

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT

JUNE 14, 2000

1. Call to Order and Roll Call:

The regular monthly meeting of the Board and Public Hearing on the Budget and Sewer Use Charges of the Metropolitan Sewerage District was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday June 14, 2000. Chairman Blackburn presided with the following members present: Aceto, Bryson, Field, Gantt, Kelly, Pace, Sobol, Spell and Venable. Ms. Graham was absent.

Others present were: William Clarke, General Counsel, Danny Bridges of McGill Associates, Nancy Hodges, Richard Tsang and Michael White of Camp, Dresser & McKee, Casey Smith and Joe Atol of CES, Jim Fatland, Tom Hartye, Stan Boyd, Ann LeMieux, Bill Conner, John Kiviniemi and Sondra Honeycutt, MSD.

2. Approval of Minutes of the May 10, 2000 Meeting:

Mr. Spell moved that the Minutes of the May 10, 2000 meeting be approved as presented. Mr. Pace seconded the motion. Voice vote was unanimous in favor of the motion.

3. Public Comment:

None

4. Discussion and Adjustment of Agenda:

None

5. Public Hearing for Consideration of Resolution Adopting the Budget and Sewer Use Charges for Fiscal Year 2000-2001:

MINUTES OF PUBLIC HEARING

At 2:05 p.m., Chairman Blackburn declared a Public Hearing open for comments on the District's proposed Budget and Sewer Use Charges for FY 2000-2001.

Mr. Fatland reported that as requested by the Board, the Finance Committee met May 22, 2000 to reconsider a proposed 4% and 6% sewer rate increase. As a result, the Committee recommends a 4% sewer rate increase and a 4% meter fee increase, which generates a 1.50 debt coverage. Also, the Committee considered industrial user revenues and tap and facility fees compared to other organizations. The Committee recommends that any revision to tap and facility fees be tabled

pending further information from staff regarding the actual costs of taps, information on the rationale for the different levels of facility fees, and input from various organizations with regard to what the District is considering. He further reported that the O&M Budget is \$10.9 million; a 6.5% increase over last year, which is due to six new positions, a 2% Cost of Living increase, 2% Merit increase and 5% contribution to the employee 401-K program. He stated that the O&M Budget includes contributions to Self-funded Medical, Fleet Replacement Fund, the Wastewater Treatment Plant Replacement Fund, Insurance funds and Internal Service funds. In addition, the CIP Committee approved a \$22.9 million Budget, which includes \$2 million for contingency. He further stated that the Sewer Rate increase is due to debt service for the Series 1999 bonds and proposed 2002 revenue bonds, and 6.5% increase in operating expense for 2001. In closing, Mr. Fatland thanked the Committees for their input and staff (Teresa Gilbert, Sharon Walk, Peter Weed) for their work in preparation

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of the final budgets.

Mr. Fatland reported that for the second consecutive year, the District received the Distinguished Budget Award from the Government Finance Officers Association. He stated that this award would not have been possible without the hard work of the Committees and staff, particularly Teresa Gilbert. Mr. Aceto moved that the Board extend its appreciation to staff in recognition for their work in preparing the budget. Ms. Bryson seconded the motion. Voice vote was unanimous in favor of the motion.

Mr. Venable noted that on page 19 of the O&M Budget, the total budget for System Services should be \$3,509,164 and \$2,029,322 for Engineering.

Mr. Spell stated that although the District is in a good position with the current debt coverage, the Board should be aware that in order to have a lucrative and aggressive CIP program, it might be difficult to maintain the 1.7 debt coverage. Mr. Sobol stated that with the increase in expenses and the cost of rehabilitation, the 4% rate increase is just the first of many to come. Mr. Aceto asked what the District needs to be doing in light of recent industrial layoffs, which could mean an additional 5% revenue loss. Mr. Fatland stated that a meeting of the Finance Committee would be scheduled to address this issue. Also, there is a possibility of bringing BASF into the District to offset industrial revenue loss. Mr. Aceto asked if the Board could express it's concern to the Chamber of Commerce and other

organizations about the importance of recruiting new industry that would use sewer capacity. Mr. Blackburn stated that this was discussed at the Chamber's Leadership Conference and that the Economic Development Commission is working hard to bring new industry to the area. Mr. Hartye stated that following the May 22, 2000 meeting of the Finance Committee a run was made of the rates and industrial users, taking out all textiles, to see if the District still had a 1.2 coverage. The result was the District would maintain a debt service coverage ratio of 1.2. He further stated that the purpose of the run was to see what effect this would have on operating costs, not pay-as-you-go. Mr. Aceto suggested that this information be communicated to the public.

