

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES MEETING
DECEMBER 20, 2012

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

I. Roll Call

PRESENT: D. Brown
R. Sulik
S. Kelly
J. Bacci
T. DeGeeter
W. O'Malley
G. Starr

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

II. Approval of Minutes

MOTION – Mr. O'Malley moved and Mayor Bacci seconded that the minutes of the December 6, 2012, Board Meeting be approved. Without objection, the motion carried unanimously.

III. Public Session

Executive Director Ciaccia informed the Board that Lance Traves signed up to speak about the non-residential credit program.

Mr. Traves stated that he was with Labyrinth Management Group, which submitted comments about the Stormwater Management Program (hereinafter "SMP") credit program fee manual on behalf of a number of clients. A response was received at their request and he was present to provide a brief reply.

Mr. Traves thanked the District for considering the comments and incorporating and clarifying a couple of items that have reduced the uncertainty associated with the credit process, and expanded the opportunity for credits for quality process related to the general National Pollutant

Discharge Elimination System permit program. On behalf of his clients he wanted to provide two reconsideration requests.

Mr. Traves stated that the first is reconsideration for the expansion of the quality credit for industrial properties or properties and sites that would be otherwise eligible for a general permit that takes measures to certify they have no exposure of their pollutants or potential pollutants to stormwater.

That is an official process the Ohio Environmental Protection Agency (hereinafter "EPA") uses to bring entities in compliance with the provisions of the law, but opt out of a general permit -- or in some cases an individual permit by covering and preventing stormwater pollutants from impacting stormwater.

Mr. Traves advised that common pleas court opinions have found there is no rational basis for the disparate treatment of non-residential property owners. His clients have gone from a specific permit to a no-exposure certification filing because they changed their practices to eliminate exposure of stormwater pollutants to rainwater.

Mr. Traves recommended re-filing the general permit coverage, developing a stormwater prevention plan and increasing the credit opportunity from 10% for no-exposure certification to 25%, which was granted by the expansion and according to comments received for the general permit party.

A subset of facilities are potentially subject to stormwater regulations in Ohio. Mr. Traves explained that they take a program activity which is specifically prescribed and requires filing for a no-exposure certification and opt out of the program. The properties are not commercial; they are in Standard Industrial Code (hereinafter "SIC") and subject to very specific items. Some of Mr. Traves' clients have gone through the program and were denied the 10% credit for no-exposure certification. In lieu of that they might as well file for a general permit and get a 25% credit next year.

Mr. Traves stated that it is not a rational basis for the treatment of similar properties. They could all be in the same SIC code, same applicable facility and be treated differently. He did not think that was something the Board would want to do.

Mr. Traves' second reconsideration was for credit for the direct discharge credit for properties that would not be using any Northeast Ohio or any municipal stormwater sewer systems and would be discharging to the large surface water bodies, the rivers or Lake Erie directly.

The court also found that the credit system is a rational way to advance a legitimate government interest that is not otherwise arbitrary, capricious or unreasonable. They base that on taking the burden the properties make on the system and allocating it in a reasonable, non-arbitrary manner.

Mr. Traves advised that if properties are not using a component of the sewer system and are directly discharging into rivers and/or Lake Erie, they have a much reduced impact on the management system and therefore should have some fee assignment. To disallow any quantity credit for direct discharges is unreasonable, could be found to be arbitrary and capricious and would expose the District to potential problems.

Mr. Traves stated that his two requests for reconsideration are reasonable. He knows it is at the last moment with respect to approval for the credit manual, but it could be handled administratively.

Mr. Brown asked the staff to prepare a response to the two issues Mr. Traves raised.

IV. Executive Director's Report

Executive Director Ciaccia informed the Board that he appointed Ray Weeden the Director of Operations & Maintenance. Former Director Dave McNeeley retired a few months ago and Mr. Weeden has done a great job serving as Director on an interim basis.

Mr. Weeden has been a District employee for over 31 years, starting as a security officer in 1981. Since then he graduated from Cleveland State University and has earned the appointment.

Mr. Brown congratulated Mr. Weeden on behalf of the Board. He also stated that immediately after becoming Acting Director a huge storm came upon the area and staff had a chance to see Mr. Weeden do an outstanding job operating under fire.

