

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES
SPECIAL MEETING
MAY 3, 2021

A Special Meeting of the Board of Trustees of the Northeast Ohio Regional Sewer District (NEORS) was called to order at 1:30 p.m. by Darnell Brown. The purpose of the meeting is to conduct a working session with District staff to review and consider rate adjustment scenarios, options, and related items for years 2022-2026.

President Brown opened the meeting by addressing the COVID-19 pandemic, and read the following statement:

Due to the COVID emergency, we are again conducting our Board meeting via live stream video conference using the Zoom Video Communications tool and pursuant to continuing authority of House Bill 404.

Members of the public may observe and hear the meeting using the Zoom login link found on the top of the District website, and those who wished to address the Board were able to make that request through the Zoom system prior to the start of the meeting.

I. Roll Call

PRESENT: Darnell Brown
Ronald Sulik
Samuel Alai
Jack Bacci
Timothy DeGeeter
Sharon Dumas
Terence Joyce

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

II. Review of 2022-2026 Rate Study Handout

President Brown stated that the Board of Trustees had reconvened for the purpose of continued discussion regarding NEORS's 2022-2026 rate proposal, to review the Rate Study Handout, and answer questions submitted by Board Members to NEORS since the April 7 special meeting.

Kyle Dreyfuss-Wells, Chief Executive Officer, explained that NEORS had prepared answers to the Board's questions and performed further analysis as requested and rate scenarios would be presented for a 4.7% increase, a 4.4% increase, and a 4.2% increase.

Beginning with the 4.7% rate increase scenario and addressing the question of how the forecast changed so drastically from the prior rate study projection of a 9.6% increase, Ms. Dreyfuss-Wells explained that it is due in large part to construction planning, Consent Decree negotiations, and significant reduction in operating expenses.

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Ms. Dreyfuss-Wells invited Devona Marshall, Director of Engineering and Construction, to discuss this further.

Ms. Marshall advised the Board that she would be discussing three aspects of the Capital Improvement Program (CIP): the ten-year CIP plan, the annual CIP planning process, and the focus on project management and optimization.

The ten-year CIP plan supports financial planning, including the setting of five-year rate cycles, and supports both the NEORSD workforce and project packaging planning, which is very important to the delivery side of the plan. Of note, the near-term projections within this plan are much more accurate than the long-term projections because the near-term projections are supported by design level information and sometimes, construction level information. Long-term projections are based on planning information.

The annual CIP planning process is a yearly update of the ten-year CIP plan based on updated information. NEORSD has a sophisticated annual process which ensures that available funding is spent on the most critical projects. This process has been in place for several years and is always improving. It allows NEORSD staff to identify, validate, and prioritize projects, then adjust prioritization within the ten-year plan.

In the years 2017 through 2021, the annual CIP planning process resulted in \$35 million in cashflow that was unrealized due to projects that were delayed or removed because there were higher priority projects. However, it also resulted in \$46 million in added cashflow through those higher priority projects that were identified.

Jim Bunsey, Chief Operating Officer, added that it is important to realize that the annual CIP planning process is of significant use to the Operation and Maintenance (O&M) Department, especially as it relates to the wastewater treatment plants (WWTPs) and pump stations. It allows for detailed planning for equipment replacement due to obsolescence and end of useful life. Additionally, it allows plant staff to focus more on maintenance than the installation of new equipment, thereby lengthening the useful life of NEORSD assets. There is an added benefit of allowing plant staff to nominate equipment in need of replacement, prioritize it, and budget accordingly.

Ms. Marshall explained that the third aspect of CIP is the focus on project management and optimization. A primary focus of the management of the CIP is cost and schedule, as is reflected in Engineering and Construction's project and program level Key Performance Indicators (KPIs).

Each year, NEORSD sets a value engineering KPI to challenge staff to find more effective and efficient ways to complete projects while meeting the needs of O&M and any applicable regulatory requirements. NEORSD realized \$40 million in saved cashflow in the years 2017 through 2021, by utilizing this process.

