Northeast Ohio Regional Sewer District
Policy for Public Purpose Expenditures

Effective Date: October 15, 2015

Section 1.0 Public Purpose Expenditures Policy Statement

The Northeast Ohio Regional Sewer District (the Sewer District) Board of Trustees (the Board) recognizes that public funds must be spent only for public purposes pursuant to Ohio law. This Policy for Public Purpose Expenditures (the Policy) establishes guidelines for certain categories of expenditures that meet the following requirements:

1. Directly relate to the Sewer District’s core functions and strategic goals and objectives.
2. Required for the general good of ratepayers and citizens of the region.
3. Support the Sewer District’s Mission: Provide progressive sewage and stormwater management through innovation, fiscal responsibility and community partnerships.
4. Promote the efficient and effective administration of its operations, programs and employees.

This Policy is intended to comply with Ohio Auditor of State guidance on certain categories of expenditures set forth in this Policy.

Section 2.0 Public Purpose Doctrine in Ohio

Governmental entities only have such powers as are granted to them by law, through statutes, express powers, or implied powers. The Public Purpose Doctrine states that any expenditure of public funds shall serve as a benefit to the community as a whole, and which, at the same time, is directly related to the functions of government. An expenditure is allowed if the primary purpose is to further a public purpose, even if an incidental private end is advanced.\(^1\) The test is whether the expenditure is directly related to the purpose for which the governmental agency was created, and is in furtherance of the duties and responsibilities of its governing body, executive officers, directors, employees, and representatives.

Section 2.1 Purpose of the Northeast Ohio Regional Sewer District

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\(^1\) State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951).
The Northeast Ohio Regional Sewer District was created by Court Order in 1972 as a regional sewer district under the Ohio Revised Code Chapter 6119, just two years after the establishment of the US Environmental Protection Agency (US EPA), to carry out the mandates of the Federal Water Pollution Control Act of 1948, the first federal law to address water pollution. The 1972 amendments to the Water Pollution Control Act became known as the Clean Water Act (CWA).

The CWA established the structure for regulating pollutant discharges in the waters of the United States and gave US EPA the authority to implement pollution control programs and to set water quality standards. The CWA also made it unlawful to discharge pollutants from a point source without a permit, funded the construction grants program for sewage treatment plants, and recognized the need for watershed planning to address critical problems posed by nonpoint source pollution.

The Sewer District, through its regional wastewater system\(^2\), and the Sewer District’s 62 member communities, through their local wastewater systems, provide sanitary and stormwater infrastructure and services to their citizens, businesses and institutions. Collectively, these regional and local governmental functions are essential to implementing the CWA to protect public health and improve water quality in Lake Erie and its tributaries. Since its establishment, the Sewer District remains committed to pollution prevention activities, directing necessary public investments towards compliance with the CWA and by providing clean water for future generations of customers and citizens of the region.

**Section 2.2 Core Functions of the Northeast Ohio Regional Sewer District**

The Sewer District carries out these legal mandates by providing progressive sewage and stormwater management through its core functions which include five strategic areas of focus: operational excellence, fiscal responsibility, customer service, community partnerships and organization and employee effectiveness. Specifically, the Sewer District’s core functions include the following categories of activities:

1. Operating and maintaining Sewer District facilities and conveyance systems, including system monitoring and testing.

2. Adopting rules and regulations and exercising regulatory authority over all local sewer collection facilities and systems in the Sewer District, including both storm and sanitary sewer systems.

3. Maintaining and managing of sustainable financial practices and rate schedules.

\(^2\) R.C. 6119 defines “wastewater” as any storm water and any water containing sewage or industrial waste or other pollutants or contaminants derived from the prior use of the water. The definition includes both sanitary sewage and stormwater. Throughout this Policy, the term “wastewater” will be used as such.
4. Managing planning, engineering design, construction, and technology activities.

5. Providing assistance and support to member communities in meeting regional sanitary and stormwater management needs.

6. Managing human resources activities to ensure long-term institutional capacity.

7. Delivering effective customer services activities.

These core functions are essential to the Sewer District’s ability to effectively and continuously meet its legal mandates. The successful implementation of these core functions relies on a range of specific Sewer District programs and activities that are covered under this Policy for Public Purpose Expenditures detailed below. These programs and activities align with and support the Sewer District’s primary governmental functions and are implemented through annual performance goals and objectives tied to the Sewer District’s five-year Strategic Plan.