Executive Director Ciaccia stated that the District has a lot on its agenda in the way of construction and meeting obligations. He thinks the Operations and Maintenance Department does a terrific job. They are a very steady operation and make management's job easier by allowing them to focus on things they need to focus on. The most important part of the organization is keeping our core missions steady and they are keeping costs down.

Executive Director Ciaccia moved to the issue of finances and advised that the District is having a fairly good year. Revenues are projected to end the year the Finance Director's conservative estimate of \$181 million. Revenues last year were \$172 million.

Currently revenues have increased by 5% over last year. He expects an increase between 8% and 9%. That range is where the District needs to be considering there was a 13% rate increase and staff is allowing 5% for doubtful accounts. That is supported by cash receipts for the year increasing 14.5%.

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Expenses are running under budget at \$93.6 million. Executive Director Ciaccia advised that figure will likely be closer to the projected \$100 million as events transpire at the end of the year. For instance, ash will be hauled at Southerly will increase expenses depending on the level. He stated that probably represents a 3.5% increase over last year -- well under budget.

Executive Director Ciaccia moved discussion to available bond fund proceeds as it relates to the capital program. The District began the year with \$250 million and is down to \$89 million. To sustain the program another bond issue in the amount of \$300 million is planned around March 2013. From a cash flow standpoint there will be around \$270 million in capital projects in 2013.

Executive Director Ciaccia advised that Jennifer Demmerle, Finance Director, prefers to issue bond deals every two years. Discussions have been held regarding doing one every year on smaller issues. With interest rates being low staff intends to proceed with the larger deal.

Moving to the next subject, Executive Director Ciaccia indicated that staff is putting the final touches on a new billing agreement with the Cleveland Water Department (hereinafter "CWD"). The final outstanding issue was resolved and the fee will remain as a per-bill charge. Both parties also agreed to back out of the stance as it relates to their charge for suburban communities and other entities that put charges on the bill. The new agreement will go into effect at the beginning of 2013; it is a 5-year agreement and will be revisited afterwards.

The fees henceforth during the term of the contract will be calculated on a CPI index rather than the arduous chore of calculating expenses. Expenses are established and the \$6.17-per-bill fee will be increased based on the CPI index. Any capital investments made into the billing system would be negotiated separately. The former agreement had been in place for almost 30 years.

Executive Director Ciaccia advised that an area he intends to focus on with the new billing system is getting much better information about accounts receivables. The total account receivables are about \$84 million, of which \$38 million are inactive and must be written off.

Account write-offs are on the agenda today that were inactive for six years. The more recent they become more accounts will be written off because many of the foreclosures and bankruptcies occurred subsequently to the current write-off period. A lot will never be collected.

There are \$45.7 million active accounts staff wants to concentrate on. Executive Director Ciaccia advised that he wants to understand what they are doing to address these issues, and in particular, the accounts over 90 days. Those accounts comprise \$28 million, which is almost 60% of active accounts. That number seems rather high and he wants to understand that issue better and then decide what action should be taken.

Executive Director Ciaccia explained that he has analyzed this issue and the accounts over 90 days have decreased by over \$2 million over the last three months. Much of that is the result of

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catching up from when the new billing system went live and bills were not collected at that time. The number is trending down but special attention will be paid to it. He was certain CWD has the same concerns and they will be addressed with them.

Mayor Starr asked for an explanation of capitalized payroll. Executive Director Ciaccia explained that it is particular District engineers on the payroll whose costs can be capitalized. It is a capital expense rather than an Operations & Maintenance expense because work they are doing is towards projects.

Ms. Kelly stated that some banks will not take the title to a property after it has foreclosed and the title stays in the name of the previous owner. If the bank takes title at a later date there needs to be a system so the District can collect. In some cases the bank assumes the title years later, sells the property, the bills are forgiven and the bank never pays for those delinquencies. F. Michael Bucci, Deputy Executive Director, stated that is an issue and but it has not discussed in depth with CWD because current policy does not entail pursuing previous owners. That issue will be discussed.

Ms. Kelly stated, for instance, if there are debts with the City of Cleveland, the bank cannot sell the property and transfer the title without remedying those debts with the City. She inquired why the same cannot be done in terms of the tax bill. Deputy Executive Director Bucci explained that currently it does not fall within District or CWD policy to go after the previous or current owner for established debt. He understands there is a timing issue. Executive Director Ciaccia advised that staff wants to talk about policy or practice changes to address it.