Mr. Bunsey noted the importance of providing the engineer's estimate as accurately as possible, for the purpose of financial planning. For this reason, the KPI for project engineer's estimates compares the engineer's estimate to the average of the lowest three bids received, not all the bids received. This is done in an attempt to have the engineer's estimate be competitive with the low bids on a project and as low as reasonably possible.

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Over the current rate period, the Engineering and Construction Department has delivered \$1 billion worth of construction. Of that construction, the low bids were \$79 million, equaling 7%, under the engineer's estimate. The lowest bids are coming in lower than the engineer's estimate and the bidding market has been very competitive in recent years. It is anticipated that there will be higher bids and increased project costs due to inflation and other factors. This is evident in projects such as the Shoreline Storage Tunnel (SST) project, where only one bid was below the engineer's estimate.

Due to vagaries of the marketplace and unknown future inflation, NEORS is comfortable with its estimating process and KPIs and does not recommend modifying the process at this time.

President Brown added that these forecasts are based on assumptions and there is opportunity to continue to amend the assumptions. Mr. Bunsey agreed and added that the staff always tries to ensure that the engineer's estimates are accurately reflecting the marketplace.

Ms. Marshall compared the planning from the last rate study performed in 2016 to actuals for the years 2017 through 2021 to explain the discrepancies.

The total projected spend of the CIP for those years was \$1.3 billion. Compared to the actuals with projections for 2021, as it is still ongoing, the spending is tracking at close to \$1 billion. The reduced spending is due in large part to the modifications to the Consent Decree, which resulted in \$90 million in savings in future construction costs. The modifications also delayed the Southerly Parallel Treatment project, the Easterly Chemically Enhanced High-Rate Treatment (CEHRT) project, and the Westerly CEHRT project. These projects were postponed pending completion of the Consent Decree modification negotiations with the Environmental Protection Agency (EPA) and the U.S. Department of Justice, delaying the spending of \$228 million.

There was significant and uncommon value engineering accounting for \$39.5 million in savings, primarily due to the changes to the Morgana Run Relief Sewer project. Value engineering savings are usually closer to \$100,000 on a given project or aspect of a project.

NEORS has also benefitted from competitive bidding. Contractors like working for NEORS, which is a testament to the management and the consistency with which bills are paid. The low bids received in 2020 were an anomaly due to unknowns and differing circumstances. Ms. Marshall provided a graphic demonstrating four projects that resulted in \$73.5 million in bid savings.

The annual planning process that reprioritizes spending of available funds resulted in \$35 million in delayed or removed projects, and the addition of \$46 million in projects based on risk and criticality.

President Brown asked if his understanding is correct that the refined process for creating engineer's estimates and value engineering have resulted in savings and while staff will continue to hone the processes and the margins become smaller, there will continue to be some benefit of this going forward. Ms. Dreyfuss-Wells explained that while staff will continue to do this work as they have, there is an expectation that the market will continue to tighten, and costs will increase.

Ms. Marshall added that staff will continue to look for opportunities to save money. Additionally, the large projects are debt-financed, meaning that they are often not paid for until the next rate study period.

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Mr. Duplay clarified that there is a two-year window between project initiation and when debt service payments begin for a loan-funded project. A project started early in the period may impact the current period; however, a project beginning in year two or year three would not impact the current rate period.

Ms. Dreyfuss-Wells thanked Ms. Marshall for her presentation and invited Mr. Duplay to present the next section of the handout.

Mr. Duplay explained that there are several factors that allowed NEORS to decrease its recommended rate increase from 9.6% to 4.7%. Construction planning and value engineering are one component, and 75% of those reductions relate to the Consent Decree, as \$228 million in delayed projects resulted in \$90 million in savings going forward.

Borrowing and debt management are also a significant factor. There were three successful debt refinancings since 2017 which resulted in over \$83 million net present value savings and an over seven-figure impact on the debt service for this five-year period. Value engineering resulted in lower costs on projects which led to smaller loans and less borrowing, compared the prior model. Those projects were funded primarily with low interest loans, per the plan coming out of the last rate study. The interest rates for these loans ranged from 0.48% to 2.39%, which is historically low and may not be seen again in this lifetime. All loans were below the assumed planning rate of 3.2% in 2016.