Section 3.0 Programs and Activities Covered by Public Purpose Expenditures Policy

The Board, by the adoption of this Policy for Public Purpose Expenditures, has determined that the specific categories of expenditures for the programs and activities set forth in this Policy are allowable expenditures under the Public Purpose Doctrine for the following reasons:

1. They are necessary and proper for the purpose of carrying out the core functions of the Sewer District;

2. The primary purpose of these expenditures will benefit the Sewer District’s customers, ratepayers, member communities, and the general public;

3. These expenditures are directly related to the governmental functions and objectives for which the Sewer District was established; and

4. These expenditures will not benefit solely private interests.

3.1 Business Opportunity Program

The Business Opportunity Program (BOP) allows the Sewer District to provide specific opportunities to certified minority business enterprises (MBEs), women business enterprises (WBEs), and small business enterprises (SBE’s) to do business with the Sewer District as a prime or a subcontractor in the Sewer District’s contracts. The program authorizes the Sewer District to set MBE/WBE and SBE goals for professional services and construction contracts, as well as, for the procurement of supplies, equipment and general services. The MBE/WBE component of the program was developed based upon the results of an intensive disparity study that found
both statistical and anecdotal evidence of business discrimination against MBEs and WBEs in the Sewer District’s relevant market area.

**Why Expenditures Serve a Public Purpose.** The Business Opportunity Program serves an important public purpose because MBE/WBE and SBE companies, who would otherwise be unable to compete as prime contractors on many of the District’s very large projects, have a chance to share in and financially benefit from the work we do. In addition, the BOP supports entrepreneurship and makes a positive contribution to the local economy.

### 3.2 Good Neighbor Ambassador Program

The Sewer District created the Good Neighbor Ambassador Program in 2013 to provide a transparent and positive presence in communities that are directly impacted by Project Clean Lake construction work. Project Clean Lake includes construction of deep storage tunnels, treatment plant enhancements, green infrastructure, pump stations, storage tanks, and other sewer improvements that will impact numerous neighborhoods primarily in the cities of Cleveland, Bratenahl, and East Cleveland. Multiple major construction activities and construction sites may exist in the midst of these communities over a period of 2 to 10 years. In addition to noise, dust and traffic disruption, the presence of heavy equipment and construction activities over an extended period of time have a direct impact on public health and safety, as well as, the quality of life of community residents.

**Why Expenditures Serve a Public Purpose.** Expenditure of public funds for the Good Neighbor Ambassador Program is an appropriate use of Sewer District funds because it encourages public participation in Sewer District projects and enhances communications and transparency with communities directly affected by the implementation of the Sewer District’s federally-mandated CSO Consent Decree and other activities. The program is designed, to the greatest extent practicable and permitted by law, to achieve environmental justice policy goals by identifying and addressing disproportionately high and adverse human health or environmental effects of the District’s activities, policies, and programs on minority and low-income populations in its service area. The program is further aligned with District core values that relate to environmental stewardship, ethics, honesty and transparency, customer focus, accountability and respect.

### 3.3 Community Outreach and Sponsorship Programs

The Sewer District hosts community outreach activities and enters into service agreements with a variety of community partners to engage and inform ratepayers about the Sewer District’s work and ways that individuals and organizations can contribute to water quality protection and improvement. The Sewer District also enters into service agreements with watershed organizations to move forward projects that advance research, monitoring, and the planning, funding, and implementation of activities that reduce pollution and minimize stormwater in

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3 Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations (1994).
sanitary and combined sewers. The Sewer District’s outreach and sponsorship activities provide effective, transparent, and regular opportunities for customers, organizations and community partners to engage with District staff to ask questions, raise concerns, provide comments, and get answers.

Each year these outreach and sponsorship activities may include the following:

1. Annual Sewer District Open House
2. Event Sponsorship Agreements
3. Governmental and Organizational Partnerships
4. Watershed Partners Service Agreements
5. Public Education Programs
6. Media Purchases

Through community outreach programs the Sewer District advances the following messages:

1. The Sewer District’s commitment to capital programs focused on water quality improvements has led to a transformation of the region through sustainable clean water infrastructure investments.