Ms. Kelly stated that the current owner by possession may be the bank, but not by the title. The bank may have the property for an extended period of time and charges mounting up that are never paid. Executive Director Ciaccia advised that is something staff will attempt to address with CWD. Deputy Executive Director Bucci added that a couple requests from a bank were being evaluated in which they were trying to obtain summer sprinkling credit on a property they took over. It is being evaluated by a hearing examiner. Executive Director Ciaccia stated that he will report next year regarding updates on the issue.

V. Action Items

Authorization to Enter Into Contract

Resolution No. 303-12

Contract with Bay Mechanical and Electrical for the Steam Generation System Improvements and Heating System Modifications Project. Contract Amount: \$719,500.00.

- Resolution No. 304-12 Design-Build Contract with Kokosing Construction Company, Inc. for the Westerly Wastewater Treatment Plant Centrifuge Replacement Project. Contract Amount: \$468,600.00.
- Resolution No. 305-12 Contract with Walsh Construction Company, LLC for the Gravity Thickening Improvements Project. Contract Amount: \$8,660,148.00.
- Resolution No. 306-12 Contract with Mythics, Inc., Through the Ohio State Term Schedule No. 534059, for the Purchase of Oracle Application and Database Licenses, Maintenance, and Support. Contract Price: Not-to-Exceed \$420,224.24.
- Resolution No. 307-12 Two-Year Requirement Contract with Ballast Construction, Inc. for Fencing Installation, Maintenance and Repair at All District Facilities and Remote Sites. Contract Amount: \$328,026.14.
- Resolution No. 308-12 Contract with Cleveland Freightliner for the Purchase of a Cab-chassis Truck with Dump Body for Use by the Sewer System Maintenance & Operation Department. Contract Amount: \$148,500.00.
- Resolution No. 309-12 Two-Year Requirement Contract with Granger Trucking, Inc. for Ash Removal at the Westerly Wastewater Treatment Plant. Contract Amount: \$246,640.00.
- Resolution No. 310-12 One-Year Requirement Contract with Polydyne, Inc. for Centrifuge Polymer for Use at the Southerly Wastewater Treatment Plant. Contract Amount: \$207,900.00.

MOTION – Ms. Kelly moved and Mayor DeGeeter seconded to adopt Resolution Nos. 303-12 through 310-12. After discussion and without objection, the motion carried unanimously.

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Regarding Resolution No. 303-12, Mayor Starr inquired as to why the lowest bidder did not submit MBE or WBE information. Executive Director Ciaccia advised that staff did not know why. Not only did they not submit any MBEs or WBEs as subcontractors, they did not make a good faith effort. For that reason and others staff felt they were not the lowest and best bid.

Mayor Starr stated that Bay Electric is over the projected engineer's opinion of probable cost of \$675,000. He inquired whether staff considered rebidding the contract. Executive Director Ciaccia advised that by State law, if bids are 10% over the engineer's estimate they would be required to rebid. He explained that any time bids are over the estimate rebidding is considered, but staff did not feel they were substantially over and decided to proceed with the recommendation.

Mayor Starr questioned whether he was satisfied that the subcontractors would perform under the contractor. Executive Director Ciaccia affirmed.

Mr. Brown stated that the goal was set at 20% and is based on establishing that there are enough qualified vendors qualified to meet that number. The lowest bidder could have made a case as to why there were no available opportunities for partnering with specific subcontractors. Executive Director Ciaccia stated that the other bidders did not seem to have a problem identifying subcontractors. The low bidder indicated they contacted one company, did not like their price and that was the end of it.

Authorization of Contract Modification

Resolution No. 311-12	Modify Contract No. 11003590 with EnviroScience, Inc. for the Wetland Mitigation Services Project. Cost: Additional Scope with no Change in the Contract Price.
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Resolution No. 312-12	Final Adjustment Deduct Order for Contract No. 9001961 with Mark Haynes Construction for the West Creek Watershed Restoration Project. Cost: A Decrease in the Amount of \$78,693.33 Bringing the Total Contract Price to \$1,889,175.12.
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Resolution No. 313-12	Final Adjustment Deduct Order for Contract No. 11001687 with Marous Brothers Construction for the Southerly Spiral Screw Pump Replacement Project.
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Cost: A Decrease in the Amount of \$25,367.50 Bringing the Total Contract Price to \$267,417.50.