Savings are also a significant factor in the rate reduction. Operational readiness initiatives to streamline utility use and staffing resulted in \$24 million in savings. Through effective management of staffing levels, the beginning budget for 2022 is \$11 million lower in salaries and wages than the 2016 proposal for 2022. Additionally, gross operating expenses for 2022 through 2026 are \$209 million lower than the 2016 projection.

Ms. Dumas commended Mr. Duplay for the work done in refinancing and debt management and added that the 9.6% rate increase for 2022 that was projected in 2017 is tenuous inasmuch as the farther in time the projection is, the more difficult it is to project. In that exercise, the rates were being set for only the next five-year period with unknowns such as market performance and costs being projected for years six through ten. Mr. Duplay agreed with Ms. Dumas that the farther in time a projection is, the less reliable it is and added that they are treated as an estimation and fine-tuned to come in below the estimation when possible. Ms. Dreyfuss-Wells added that the staff has been motivated in its efforts to reduce the 9.6% rate increase projections. Ms. Dumas commended the staff for their efforts and achievements within the Consent Decree to decrease the recommended rate increase.

Regarding savings, the current typical sewer bill for .5 MCF for 2021 is \$63.03. The suggested rate increase of 4.7% will result in an average monthly bill for 2022 of \$65.90 per month versus \$69, which was projected for 2022 in the last rate model. For the year 2026, under the last rate study, the average monthly bill was projected to be \$99.50. Under the 4.7% increase scenario, the typical monthly bill is projected to be \$79.20 per month.

The needs of the current rate study are based on debt service, capital funding, and operations and maintenance costs. Each of those components make up approximately one-third of the required funding over the five-year period. Lowering the 4.7% rate increase by 0.1% will save the customer an average of \$0.20 per month on their bill, for a total of \$30 over the five-year period.

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To lower the bill 0.1% over the five-year period, it would take \$1.5 million per year over the five years of savings in either operations costs or debt service because of the need to maintain 1.5 times total debt service coverage as a management target.

President Brown and Ms. Dumas expressed an interest in receiving more detailed information regarding the comparisons that Mr. Duplay provided.

III. Review of 2022-2026 Rate Proposal

Ms. Dreyfuss-Wells indicated that, as was discussed at the April 7 Board of Trustees meeting, NEORS D recommended a 4.7% increase each year from 2022 through 2026, to maintain the desired level of service, the need to maintain debt service coverage, and to balance the use of cash to fund capital projects, take advantage of favorable interest rates and borrowing terms, as well as to incorporate the operating expense and debt service savings realized between 2017 and 2021.

NEORS D has evaluated and is comfortable recommending a 4.4% rate increase for the Board's consideration. There will also be discussion regarding a potential 4.2% rate increase and the concerns associated with that option.

Ms. Dreyfuss-Wells invited Mr. Duplay to discuss the various scenarios.

Mr. Duplay began with the 4.7% scenario, providing a graphic which demonstrated the typical long-term planning rates of 2% decline in consumption and 4% bad debt assumption. Financing terms in this scenario are significantly more fine-tuned than the previous model. The assumptions are closer to the actual rates seen today, 0.75% and rising gradually over time. Design loans continue to be 0% and five-year terms. Some of the policies built into the model assume \$35 million as a cash funding threshold. Any project over \$35 million would be considered for a loan, and under that amount would be cash funded. A ninety-day O&M reserve is required for trust agreements. There is a minimum target in the capital reserve of \$100 million and minimum days of cash on-hand is 400 days.

Other global assumptions included in the scenario include modifications to the Affordability Program and the participating rates. The changes being proposed are raising the median household income eligibility, allowing renters who pay their sewer bills to be eligible, as well as increasing the number of participating accounts by 10,000 over the five-year period. The movement of these customers from the full rate to the affordability rate over time resulted in a 0.2% higher rate increase.

The Member Community Infrastructure Program (MCIP) would maintain the \$15 million per year level then increase starting in 2027 to \$30 million per year gradually. The Green Infrastructure Grants Program would be funded at \$1.5 million per year. This would maintain all of the reserves at the minimum levels required. Stormwater would continue to be a cash-funded program with no debt.