2. Expanding the conversation with community and customers about the true cost of maintaining the integrity of Lake Erie and area waterways by reducing raw sewage overflows to meet federally mandated regulations.

3. Framing sustainable decisions and enhancing collaboration with its member communities about further investments beyond the District’s CWA obligations.

4. Incorporating environmental justice and human health into all aspects of its regulatory compliance programs and operations.

5. Strengthening partnerships with stakeholders who share the Sewer District’s vision and willingness to devote the financial resources necessary to help northeast Ohio thrive.

6. Engage with customers to educate them on the things they can do to alter certain behaviors, (for example: proper disposal of pharmaceuticals) that will help reduce the costs of wastewater management.

**Why Expenditures Serve a Public Purpose.** Expenditures for community outreach activities and sponsorship programs further the Sewer District’s mandate under the CWA to inform, educate and engage with customers and the community about the need for clean water investments and accountability to ratepayers for how their dollars are spent. An informed and knowledgeable community is crucial to the success of the District’s programs. It helps to ensure greater support for its capital improvement projects as the public gains a greater understanding of the reasons why these projects are necessary and important. These programs
also take advantage of and maximize the efforts of a range of organizations to increase the scope and impact of the Sewer District’s pollution prevention activities.

In addition, US EPA’s 1994 CSO Control Policy provides guidance for the Sewer District’s community outreach programs. The CSO Control Policy directs utilities to make public participation part of their implementation strategies, particularly those communities that are financially disadvantaged, to consider the site specific nature of CSOs and to determine the most cost-effective means of reducing pollutants and meeting CWA objectives and requirements. The expectation is that as the agency implements the 9 minimum controls and develops long term controls, they would ensure public involvement and participation in the decision-making process.

3.4 Federal and State Advocacy Program

The Federal and State Advocacy Program focuses on activities and engagement with the local, state and federal legislative and regulatory community. The Sewer District’s executive leaders and governmental affairs staff plays a leadership role by working with other clean water agencies and industry associations that share the Sewer District’s interests in achievement of positive clean water impacts in the northeast Ohio region. The program objectives are accomplished on the local level with regularly scheduled visits to service area city council meetings, staffing Suburban Council of Governments functions, and actively engaging community residents and elected officials where the Sewer District is performing construction work. State advocacy is accomplished by engaging an advocacy firm, participating actively with state organizations, hosting legislator tours and information sessions, and providing content expert advice to regulators and legislators, when appropriate. Federal advocacy is accomplished by engaging federal advocates to work on the District’s behalf, annually visiting legislators to brief them on District issues, hosting tours and information sessions, participating in activities in associations which address industry issues, and responding to information requests, as appropriate.

**Why Expenditures Serve a Public Purpose.** The program serves a public purpose because the Sewer District continually advocates on behalf of its ratepayers to ensure lawmakers understand how regulations and policies that effect clean water and water quality directly impact ratepayers. This program lets elected officials and the public know that the Sewer District seeks cost-effective means for accomplishing environmental regulatory mandates that maximize the benefits of multiple approaches to environmental protection, recognizes the balance between protecting human and ecosystem health, and reduces the likelihood that regulations and policy decisions will have unintended consequences.

3.5 Association Memberships & Subscriptions

The Sewer District pays membership fees, dues and subscriptions for the organization and staff associated with professional, social and community organizations, industry associations, and related publications that are directly connected with the Sewer District’s governmental
functions and/or to an individual employee’s job duties and responsibilities within the organization. These may be organizations located within the Sewer District’s service area, or state and national organizations.

**Why Expenditures Serve a Public Purpose.** Expenditures for participation of the Sewer District and its staff are permissible and serve a public purpose based upon a shared understanding that these expenditures are required to advance and promote the Sewer District’s mission and strategic objectives, improve or develop the Sewer District’s resources and advantages for carrying out its governmental functions, and are not for personal interest or gain. Membership in the associations that support the District’s core functions provide benefits from consolidated research, advocacy, education, product standards, and leadership development.

