX. Executive Session

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MOTION – Mayor Bacci moved to go into Executive Session to discuss a personnel matter. Discussion of the matter in Executive Session is permitted under specific exemptions to the public meeting act pursuant to Ohio Revised Code section 121.22. He specifically designated matters discussed in Executive Session to be protected from public disclosure in accordance with Ohio law and the attorney-client privilege.

A roll call vote was taken and by the motion passed unanimously. The Board met in Executive Session from 1:11 p.m. to 1:23 p.m.

X. Approval of Items from Executive Session

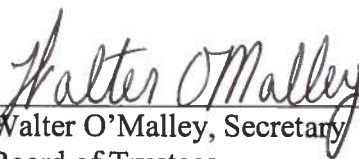
Resolution No. 299-14

Personnel Matter.


MOTION – Mr. O'Malley moved and Mayor Bacci seconded to adopt Resolution No. 299-14. After discussion and without objection, the motion carried unanimously.

IX. Adjournment

MOTION – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved and Mayor DeGeeter seconded the motion to adjourn at 1:23 p.m. Without objection, the motion carried unanimously.



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



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