Starting in 2022, there would be a 4.7% rate increase annually through 2026, then a 4.2% annual increase for the next five years. Over time, all debt service coverages would be met.

The primary driver for this scenario is total debt coverage. In 2026, there is a bottleneck in the projection where there begins to be pressure to maintain the management target of 1.5 times total debt service coverage,

then in the years following, would maintain coverage at that level. Similarly, days cash on hand is currently at a 1,300-day level through 2024, which then tapers down over time as the currently funded projects move through their cycle and newer projects with cash funding begin to take hold.

Ms. Dumas asked what the total debt service requirement for the Trust Agreement is. Mr. Duplay explained that the total debt service coverage requirement for the Trust Agreement is 1.0 times; however, the debt policy accepted by the Board many years ago has a minimum target of 1.05 times, and the management target is 1.5 times. Ms. Dumas asked for clarification as to whether NEORS would still be in compliance if the 1.5 times goal was not met. Mr. Duplay explained that if NEORS were to drop below 1.0 times the debt coverage, that would trigger potential violation of the trust agreement.

Ms. Dumas asked for a detailed explanation of days cash on hand. Mr. Duplay explained that days cash on hand is a calculation of the cash and investments on hand divided by the average expenses per day to determine how many days the organization could continue to operate using only the funds currently available. NEORS is currently has 1,300 days, or approximately four years, of cash on hand.

Ms. Dreyfuss-Wells informed the Board that she and Mr. Duplay have had multiple conversations regarding days cash on hand and the need to raise the revenue to fund operating expenses and debt service in a given year. Mr. Duplay explained that the debt service coverage is calculated based on a current year's revenues, operating expenses, and debt service. The obligation to maintain these coverages is that each year requires the revenues to be raised sufficiently to pay for operating expenses, debt service, and essentially 50% more of debt service. That 50% more of the debt service that would be used to fund projects to help offset the total debt load.

Mr. Duplay provided additional graphics demonstrating the cash on hand, the CIP funding type over time, as well as the projected O&M expenses over the five-year period under the 4.7% rate increase scenario.

Mr. Duplay presented graphics demonstrating the model using a 4.4% rate increase scenario. The primary change under this scenario is policies. The target for cash funding projects is raised to \$50 million, and any projects above that, of which there would not be many, would utilize low interest loan funding.

The 4.4% rate increase scenario would utilize more cash over the period and result in less debt. It does not exclusively, but mostly, funds projects under \$50 million with cash. There is still opportunity to analyze large design projects in excess of \$20 million to potentially utilize loan funding and pay for it over 30-to-45-year term more appropriate for long-term assets.

Under the 4.4% rate increase scenario, the average customer would save \$37 over the course of the five-year period versus the 4.7% rate increase scenario.

The 4.4% rate increase scenario changes the capital funding mix to fund most capital projects with cash. In 2022, 25% of the capital will be funded and over the five-year period, one-third of the projects will be cash funded, at a total of over \$430 million. This allows for a quicker spend down of cash balances from the current 1,300 days cash on hand to 988 days cash on hand by the end of the rate period.

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The financial metrics are maintained but closer to the minimum total debt service coverage target in several future years. This scenario also leads to a bottleneck year in 2026 for debt service but maintains the target several years beyond.

This scenario may be more sensitive to real world variations from the assumptions in the model. NEORSD has benefitted from low interest rates and savings in the construction program in recent years and has fine-tuned projections surrounding these issues but could potentially be more sensitive if these factors became less favorable. Efforts would continue to achieve cost savings and best balance the use of cash to benefit ratepayers.

Under a 4.2% rate increase scenario for the years 2022 through 2026, all of the metrics are met, except the total debt service coverage falls below the 1.5 times target rate in 2026. This scenario saves the average ratepayer \$30 over the course of the five-year period. In order to return to 1.5 times debt service coverage in 2027, there would need to be a rate increase of 5% in 2027, then tapering down to 4.2% over time.