Resolution No. 314-12

Modify Contract No. 12000447 with AT&T for the Purpose of Renewing the Agreement with AT&T to Participate in the Western States Contract Alliance - Wireless Communications Services and Equipment, Contract No. 1907 through October 31, 2016. Contract Price: No Change in the Contract Price.

MOTION – Mayor Starr moved and Mr. Sulik seconded to adopt Resolution No. 263-12. After discussion and without objection, the motion carried unanimously.

Authorization to Amend Resolution

Resolution No. 315-12

Amend Resolution No. 293-11 to Extend Contract No. 12000148 with Boyd Watterson Asset Management, LLC for the First Year Option to Provide the District with Investment Advisory Services and Assistance with its Security Purchases. Cost: Not-to-Exceed \$40,000.00.

MOTION – Mayor Bacci moved and Mr. O’Malley seconded to adopt Resolution No. 263-12. After discussion and without objection, the motion carried unanimously.

Authorization to Amend Manual

Resolution No. 316-12

Amend Stormwater Fee Credit Policy Manual.

MOTION – Mr. O’Malley moved and Mayor DeGeeter seconded to adopt Resolution No. 263-12. After discussion and without objection, the motion carried unanimously.

Frank Greenland, Director of Watershed Programs, stated that he would summarize the policy manual, provide recap on some of the credit opportunities and discuss the proposed revisions.

Fee credits are offered to reduce fees to customers who can reduce pollutant volumes or pollutant loads to water bodies. There are a number of different categories for fee credits.

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There is an individual residential property credit of 25%. Measures one can take to manage stormwater quality is eligible for a credit up to 25%. Quantity, both peak rates of flow and volume reductions, is up to 75%. There are also education credits of 25%.

Mr. Greenland advised that individual residential property credits are examples of facilities one can put in to qualify. Things such as rain gardens, rain barrels, downspout disconnection and the like qualify resident properties for the 25% credit and ample applications have been received.

The quantity credit is different percentages of credit offered for reduction in peak flows. The differences are the levels of stringency on engineering design. A credit up to 25% is available on the peak flow.

There is a 25% of 50% credit for volume, and the higher credits require more engineering and more facilities to achieve.

Mr. Greenland explained that there are three percentages for quality side. Staff has listed the types of facilities one can put in to qualify for each percentage range. These are stormwater control measures that are installed to reduce pollutant concentrations in stormwater.

Staff discussed the individual industrial NPDES permanent facility credit. This is what was originally in the permit and only individual industrial permit holders could qualify for the 25% credit.

Mr. Greenland indicated that staff wants to highlight the changes that came from three major areas. A court litigation process necessitated some changes, the District's internal review of the existing credit policy manual and listening to folks in the field led to adjustments and the comments received resulted in additions as well.

The residential account holder credit was streamlined; originally Homestead fee customers were not eligible for credits and that has been changed.

Mr. Greenland advised that there have been requests for tier adjustments. Sometimes property owners may reduce their impervious surfaces. Staff will catch this periodically as information is updated, but a property owner may remove impervious surface in some fashion, and if they apprise staff a modification of the tiers will be made if warranted.

Mayor Starr inquired whether impervious surfaces referred to concrete or asphalt. Mr. Greenland advised that asphalt and travel gravel are hard surfaces. Rooftops, garages, parking areas, driveways and those types of facilities are considered pervious.

Mayor Starr questioned if that meant those surfaces must be removed for credit. Mr. Greenland advised that if such a surface is removed, demolished, grassed over or some parking is removed

the tier will be recalculated accordingly.

Mayor Starr stated that a zoning code requires a certain percentage of a surface to be part surface of driveway area. Mr. Greenland advised that in certain communities those codes are changing to allow impervious pavements.

Mr. Greenland explained that the fee adjustment for the professional engineering expense of preparing credit applications for customers came from the court process. Judge Pokorny asked for this and staff will make a one-time adjustment in their fee not to exceed 10% of the annual pre-credit fee for their cost of professional engineers preparing their credit applications.

Mr. Greenland advised that in terms of reductions in impervious surface, there are two areas: green roofs and permeable pavements. They are both considered pervious. They will come off the calculation, but there are application and recertification requirements to make sure these are engineered and maintained properly.