### 3.6 Travel

The Sewer District pays for employee work-related travel to meetings, conferences, workshops, and other business functions, pays expenses for lodging, meals, mileage, parking, telephone and internet services, and other business-related expenses.

**Why Expenditures Serve a Public Purpose.** Payment of employee work-related expenses, including travel, lodging and meal expenses, serves a public purpose when those expenses are necessarily incurred by District employees and its official representatives in connection with their actual work assignments, or official duties, and those expenses are directly related to the performance of the governmental functions for which the District has responsibility. Allowable travel and related expenses for employees are outlined further in the District’s Employee Travel Policy.

### 3.7 Employee Programs

The Sewer District’s employee programs are designed to attract, develop, motivate and retain the best, brightest and the right employees to create an organizationally healthy work place where executive leaders, managers and employees are aligned with the organization’s vision and mission. The Sewer District has set as a priority objective to build a high performing, knowledge-enabled organization of people, processes, and technology which will have the ability to assess options, analyze problems, and make balanced and informed decisions based on objective metrics, customer needs, and organizational goals which will, in turn, add value to customers, stakeholders and the communities it serves.

**Why Expenditures Serve a Public Purpose.** Expenditures for employee programs meet a public purpose because technology, Lean Methods and stakeholder demands drive consistent and necessary change in how Sewer District employees deliver service. Building a sustainable organization and workforce is addressed throughout the District’s Strategic Plan and embedded in its strategic organizational objectives. District leadership is committed to a sustainable future for the organization by focusing on organizational and employee elements such as employee education and training, succession planning, generational alignment, and diversity in
the workplace. The District’s ability to actively enhance the quality of life in the region and protect its water resources through innovation, fiscal responsibility, and community partnerships requires the creation of an organizational culture that encourages teamwork, innovation, adaptability, customer service at all levels, and continuous improvement through recurring evaluation of its operations and services. It is up to all employees to take action, hold each other accountable, and accomplish the necessary tasks needed to ensure the they fulfill their legal mandates and operational mission.

3.7.1 Student and Intern Programs

The Student and Intern Program is designed to introduce students to a broad range of work and organizational issues that ultimately will help them shape their individual work and career path, or guide their career exploration through experiential learning, job design and other engagement experiences.

Why Expenditures Serve a Public Purpose. The Student and Intern Program serves a public purpose in providing students with the opportunity to both learn from and contribute to an employment experience in various jobs throughout the District. In addition to earning academic credits through a planned work experience, students learn more about a potential career in the field of environmental protection. The program complements the theoretical knowledge of the classroom and offers work readiness skills, on-the-job training, and may lead to employment with the Sewer District or other employment within the service area.

3.7.2 Tuition Assistance Program

The Tuition Assistance Program provides assistance to Sewer District employees to pay for college, educational courses, classes, seminars and/or other approved knowledge venues to improve or maintain job-related skills in connection with their actual work assignments or official duties. The program of study must enhance an employee’s professional development, skills and knowledge and be applicable to, and align with, the Sewer District’s core governmental functions and organizational objectives.

Why Expenditures Serve a Public Purpose. The Tuition Assistance Program contributes towards a workforce ready to innovate and implement trans-disciplinary approaches that leads to a more sustainable organization. The Sewer District believes investments in employee education related to job duties and responsibilities leads employees to more effectively align with the District’s core functions and builds capacity for a more sustainable organization.

3.7.3 Wellness and Employee Health Programs

The Sewer District’s Wellness and Employee Health Programs provide an investment in the organization’s most valuable asset, its employees. The District attains this goal by financially supporting, developing, maintaining, and finally, encouraging employees to adopt a healthier lifestyle through taking measures that aim at preventing the worsening or onset of disease
and/or illness. The Wellness and Employee Health Programs include a range of activities to support the health and wellness of District staff.

**Why Expenditures Serve a Public Purpose.** The Sewer District’s Wellness and Employee Health Programs serve a public purpose because they result in healthier and more productive employees, as well as, reducing costs. Research supports that workplace wellness programs can lead to a reduction in injuries, health care costs and disability claims. In general, employees who live healthier lifestyles have reduced absenteeism, higher productivity, reduced use of health care benefits, and increased employee morale and retention thereby reducing overall costs.