In order to achieve 1.5 times debt service in 2026, NEORSD would have to further reduce operating expenses. Operating expenses have already been reduced by \$200 million for that five-year period, from the 2016 projection. The operating needs projections are very fine-tuned, and it is possible that all of the financial metrics would not be met in 2026.

Mr. Sulik asked whether the 4.4% and 4.2% rate increase models also assume full adoption of the changes to the Affordability Program. Mr. Duplay explained that they do.

Ms. Dumas asked Mr. Duplay what other options might be available other than reducing operating costs if the Board wanted to embrace a lower rate increase. Additionally, Ms. Dumas requested clarification regarding the savings to ratepayers. Mr. Duplay explained that the difference in costs to ratepayers to go from a 4.7% increase to a 4.4% increase is a savings of \$37 total over five years, and the savings from 4.4% to 4.2% is a total of \$30 over the five-year period. Ms. Dreyfuss-Wells added that the savings achieved from adopting a 4.2% increase versus a 4.7% increase is approximately \$60 total over the five-year period.

Ms. Dumas noted that a relatively small savings to individual customers could have an adverse impact on debt service coverage and capital spending.

Mr. Duplay explained that the other way to achieve coverage would be to project a lower debt service. The projected rates start at three quarters of one percent for 2022. The numbers increase over time and are very fine-tuned. It is doubtful that they could be comfortably lowered further.

NEORSD staff has spent significant time working with Stantec's team to ensure that this model very accurately depicted the District's borrowing patterns through the loan program. While the projections are conservative, they are reflective of the market as it exists today. It will be monitored over the next five years as there is a possibility that the rates rise more quickly than projected.

President Brown noted that with the last rate study, the first five years were predictable and reliable and the same could happen again. The policy is to maintain 400 days cash on hand and all of the models provide NEORSD maintain days cash on hand above 600. Assuming that the difference between the 4.4% rate increase scenario and 4.2% rate increase scenario is \$3 million per year, and all of the variables hold up, there might be

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some risk, but not to the point of violating any policies. President Brown added that there is a case to be made for a 4.2% rate increase versus a 4.4% rate increase, and he would like to hear the opinions of other Board Members in that regard.

Mr. Sulik asked Ms. Marshall and Mr. Bunsey if they have had any discussions with construction contractors regarding the rising costs of construction materials. Mr. Bunsey explained that he received two calls from contractors advising of increased materials costs for the Shoreline Storage Tunnel project warning that the bids for the project were not likely to be within 10% of the engineer's estimate as required by Ohio Revised Code. This was reflected in the bids received that were significantly higher than the engineer's estimate, likely due to increased materials and labor costs.

Ms. Marshall added that there has also been an increased lead time to receive equipment and materials, which may also be inflating costs. In some instances, suppliers are not willing to provide pricing until the materials and/or equipment are ready to ship to the job site. There are currently a number of unknowns that contractors must consider when preparing bids.

President Brown added that while there are many uncertainties now, that may not hold true over the next five years.

Mayor Alai asked, regarding large capital projects and Consent Decree projects where there is \$1 billion out at any time, as these large projects are completed, will those dollar amounts decrease and might that be used in future projections.

President Brown asked whether federal funding under President Biden's infrastructure program is anticipated and added that there are variables that could positively impact NEORSD.

Ms. Dreyfuss-Wells explained that specifically as it relates to the President's infrastructure efforts that could potentially provide benefit, it appears that there will be a continuation and increase of state revolving loan capacity as opposed to grants. Loans do not reduce overall costs.

While there are many variables that can influence costs over the next five years, at the rate setting level, staff must recommend to the Board something which is conservative and protective of NEORSD going forward, as has always been done.

Ms. Dreyfuss-Wells added that the variables being discussed, the infrastructure spending from a federal level, and the increases in construction costs are a factor that will influence the next five years; however, staff is not comfortable with incorporating those into the rate setting process at this phase.