There are three items to provide credits for educational institutions. The court asked the District to provide the curriculum and make it available to schools. There are three potential options any school could take to achieve this credit. Use the District's curriculum, develop their own that is consistent with watershed management or go to an informal science institution like the MetroParks to obtain that education for the students.

Mr. Greenland advised that comments were received and considered. The two being recommended are the expansion of the quality credit for general permits. It changes the game in terms of industrial customers. There are more than 60 industrial permits and over 300 when individual permits are included. More industrial customers will qualify for that credit.

Staff clarified the requirements for a professional engineer to approve certain applications and re-certifications. Staff did not accept the direct discharge credit. This program has been based on incremental changes caused by impervious surface. Mr. Greenland advised that the landscape was changed and the incremental changes in stormwater -- both in terms of peak flow and volume pollutant discharge -- has changed the game. Staff has been very careful to treat all customers equally in that respect.

Staff must find a regional drainage system more than 300 acres and from that point it traverses down. The major rivers and Lake Erie have never been excluded under that definition.

Mr. Greenland stated that there is still a misunderstanding of the intent of the program. The program is along that 300-acre drainage system, including Lake Erie, to deal with issues created by stormwater, erosion or flooding. The major rivers and Lake Erie are precisely the locations where we will implement improvements.

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Staff continues to disagree with the direct discharge credit. There are a number of activities the District has done on Lake Erie and all of the major rivers; staff will continue to do more in the future. He stated that the District provides broad regional benefits to all customers.

Mr. Brown stated that an example of the concerns often discussed in front of the Board is not just the directive's discharge to these the streams but the volume of discharge and the erosive forces of that discharge.

As a result of changing rainfall patterns the number of trouble spots has been exacerbated over the past 20 years because of the history of erosion and sediment disposition and that seems more frequent. Mr. Brown stated that the issue is the quantity and impact it has on the system as opposed to whether someone gets it out of their facility or community because it must be dealt with it holistically. Mr. Greenland agreed and advised that staff carefully examined the program. There are incremental changes because of impervious surface. He wants to treat all account holders fairly in that regard.

Mr. Greenland advised that staff will work on the major systems as well as smaller tributaries. A site-specific situation will be different. All account holders are eligible for credits. At this time staff has declined to make changes on the direct discharge.

Mr. Greenland indicated that staff feels that although the attempt may be noble, putting hazardous materials under cover is no different than an industrial facility and many commercial or smaller industrial facilities. Rain is still falling on the industrial property, peak flows, volume and pollutant concentrations remain and continue to be discharged. He stated that as new comments are received, they will be entertained. Staff does not think that makes the facility measurably different than a host of smaller industrial and commercial properties. Staff has declined at this time to make that case.

Mr. Greenland stated that Mr. Traves indicated he advises his customers to go to a 25% general permit. He assumed that was possible but subjects one to costs, requirements and exposure with the Ohio EPA. After internal discussion staff does not recommend such a change to the credit policy manual.

The last comment was to remove 3-day usage requirements for certain volume credits for harvesting rainwater. Staff does not recommend a change at this time. Standard practice is to remove stored volumes over a tight time frame to prepare for the next storm. There could be site-specific situations where a facility has oversized their storage that will be determined if there is merit to the concern.

Mr. Greenland stated that staff recommends adoption of the changes to the manual. The credit policy manual is not a static document and may need modification in the future. Many credit applications have been received and additional things may come up that merit changes down the

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road.

Mayor Starr questioned whether capital projects are ready to proceed next year or the year after. Mr. Greenland explained that staff is in the budgeting process now and are developing 2013 projects. The revenue situation is being firmed where there has been significant change with the community cost share up to 25%. Although good in that stormwater management continues, it took about \$6.5 million primarily off the construction total. Staff is also considering master planning, how to stage that effectively and position the maintenance contracts the Board will consider in January.

Mayor Starr inquired what the revenue was stream up to. Mr. Greenland advised it is \$35 million, less the community cost share of \$9 million. There is about \$26 million in usable revenue for the District, which is Operations & Maintenance, construction, technical advice and Phase 2 compliance.

