

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT

MAY 10, 2000

1. Call to Order and Roll Call:

The regular monthly meeting of the Board of the Metropolitan Sewerage District was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, May 10, 2000. Chairman Blackburn presided with the following members present: Aceto, Bryson, Field, Graham, Pace, Sobol, Spell and Venable. Mr. Gantt and Mr. Kelly were absent.

Others present were: W. H. Mull, General Manager, William Clarke, General Counsel, Danny Bridges of McGill Associates, Ellen McKinnon of Martin/McGill, David Herbert with the Clean Water Fund, Ann LeMieux, John Kiviniemi, Jim Fatland, Tom Hartye, Stan Boyd, Angel Banks and Sondra Honeycutt, MSD.

2. Approval of Minutes of the April 19, 2000 Meeting:

Ms. Bryson moved that the minutes of the April 19, 2000 meeting be approved as presented. Mr. Pace seconded the motion. Voice vote was unanimous in favor of the motion.

3. Discussion and Public Comment:

None

4. Consideration of 2000-2001 Preliminary Budget:

Mr. Mull presented a Resolution adopting the Preliminary Budget for FY2000-2001. Mr. Fatland reported that the Finance Committee recommends approval of the Budget with a 6% sewer rate increase and directed staff to conduct a survey of other public entities on facility and tap fees to be presented to the Committee. Mr. Blackburn stated that the Board needs to adopt the Preliminary O&M Budget of \$10,988,423 with a 6% rate increase, which will be reconsidered by the Finance Committee on May 17 and approved by the Board in June. Mr. Clarke stated that the Bond Order requires the District to adopt a Preliminary O&M Budget on or before May 15. Ms. Graham moved that the Board adopt the recommendation of the Finance Committee. Mr. Pace seconded the motion. A lengthy discussion followed regarding the proposed 6% rate increase and why it was increased from 4%. Mr. Aceto stated that the Finance Committee's recommendation resulted from a loss of industrial revenue; the prospect of additional loss of revenue, and loss of interest income due to declining cash balances being applied to

construction. Mr. Venable suggested the reason for the rate increase is to maintain a certain level of debt coverage. He stated that if the revenues are looked at in another way, the coverage figure would be different. He further stated the Bond Order requires debt service coverage of 1.2, not 1.7. Mr. Clarke pointed out that the 1.7 figure is the level preferred by the bond rating agencies. Should the District issue new debt, the bond ratings could have a significant effect on the cost of the debt.

Ms. Field asked if consideration was given to reducing budget line items. She stated that employee salary increases or the need for new positions should not be compromised when looking for way to cut the budget. She questioned the increase in professional and contractual services.

Mr. Venable asked what last year's preliminary budget was based on. Mr. Fatland stated that it was based on a debt service coverage of 1.7, but after all income is counted, the District's income was 2.2 times its expenses including debt service.

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Following a brief discussion, Ms. Graham moved to withdraw her motion. Mr. Pace consented to the withdrawal of the motion. Ms. Graham moved that the Board adopt the Preliminary O&M Budget in the amount of \$10,988,423.00 and Preliminary Construction Budget of \$22,900,000.00. Mr. Pace seconded the motion. With no further discussion, roll call vote was as follows: 9 Ayes; 0 Nays.

Mr. Sobol requested that staff be prepared to present to the Finance Committee both 4% and 6% budgets and options where cuts can be made. Mr. Blackburn stated that the big question is the debt coverage ratio. Mr. Aceto requested an assessment of what would happen if another industrial customer were lost to the community.

5. Report of General Manager:

Consolidated Motion Agenda

a. Consideration of Bids for Sodium Hypochlorite Bldg:

Mr. Mull stated that bids were received for the Sodium Hypochlorite Building, but were substantially higher than estimated, therefore, this item was pulled from the Consolidated Motion Agenda.

b. System Services Performance/Evaluation Report:

Mr. Mull commended staff for their work in preparing the Performance/Evaluation report, which is being presented as information only. Mr. Venable asked why the charts indicate that while staff has been reduced the workload continues to increase. Ms. LeMieux stated that some of her staff was transferred to Planning and Development doing sewer taps and the other reason is that they are getting better at what they do.

c. Project Unit Cost Information:

Mr. Mull presented Project Unit Cost information and stated that the purpose of the report is to make the Board aware of the potential variance in per lineal foot costs of the various projects.

d. SSO Regulations Article:

Mr. Mull presented a copy of an article about SSO Regulations from the State of North Carolina. Mr. Venable asked where the District stood with regard to these regulations. Mr. Mull stated that as far as having a SSO program in place and filing reports, the District is good shape. He briefly addressed the continuing problem of overflows and the possibility of using "quick treat" as a solution.

a. Consideration of City of Asheville Annexation Projects:

Mr. Mull reported that the City of Asheville has requested that the District accept several projects, although they do not meet MSD standards for transfer of ownership. He further reported that the Right of Way Committee recommends acceptance of these projects, as recommended by staff. Also, that Counsel write a letter of understanding to the City Manager stating that "MSD has accepted substandard projects in the past, including the Beaverdam Annexation Project, and it is understood that no further projects will be

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accepted in the future unless the facilities and the easements are in accordance with District Standards. Mr. Spell suggested that the recommendation be changed to read that "MSD has accepted substandard easements not in accordance with District Standards".

b. Consideration of Proposal for Easement Acquisition Services for London Road Pilot Basin:

Mr. Mull reported that the Right of Way Committee recommends acceptance of Martin/McGill's proposal for easement acquisition services for the London Road Pilot Basin in the amount of \$54,903.75. He stated that the cost is based on \$907.50 per parcel, with 10% added to accommodate extra parcels being added to the total number.

c. Consideration of Bids - East Kenilworth Lake - Asheville Master Plan Project:

Mr. Mull reported that the following bids for the East Kenilworth Lake project were received May 2, 2000: Terry Brothers Construction with a total base bid of \$1,091,011.00; Hobson Construction with a total base bid of \$1,132,340.00 and Buckeye Construction with a total base bid of \$776,341.70. He further reported that staff recommends the Board award the contract to Buckeye Construction Company in the amount of \$776,341.70, contingent upon attorney review and approval. A discussion was held regarding reasons for the increase in the original construction budget of \$496,000.00 and the updated budget of \$780,000.00.

d. Consideration of Acceptance of Developer Constructed Sewer Systems - Devonshire Phase 6 and Forest Park Apartments:

Mr. Mull reported that staff recommends acceptance of developer constructed sewer systems for Devonshire Phase 6 and Forest Park Apartments, and that all MSD requirements have been met.

e. Consideration of Monthly Investment Report for the Period Ended March 31, 2000:

Presented as information only.

With no further discussion, Mr. Venable moved that the Board approve the Consolidated Motion Agenda, excluding item h. (Developer Constructed Sewer Systems) as presented. Mr. Pace seconded the motion. Roll call vote was as follows: 9 Ayes; 0 Nays.

Mr. Aceto moved that Ms. Graham be excused from voting on item h. due to a conflict of interest. Ms. Field seconded the motion. Voice vote was unanimous in favor of the motion.

Mr. Aceto moved that the Board approve Item h. Ms. Field seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays.

3. Committee Reports:

Right of Way Committee

No further report.

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Finance Committee

No further report.

Personnel Committee

Mr. Spell reported that the Personnel Committee met May 9, 2000 to consider two items requiring action by the Board. The first item is modifications to the Grievance & Discipline Procedures. He explained the changes and stated that the Committee recommends that the Board approve the third revision to the procedures. The second item pertains to modifications to Chapter 7, Section D (Work Areas & Vehicles). He explained the changes and stated that the Committee recommends that the Board approve the revisions along with changes being made by the District's Attorney. On behalf of the Personnel Committee, Mr. Spell moved that the Board approve the recommendations as presented. Roll call vote was as follows: 9 Ayes; 0 Nays.

4. New Business:

- **Consideration of Change Order for Purchase Order Number 7494 for Fuel:**

Mr. Mull reported that due to an increase in the cost of fuel, there is a need to issue a change order to the original blanket purchase order in the amount of \$20,000. He stated that the change order is

necessary to complete the purchase of fuel from Smoky Mountain Petroleum for the remainder of the fiscal year. He further stated that staff recommends approval of the change order in the amount of \$20,000. Ms. Graham moved that the Board approve the Change Order as presented. Mr. Spell seconded the motion. Mr. Pace stated that the cost of fuel has risen dramatically during the last few days, therefore he feels it's important to approve the change order prior to any further increases. With no further discussion, roll call vote was as follows: 9 Ayes; 0 Nays.

In other new business, Mr. Sobol questioned the status of projects originally awarded to Ivy Construction, who defaulted on November 2, 1999. Mr. Clarke stated that when Ivy Construction defaulted, the bonding company came in and re-bid all the projects and gave the District the difference between the original contract price and the completion price. Also, they paid the District liquidated damages. A discussion was held regarding the amount paid in liquidated damages.

Regarding the Monthly Investment Report, Mr. Fatland noted that since last May, the District has encumbered or spent the entire \$31million Bond Issue.

3. Old Business:

o Status of Avery Creek Agreement:

Mr. Clarke reported that he sent a letter to Mr. Bob Long in response to the Avery Creek Agreement sent to the District pointing out a couple of issues. He stated that one of the issues was the last paragraph of the Agreement, which appeared to obligate the District to build sewers in Avery Creek. He further stated that other significant points included the one-cent per ccf charge to Avery Creek and clarification of wording about an allocation for Avery Creek. A discussion was held regarding the last paragraph of the agreement

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and the availability of State grant funds for Avery Creek. Mr. Clarke further reported that he indicated in the letter that the District Board hoped to adopt the Agreement at the June meeting.

- **Update on \$2 million Federal Grant Funds:**

Mr. Hartye reported that since the original Grant Funds were allocated for specific projects, which are complete or near completion, the District can no longer use the funds for these projects. As a result, it was decided to apply these funds to the North Swannanoa Interceptor, Phase II, which will begin next July. He further reported that the District has applied to the State Clearinghouse, which is the beginning of a long process. He stated that once construction begins, the District will receive these funds as pay request are submitted, based on a 70/30 split until the ceiling of \$2 million is met.

Mr. Venable asked what the status is of the \$3 million State Grant Fund. Mr. Hartye reported that the first pay request was recently submitted to the State for reimbursement, which will be an on-going process from now through July of next year.

3. Adjournment:

With no further business, Mr. Aceto moved for adjournment. Ms. Graham seconded the motion. Voice vote was unanimous in favor of the motion.

Jackie W. Bryson, Secretary/Treasurer