Ms. Marshall responded to Mayor Alai's question and explained that Project Clean Lake has been ongoing for 10 years. It was heavily front-loaded in terms of getting projects through the design phase and into construction. Currently, \$1.2 billion has been awarded or spent and \$500 million to \$1 billion more will be spent on Project Clean Lake in coming years. In evaluating years projected out, there is a significant decrease in the Capital Improvement Program and overall spend as Project Clean Lake projects are completed.

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Mr. Duplay added that the peak of the construction period for the Consent Decree is 2023 through 2026, at \$300 million per year. This begins to decrease in 2027, to \$200 million per year. This is still a significant capital plan, but it will decrease as the bulk of the Consent Decree projects are completed.

Mr. Joyce noted that the cost of the Member Community Infrastructure Program (MCIP) is doubling and asked for confirmation that staff had accounted for that cost. Mr. Duplay responded affirmatively, noting that the program will continue to hold at \$15 million per year for the next five years, then begin to increase in 2026, reaching \$30 million by 2031. This is factored into the projections.

Mayor DeGeeter offered his appreciation for the presentation and staff addressing the questions posed by the Board. Mayor DeGeeter added that 4.2% is better than 4.4% for ratepayers and the Board should evaluate whether it can be achieved.

Ms. Dreyfuss-Wells explained that staff is comfortable with the 4.4% rate increase scenario because it meets the debt service coverage and spends down some cash. The District has had high cash reserves since 2012, which have grown over the last rate cycle because of the cost savings that the Board has set the tone for and staff has taken advantage of, as well as a favorable market.

Under the 4.4% rate increase scenario, the cash on hand decreases as more projects are cash funded, and the 1.5 times debt service coverage is maintained throughout.

While the 1.5 times debt service coverage is a management target, it has been maintained by NEORS D throughout its history. Staff is not comfortable violating the target particularly when it is of minor benefit to customers.

Ms. Dreyfuss-Wells emphasized that the 4.2% rate increase scenario would necessitate higher rate increases in later years, and in order to meet debt service coverage in 2026, operating expenses would have to be further reduced.

Mr. Duplay added that the management target of 1.5 times debt service coverage and maintaining cash on hand were a major factor in NEORS D being rated at Aa1, and AA+, which directly resulted in the saving achieved through refinancing. It is a major factor for the rating agencies and significantly offsets outstanding debt and projected capital. It has been a driving factor to help realize savings for the ratepayers.

There is currently \$160 million in bonds still outstanding and eligible for refinancing including the current 2021 refunding that has been on hold due to economic conditions. There is still potential to utilize that rating and debt service coverage for additional significant long-term savings to customers.

Ms. Dumas added for clarification that she is not critical of the 1.5 times debt service goal, as it is a commendable goal, rather making the point that being below 1.5 times debt service does not put NEORS D in jeopardy by way of rating agencies. Additionally, the projected reduction was 1.48, which is not a significant variance from the 1.5 times goal.

Ms. Dumas added that the goal is not to recoup the reduced rate in the next two years outside of the rate schedule, it is not a deferral of a rate. If the Board desires a reduction of the rate, they want it to be a true

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reduction going forward, which is why other metrics and scenarios were requested. The suggestion was not to reduce operating costs or default on debt requirements, rather to look for other ways of achieving the goal.

Ms. Dumas added that staff is extremely diligent in operations, construction administration, and conserving funds. While not being critical, the suggestion is to expand the scope to find alternative resolutions.

Ms. Dreyfuss-Wells informed the Board that there was information included in the materials provided regarding the Stormwater Program. The recommendation from staff is that any rate proposal is applied be applied to both stormwater and wastewater.

IV. Summary of Recent Meetings

a. Public Meetings April 23rd and April 24th

Ms. Dreyfuss-Wells advised the Board that there were two public meetings held virtually and attended by Ms. Dreyfuss-Wells; Mr. Duplay; Constance Haqq, Chief Administrative Officer; and other members of senior staff, who were available to answer questions. They were very effective meetings with 130 people in attendance. Many of the attendees were staff; however, there were very good questions posed by the public.

b. Industrial Meeting April 26th

Ms. Dreyfuss-Wells advised the Board that the second industrial users meeting was held on April 26 and was well attended. Mr. Duplay; Frank Greenland, Director of Watershed Programs; Doug Reichlin, Deputy Chief Operating Officer; and Scott Broski, Environmental Services Superintendent, managed the meeting.

c. Mayor Jackson and Council President Kelley

Ms. Dreyfuss-Wells advised the Board that staff met with Mayor Jackson and Council President Kelley. This was in addition to the meetings reported on previously with the Suburban Council of Governments and with County Executive Budish.