Mayor Starr stated that water quality is easy to explain because everyone is against flooding. He asked Mr. Greenland how he would capsule water quality to a layman. Mr. Greenland stated that it is a big challenge to not get too technical, but the bottom line on water quality and enhancement is all about recreation and opportunities in the community. Kids like to play in streams and go to the beach. Adults like to protect their children. There are issues on the water quality front such as bacteria and staff has to be cognizant making sure water quality is good to protect public health. Mayor Starr stated that was a good answer. He also indicated the marketing campaign has been very good.

Mr. Brown stated that a lot of time, energy and money is invested in putting the program together with national experts and public forums, looking at past practices. The issue of fair and equitable costs and creating a model that could be supported got the District to the end game of creating a regional approach to dealing with stormwater.

As the District continues on the path, it is likely that other agencies will have similar initiatives. Mr. Brown stated that he has always struck by where one organization is in terms of costs versus other similarly situated utilities. That brings in the value-added proposition of what you get for your investment. He stated that the District needs to continue to talk about that message and the importance thereof.

Mr. Brown agreed that the manual is not a static document and as new information is learned from experiences things are either affirmed as valid or raise questions. The Board based upon collaboration with the staff and community will be in a position to make appropriate modifications.

Mr. Brown stated that a great level of due diligence has been invested in pushing this process forward. He thanked the staff and community for what has been a very thoughtful and vigorous

that they would pay a portion of 2009-2010 and pay the whole amount for 2011-2012. She could not identify the reason they were not getting regular billings.

Ms. Kelly questioned if there are safeguards to avoid this situation. Ms. Demmerle affirmed. Staff receives quarterly data dumps from CWD and analyzes accounts to make sure they are billed properly and in a timely manner.

VI. Information Items

1. 2013 – 2016 Strategic Plan

Executive Director Ciaccia advised that a year after he joined the District a strategic plan was developed from which the agency has operated over the last four years. That plan will be updated for the years 2013 through 2016.

The District hired a local small business firm called Improved Consulting & Training Group which helped facilitate the plan. The plan is at the point of developing goals and objectives and he wanted to run them by the Board before moving to the next step of actions and metrics.

At that time, he introduced Dr. Ellen Burts-Cooper, who is the principal of the firm, who was present to provide an update and get input from the Board.

Ms. Burts-Cooper stated that she was the senior managing partner of Improved Consulting and had the opportunity to work with the senior team at the District on the strategy planning process. The approach was taken to focus on continuous improvement and preserve what works well.

The second aspect was making sure that everything from the plan is actionable and measurable.

Ms. Burts-Cooper and her staff have been working an interactive process with the senior leadership team. She stated it is a delight to see 100% active engagement of the leadership team throughout the entire process.

Ms. Burts-Cooper advised that the District's core values anchor everything in the plan.

As the strategic planning process continued, the team decided to overhaul the vision statement. However, it is very much anchored into the core values and combines the District's different functions. "To be the environmental leader and enhancing quality of life in the region and protecting its water resources."

The District went through the same process with the leadership team and considered the mission of the organization. The mission was determined to be to provide progressive sewage and stormwater management through innovation, fiscal responsibility and community partnerships.

Ms. Burts-Cooper explained that was a critical step in terms of naming the strategic areas of focus. Those areas are operational excellence, fiscal responsibility, customer service, community partnerships and organizational and employee effectiveness. The team gave each an operational definition so as we go forward everyone understands as they present strategies that are linked to those core areas of focus.

Operational excellence is to maintain the wastewater system and achieve regulatory compliance. Four areas identified to making sure business processes are adapted to changes in the industry. Ensuring functionality of stormwater assets, resolving issues as it relates to flooding, erosion and catastrophic failure. Establishing organizational competencies to run the daily business as it relates to the plan.

Ms. Burts-Cooper advised that there are two key objectives regarding fiscal responsibility and there will be actions related to each in milestones. Continuing to exercise financial management and utilizing funding alternatives to minimize customer financial burden. That will be further defined by the team.

Moving to customer service, Ms. Burts-Cooper advised that there are three key areas: timely and effective response to customer concerns, responding and incorporating feedback from the customer and establishing a commitment to customer service throughout the District.

Community partnership had three objectives: leveraging partner resources, developing mutually beneficial strategic partnerships throughout the community and making sure the District is positioned as an effective environmental leader.