With regarding to page five (Maintenance Reserve Fund), Mr. Venable asked why the interest on investments remains in this fund. Mr. Fatland stated that the District is starting the year out at 6% of the Operations & Maintenance Fund budget and that this figure represents interest to be earned, based on 5% over the next 12 twelve months. Mr. Venable further questioned the meaning of the asterisk on page eight. Mr. Fatland stated that during the last Bond Issue, a number of construction projects were funded from the General Fund, and the Bond Attorney didn't allow the District to reimburse itself with bond proceeds for those projects. The footnote was written to allow some flexibility in reimbursement for already completed projects the next time the District does a Bond Issue.

With no further discussion or comment from the public, Mr. Blackburn declared the Public Hearing closed at 2:20 p.m.

Mr. Kelly moved that the Board adopt the Budget as recommended by the Finance Committee. Mr. Pace seconded the motion. Roll call vote was as follows: 8 Ayes; 1 Nay (Mr. Sobol). Mr. Gantt was absent during the vote.

6. Report of General Manager

In the absence of Mr. Mull, Mr. Hartye reported.

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Consolidated Motion Agenda

a. Consideration of Reimbursement Resolution - North Swannanoa:

Mr. Hartye reported that the purpose of the Reimbursement Resolution is to allow the District to reimburse itself expenditures on the North Swannanoa Interceptor Sewer, Phase 11, Sections 2 and 3 in the next Bond Issue. Staff recommends approval of the Resolution as presented.

b. Consideration of Compensation Budget - London Road Pilot Basin Phase 2B, Section 1:

Mr. Hartye reported the Compensation Budget for the London Road Pilot Basin Phase 2B, Section 1 is based on 1999 tax values and follows the MSD approved formula. He stated the acquisition will be broken into two sections and that the budget for Section 2 will be developed upon receipt of all Section 2 plats. He further reported that the Right of Way Committee recommends approval of the Compensation Budget as presented.

c. Consideration of Acceptance of Developer Constructed Sewer System - Bi-Lo #47 Shopping Center:

Mr. Hartye reported that the Bi-Lo #47 Shopping Center is located off of Highway 9 in Black Mountain and includes relocation of 800 linear feet of 15" sanitary sewer pipe at an approximate cost of \$48,000.00. He further reported that staff recommends acceptance of the developer constructed sewer system and that all MSD requirements have been met.

d. Consideration of Bids Fairfax Avenue Sewer Improvements - AMP:

Mr. Hartye reported that bids for the Fairfax Avenue Sewer project were originally opened on May 23, 2000, but because only two bids were received the project was re-bid and bids were opened on June 12, 2000. He stated that once again only two bids were received and both bids exceeded estimates for the project. Staff recommends rejecting all bids and rebidding this job in combination with other MSD (non-grant) sewer work scheduled to be bid in approximately 60-90 days. He further reported that the reasons given for the inflated prices and lack of bidder interest are the abundance of larger projects being bid by both the District and the Regional Water Authority.

e. Consideration of Contract IV - Preventative Maintenance Line Cleaning:

This item was pulled from the agenda for further consideration.

f. Investment Report for Period Ended 4/30/00:

Presented as information only.

Mr. Spell moved that the Board approve the Consolidated Motion Agenda as presented, with the exception of item e. Mr. Pace seconded the motion. Following a brief discussion regarding item d., roll call vote was as follows: 9 Ayes; 0 Nays. Mr. Gantt was absent during the vote.

Regarding item e. (Preventative Maintenance Contract IV) Mr. Hartye reported that the District is contracting for preventative maintenance line-cleaning for approximately 500,000 lineal feet of line per year, pursuant to the new State regulations. He presented a spreadsheet showing the proposed pricing with a

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comparison to previous contracts. He stated that staff recommends approval of the contract extension with Compliance Envirosystems, LLC (CES) as negotiated by staff and authorize the General Manager to execute the agreement on behalf of the District.

Mr. Sobol asked whether or not the District is required by the State to clean 10% of the lines annually and if the current cost is double the amount compared to last year. Mr. Hartye stated that the District will be required, effective July 1, 2000, to clean 10% of its lines each year. As to the cost, he stated that it is slightly more then last year and less then the previous year.