### 3.7.4 Employee Recognition Program

The Sewer District recognizes the hard work and service performed by its employees through a formal Employee Recognition Program. The District believes the benefits of attracting, retaining, and motivating employees through an Employee Recognition Program support employee job satisfaction, which in turn impacts cooperation and productivity. The result is to provide excellent public and customer service to better serve the interests of the Sewer District’s customers and member communities.

**Why Expenditures Serve a Public Purpose.** Public expenditures for employee recognition programs serve a public purpose because formally recognizing employees who make significant contributions and demonstrate their commitment during the performance of their duties result in higher morale and productivity, and therefore, help the Sewer District fulfill its responsibilities more efficiently and cost effectively.

### 3.7.5 Specialty Management Training Programs

Management training programs develop executive leadership capable of advancing the Sewer District’s mission and core business functions by creating a sense of connection between the organization’s vision and mission and its management employees. The training and development programs for Sewer District managers emphasizes internal managerial skill development to ensure they have the right skills to meet organizational demands and to provide them with opportunities to progress to more senior positions within the organization. The goal is to create a pool of candidates ready and able to move into management positions as they become available.

**Why Expenditures Serve a Public Purpose.** Building a more efficient, effective and highly motivated management team ultimately enhances individual and collective competitiveness, improves employee morale and increases productivity which positions the Sewer District to meet future challenges, stay true to its mission and vision, and provide customers with an environmental leader that is committed and able to enhance the quality of life in the region and protect its water resources.
3.7.6 Diversity and Inclusion Program

The Sewer District respects, values and celebrates the unique attributes, characteristics and perspectives that make each individual unique and who they are. The Sewer District believes that its organizational strength lies in its diversity among a broad range of people, customers and communities that it serves. The Diversity and Inclusion Program is a key driver of organizational excellence in all of the District’s activities and programs.

Why Expenditures Serve a Public Purpose. When the Sewer District draws on the wisdom of a workforce that reflects the population that it serves, it is better able to understand and meet the needs of its customers and member communities. The Sewer District believes that a diverse workforce in an inclusive environment will improve individual and organizational performance and result in better value to its customers, ratepayers, and other community stakeholders.

3.7.7 Charity Choice Program

For over 30 years, the Sewer District has supported the Annual Charity Choice fundraising campaign which provides Sewer District employees with the opportunity to give back to those in need throughout the communities it serves. Employees donate their time and money to support Greater Cleveland Community Shares, United Negro College Fund, United Way of Greater Cleveland and many other social agencies that mobilize people, organizations and resources in a focused effort to advance public education, jobs, income assistance and public health in the Greater Cleveland Community. Whether through fundraising events, individual donations, or payroll deductions, employee dollars go directly to the charitable agency of choice and not comingled with Sewer District funds.

Why Expenditures Serve a Public Purpose. The Sewer District is proud of its employees’ efforts to consistently exceed giving goals for the annual Charity Choice campaign and supports their fundraising events. This program serves a public purpose as a means for employees to make a direct contribution to the public health and welfare of those less fortunate in the communities they serve. The Sewer District relies on its ratepayers to support the work of the District. By supporting employees dedicated to charitable giving through their workplace, the Sewer District can give back to and support their ratepayers in need.

4.0 Green Infrastructure Grants Program

Each year the Sewer District makes funding available through the Green Infrastructure Grants Program to support the implementation of green infrastructure projects that remove stormwater from the combined sewer system. These grants are available directly to governmental entities through grant agreements, and to non-profit organizations as sub-grantees of community grant agreements, that are located within the Sewer District’s combined sewer area. The grants are awarded through an annual, competitive funding cycle and approved by the Board.
Why Expenditures Serve a Public Purpose. The Green Infrastructure Grants Program supports the Sewer District’s Green Infrastructure Policy which states - NEORSD will actively pursue opportunities across its program areas to advocate for strategic implementation and maintenance of green infrastructure technologies and innovations that protect, preserve, enhance and restore the natural hydrologic function of our region’s watersheds. In addition, the Sewer District will seek to maximize co-benefits provided by green infrastructure projects including opportunities to expand urban natural areas, enhance air quality, and improve quality of life in Northeast Ohio.