The final strategic area is the organization internally building on critical human resources and establishing a culture that fosters diversity that is flexible and adaptive to the organizational culture.

Ms. Burts-Cooper advised that having great input from the strategic leadership team was critical to representing every functional area. The planning process is still ongoing but the leadership team wanted to update the Board prior to moving to the next critical step of setting the metrics for each strategy. The next step in the process will put them on project plans to be managed and actionable.

Executive Director Ciaccia stated that what was done developing the performance management system was incorporating the strategic plan, goals and objectives in all of the individual performance plans. That is why this is a critical management piece as the performance management planning is enhanced and carried out.

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Mayor Starr inquired how long the process took. Ms. Burts-Cooper advised that it began in October and there have been four sessions. The next session will be dedicated to metrics and that will conclude with the executive team before moving to project plans over the next month.

Mayor Starr questioned whether the process involves employees other than management, such as administrative assistants. Ms. Burts-Cooper advised that the plan begins with the executive team. At this point they have ownership in each of the strategies. It will move down to different areas of responsibility under this leadership team within the organization.

Mayor Starr stated that he meant nothing against management but “sometimes you get your best ideas from those who are working on the front lines.” Ms. Burts-Cooper affirmed that voice will be incorporated.

Mayor Starr stated that the core values are basic corporate public and private sector values; they would apply to any organization. Ms. Burts-Cooper explained that what makes them unique is going one level further and looking at the strategies specific for the District. They must be balanced across.

Mayor Starr inquired if there were any disputes. Ms. Burts-Cooper explained that throughout the process there was healthy debate and conversation. The team challenged each other and went through an interactive process. Each person had an individual voice and also got together collectively on each of the values.

Executive Director Ciaccia inquired whether Mayor Starr’s question was specific to the core values. Mayor Starr stated that it was not and he was trying to “steal ideas for my city.” Executive Director Ciaccia stated that she and her firm have done a great job.

Mr. Brown stated that the presentation was well done. A number of strategic areas of focus and metrics will be established for each. He asked Ms. Burts-Cooper to talk a little about how that process will work. Ms. Burts-Cooper stated that next Friday the leadership team will meet and discuss particular objectives and indicators they were accomplished. From there it will be determined how to measure it with actual metrics they will assign.

Executive Director Ciaccia stated that there will be multiple metrics.

Mr. Brown inquired whether as the plan pushes through the organization the other business units will go online with the strategic goals and roll in the same direction. Ms. Burts-Cooper affirmed and advised that is a critical part. Each objective will have high-level metrics as they are broken into actionable components. The plan will be completed when everything rolls into the final objectives.

2. Program Management Status and Update – November 2012.

Director of Engineering and Construction, Kellie Rotunno, moved to the first report item and she advised that the Easterly Tunnel Dewatering Pump Station (hereinafter “ETDPS”) excavation is underway and that two shafts have been connected.

Ms. Rotunno moved to the next report item regarding the Euclid Creek Tunnel (hereinafter “ECT”). As of November 30th, 2,478 feet of the 18,000 foot tunnel has been mined. Ms. Rotunno referred an image of the Tunnel Boring Machine (hereinafter “TBM”), Mackenzie, which is equipped with a GPS tracking device. Mackenzie has traveled under I-90 with no disruption to motorists. The mining operations are proceeding according to schedule. Ms. Rotunno noted that Mackenzie travels a maximum five inches per minute. This was discovered when the contractor drove six inches per minute which led to some problems and subsequent downtime of the TBM. Ms. Rotunno assured that the contractor will adhere to Mackenzie’s speed limit as excavation continues.

Ms. Rotunno moved to the next report item regarding the Renewable Energy Facility (hereinafter “REF”) and she advised that the biofilter media installation and surface work are underway. The centrifuge and fluidized bed incinerator #3 train startup is scheduled for January.

Ms. Rotunno moved discussion to the Key Performance Indicators (hereinafter “KPIs”) and she advised that it is not likely that the District will meet its KPI for procuring 95% of the Capital Improvement Program (hereinafter “CIP”) plan. She described this to be an odd metric for the reason that it is not all within the District’s control. The District projects cash targets but cannot control the bids.

Ms. Rotunno advised that the District projected to be at \$130 million at year end, which is below the \$147 million target and a large portion of that can be attributed to low bids. Ms. Rotunno explained that the third KPI for cash flow is a better indicator of the District’s progress.