V. Review of Timeline

Ms. Dreyfuss-Wells advised the Board that at the May 6 regular Board of Trustees meeting staff will address any additional questions or concerns from the Board. Staff would like to send the proposed rates to the Member Communities for their 30-day notice after the May 20 Board of Trustees meeting. This would allow for any additional concerns to be addressed at the July 1 Board of Trustees meeting, and potentially present for the Board's consideration at the July 15 meeting. This timeline would also provide the City of Cleveland, Division of Water ample time in advance of 2022 to implement any changes to the billing system necessitated by updated rates.

President Brown noted that the proposed timeline will be dependent upon feedback received both publicly and from the Board to address additional questions and to ensure that the Board has clarity as to the options and opportunities.

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President Brown expressed his appreciation to Ms. Dreyfuss-Wells and staff for the presentation, dialog, and response to Board questions. Additionally, President Brown thanked the Board for their attention and questions, as this is an important matter to NEORS and the community as the decisions made will impact the community environmentally and financially. The goal is to achieve fair and equitable rates moving forward.

President Brown added that as to the discussion of predictability of the impact of the first five years of a rate study on the last five years of a rate study, especially as the last five years of a rate study are more difficult to predict, it is important to consider that the current rate increase scenarios are not as high as were projected previously. It is imperative to ensure that NEORS is financially well positioned to meet its obligations and perform its duties the public needs to have the lowest percentage of increase required to attain that outcome.

VI. Next Steps

a. May 3 Public Meeting

Ms. Dreyfuss-Wells advised the Board that the third and final public meeting would be held virtually on the evening of May 3.

Mayor Alai inquired as to whether it is anticipated that the July 1 meeting would be held virtually or in person and what that might look like.

Eric Luckage, Chief Legal Officer, advised that the extension of online meeting authority was included in the House version of the State Budget Bill. If passed, it would allow virtual public meetings to be held through the end of the year. As it stands right now, the current order expires on July 1, which means that the July 1 meeting would most likely need to be held in person. If the Senate version of the Bill includes the extension, it is likely to be included in the final version of the Bill, which is usually not signed by the Governor until the end of June.

Ms. Dreyfuss-Wells indicated that staff is planning for an in-person meeting unless an extension is granted.

VII. Comments from Public

Gregory Friedman asked whether there are any union contract negotiations before 2026 that could raise operating expenses and how contract negotiations are taken into consideration in the forecast process.

Elizabeth Brooks, Director of Human Resources, explained that NEORS would anticipate renegotiating contracts with all three of its unions before 2026. Both AFSCME 2798 and IUOE 18-5 have contracts that run through December 2023. For the OPBA Union, the current contract runs through June 30, 2021. If the contract durations remain the same, they would be renegotiated mid-2024.

As to how pay increases are factored in, Mr. Duplay explained that there are projection factors for salaries, wages, and benefits that reflect expected and observed increases for union and non-union personnel. There are a range of outcomes that are factored into the projections to account for the results of union negotiations.

Mr. Friedman submitted a comment that sewer rates increasing from \$62.95 in 2021 to \$91.65 in 2030 appears to be far above the current estimated range of inflation.


Mr. Duplay responded by explaining that the increases are related to the projected rises in costs and different cost factors rise at different rates. NEORS D's drivers are debt service, costs associated with construction, and other operating expenses such as salaries and benefits. The rates reflect the needs of NEORS D and are not necessarily reflective of inflation as a number.

VIII. Adjournment

MOTION - President Brown stated business having been concluded, he would entertain a motion to adjourn. Mayor Bacci moved, and Mr. Sulik seconded the motion to adjourn at 3:04 p.m. Without objection, the motion carried unanimously.



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



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