5.0 Community Infrastructure Program

The Community Infrastructure Program addresses water quality and quantity issues associated with sewer infrastructure that adversely impact human health and the environment by assessing the local sewer systems in the Sewer District’s service area, identifying cost-effective projects to address problem areas, and providing funding options to implement these projects through agreements with the District’s member communities.

Why Expenditures Serve a Public Purpose. The Community Infrastructure Program is an appropriate expenditure of Sewer District funds because it meets the following goals:

1. Promotes sustainable and healthy communities through protection of the region’s water resources consistent with the vision of the Sewer District.

2. Support efforts to assist community compliance with the Sewer District’s Community Discharge Permit Program.

3. Identify and remove sources of inflow and infiltration (I/I) from the sewer system. It is estimated that more than half of the flow conveyed to the Sewer District’s wastewater treatment facilities is generated by I/I. Removing this flow from the sewer system preserves the hydraulic capacity of the system to alleviate problems such as basement flooding.

6.0 Food and Refreshments

The Sewer District recognizes that the provision of refreshments at public and employee meetings and events, and the provision of coffee, tea and related supplies for general District consumption in lunch rooms, creates a more productive work environment and contributes to employee morale. In addition, in some instances Sewer District business is conducted during meal hours (e.g., luncheon meetings) and the provision of food and beverages (excluding alcohol) is a reasonable contribution to a productive work environment.

Why Expenditures Serve a Public Purpose. Reasonable expenditures for food and refreshments serve a public purpose when the provision of food and refreshments is an integral part of official Sewer District functions and offered to participants in official Sewer District meetings
and events that have a pre-planned agenda and have the purpose of discussing Sewer District business and issues.

7.0 Donations and Gifts Prohibited

Grants of Sewer District funds, gifts or other donations by the Sewer District to individuals, non-profit organizations and private entities are prohibited unless based on specific statutory authority.

8.0 Sponsorship Agreements

Many sponsorship requests come from non-profit organizations. The Sewer District may use public funds to sponsor events when the requesting entity is a non-profit or governmental organization whose mission aligns with those of the Sewer District. The sponsorship agreement shall include any restrictions on the use of the money and detail the public purpose associated with the sponsored activity or event.

The Sewer District may enter into contracts and agreements for services with the above-mentioned entities where the provision of in-kind services is the Sewer District’s contribution under contract terms, or where the non-profit entities are contracted to provide services that promote and further the Sewer District’s core governmental functions. All contracts and agreements must be approved by the Board by a separate resolution. Contracts for services provided by the Sewer District must be for programs that serve the interests of customers, ratepayers, and member communities and are deemed to meet Policy guidelines.

9.0 Policy Implementation

The funding of the specific programs and associated activities set forth in this Policy is deemed by the Board to meet the definition of expenditures consistent with the Public Purpose Doctrine. Sewer District management and staff shall be bound by this Policy.

All programs and expenditure categories included in this Policy have been evaluated by the Sewer District’s Chief Legal Officer to determine whether or not they meet public purpose guidelines in accordance with Ohio statutes, case law, Ohio Attorney General Opinions, and Auditor of State Bulletins.

The Chief Executive Officer is authorized and directed to establish such additional internal policies, rules and procedures and establish such limitations on specific program expenditures, as deemed appropriate, to carry out the intent of this Policy.

Specific expenditures under the Policy for Public Purpose Expenditures will be addressed as briefly outlined below:
1. Sewer District staff will present the annual budget of anticipated expenditures under each program area listed in this Policy, with detailed line items and supporting documentation, to the Executive Budget Review Committee for review and approval with the Sewer District’s annual budget.

2. The Chief Financial Officer will present the annual budget of anticipated expenditures under each program area listed in this Policy, with detailed line items and supporting documentation, to the Board Finance Committee for review and approval with the Sewer District’s annual budget.

3. The Board will approve the Sewer District’s annual budget, by resolution, which incorporates the specific program and other expenditures covered by this Policy, and the appropriate Sewer District staff will implement their budgeted program expenditures within the limits of the Board approved budget.

10.0 Policy Updates

This Policy shall be reviewed and updated on a yearly basis by District staff as new programs are added or any substantive changes are made to existing programs. The Chief Executive Officer shall bring any changes to the policy to the Board for review and approval by adopting a resolution.