Ms. Rotunno moved discussion to the engineers’ opinion of probable construction cost and she advised that the average variance of bidders is 1% off the engineers’ estimates.

Ms. Rotunno moved to the KPI for the cash flow wherein she advised that this area results in some overlap between the Finance and Engineering departments. The draw-downs on those accounts are attributable to this cash flow metric. The District is forecasting within 92% of its cash flow, which according to Ms. Rotunno is remarkable in any utility agency.

Ms. Rotunno moved to the KPI for the management of the construction program and she advised that the Painting and Maintenance Repair 2 closed out in November and that the Spiral Screw Pump Rehabilitation project is projected to close out as well. The cumulative percent is 88.2% and Ms. Rotunno advised that the District is well within its 95% KPI range.

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Ms. Rotunno moved discussion to the KPI for the Business Opportunity Program and she advised that the District met its goal of aggregate participation at 20% and exceeded its cumulative participation at 28%. Ms. Rotunno referred to a graphic of the cash flow for the Business Opportunity Program, which she stated is being delivered as projected.

Ms. Rotunno concluded her report with a quote from David Bly, "Striving for success without hard work is like trying to harvest where you haven't planted."

There were no questions from the Board for Ms. Rotunno.

3. Cleveland Write-Offs.

Jennifer Demmerle, Director of Finance, clarified that those write-offs were specifically for Cleveland accounts for the years 2004 and 2005. There were no write-offs for Cleveland Heights's accounts. The District is writing off approximately 10,000 accounts in the amount of \$2.6 million. Ms. Demmerle advised that the District typically writes off inactive accounts which have been on the list for six years or longer with no cash activity. The District is taking a more aggressive approach and will be writing off accounts through 2009 by the first quarter of 2013.

There are 21 million inactive accounts that are greater than two years old. Staff felt there is no need to hold those as part of receivables and on financial records, so they will be written off.

The majority of the write-offs are final bills, which continue to be a problem. Staff is in discussions with CWD on things to resolve this issue. Staff also have had meetings with the Cuyahoga County Board of Realtors but have not had any conclusions yet.

Ms. Demmerle advised that there are a variety of reasons for the final bills, including timing of meter readings, timing of transfers and the amount held in escrow.

The amounts are consistent with what is written off every year. There have not been any increases yet, but once the accounts catch up to when the economy worsened in 2008-2009 is when more accounts at a higher dollar amounts will be written off.

Deputy Executive Director Bucci added that in discussions with CWD, staff believes the AMR implementation will help with the timeliness of getting reads for the final bill. So we think that's going to be an improvement, because that's one of the issues, getting a meter reader out to a single property at the time of closing.

Executive Director Ciaccia advised that this will be a topic of discussion regarding accounts receivables and how collections on final bills can be enhanced. It has been a long-standing problem.

Executive Director Ciaccia clarified that Cleveland accounts means Cleveland-billed accounts. Some of them are in the suburbs and billed by Cleveland or Cleveland Heights.

4. Director of Law Claims Report

Marlene Sundheimer, Director of Law, stated that she twice yearly provides accounting to the Board of all claims and litigation particularly so they have an idea of range of settlements on some claims. They include third-party insurance claims, and customer account claims that have been settled, as well as, litigation. She indicated she was available if there are any questions.

Mr. Brown stated this report would be in accordance with the Bylaw adopted previously that indicated the Board would ask the Law Director to provide an update on the status of claims to see the activity, what was pending and what the liabilities.

Mr. Brown asked the Board to reach out if they have a particular question or issue on any of the pending cases.

VII. Public Session (any subject matter)

No members from the public registered to speak at Public Session.

VIII. Open Session

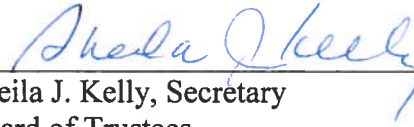
There were no matters for Open Session.

IX. Executive Session

Mr. Brown stated that there were no matters for discussion during Executive Session.

X. Adjournment

MOTION – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved and Mr. O'Malley seconded the motion to adjourn at 1:49 p.m. Without objection, the motion carried unanimously.



Sheila J. Kelly, Secretary
Board of Trustees
Northeast Ohio Regional Sewer District



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