Mr. Sobol asked if consideration was given to doing this work in-house as previously discussed. Mr. Hartye stated this work was originally part of the ARCADIS program under the Engineering Division, but was recently moved under the supervision of Ann LeMieux of System Services. He further stated that since most of the District's line cleaning work is based on emergency situations, a decision was made to clean an entire basin in order to make an accurate assessment of how much of this work can be done in-house before buying new equipment or contracting the work out. Mr. Sobol asked if figures are available that reflect the pipe being cleaned and TV'd, and the performance, with regard to SSO's prior to and after cleaning. Ms. LeMieux stated that since January, staff has started putting manhole numbers on work orders and is building a database that relates to these numbers instead of street addresses. She further stated that once

enough work orders, associated with manhole numbers, are available in one basin an analysis could be done. Mr. Sobol stated that it's very important to obtain these figures and present them to the CIP Committee by this fall to consider whether this is beneficial to the District, and if not, the State should be contacted to see if the annual percentage could be reduced. Following a brief discussion as to where CES is headquartered, Mr. Venable moved that the Board approve the recommendation of staff as presented. Ms. Bryson seconded the motion. Roll call vote was as follows: 8 Ayes; 1 Nay (Mr. Sobol). Mr. Gantt was absent during the vote.

1. Consideration of Consultant to Prepare MSD Master Plan:

Mr. Hartye reported that the Planning Committee met June 1, 2000 to consider proposals for preparation of the MSD Master Plan. He further reported that the Planning Committee recommends approval of a contract with Camp, Dresser & McKee in the amount of \$510,000.00, and authorize the General Manager to sign pursuant to attorney review. Mr. Hartye presented a slide presentation, which included the following information:

- o Previous Sewer System Planning Efforts
- o New Issues for the Master Plan to Incorporate

- a. Comprehensive
- b. Strategic
- c. Technological
- d. Regulatory

- o What are Boards Hot Topics
- o Current Rehabilitation Program
- o EPA and State
- o Non-Dualistic Approach
- o Consultant Selection Process
- o Engineering Services Selection
- o Camp Dresser & McKee

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- o Why Camp, Dresser & McKee
- o Key Project Team Members
- o How and when will CDM interact with Staff and the Board and whom else might they interact with.

Mr. Hartye presented a Master Plan Project Schedule for review.

Mr. Pace moved that the Board approve the recommendation of the Planning Committee. Mr. Aceto seconded the motion. Mr. Spell asked what other firms submitted proposals. Mr. Hartye stated that CH2M Hill and Hazen & Sawyer were the other firms submitting proposals. Mr. Spell asked how CDM plans to solicit public information. Mr. Tsang stated that initially they would meet with the District's Public Information Officer to discuss how the public is normally notified and to identify the various organizations. He further stated they intend to bring these organizations together early in the project, with five meetings scheduled throughout the year. Mr. Hartye welcomed input from the Board as to the approach and stated that the large focus will be getting input from the public.

Ms. Field suggested that the Consultants consider a meeting of the elected officials to bring them up to date on what the District doing and the complexity of the process. She stated that it's very important that the decision-makers are educated and that this process could be used as a vehicle to inform the community. Mr. Venable questioned the cost of proposals from CH2M Hill and Hazen & Sawyer. Mr. Hartye stated that the costs between the firms were very close. A lengthy discussion followed regarding the cost of the new Master Plan; it's life expectancy, it's usefulness and how much the District paid Hendon Engineering to do the original Plan. Several comments were made in support of the need for a Master Plan and costs involved. However, Mr. Sobol felt that the District should stand up to EPA and ask for funding to help with the costs of keeping up with new regulatory mandates. With no further discussion, roll call vote was as follows: 9 Ayes; 1 Nay (Mr. Sobol)

1. Consideration of Bids for Sodium Hypochlorite Facility:

Mr. Hartye reported that the Sodium Hypochlorite Facility project was originally bid on April 18, 2000, but since there were only two bids, it was re-bid on May 4, 2000. The bids were as follows: J.L. Construction Co., Inc. with a total base bid of \$925,000.00; Buckeye Construction Co. with a total base bid of \$894,200.00 and Bryant Electric Co. with a total base bid of \$857,000.00. He further reported that the Construction Committee met June 1, 2000 to review the bids, but because a quorum was not present, this item was referred to the full Board for consideration. Mr. Hartye stated that the reasons for the new Facility are to change from gas to liquid chlorine for safety purposes. He explained the risks involved to the immediate community when dealing with chlorine gas. He further stated that the original construction budget for FY 99-00 for the project was \$490,000.00 and that there is currently money available under contingency for the completion of this project. He presented several attachments evaluating why the original estimate was so low; whether the bids were competitive and if the design

should be adjusted to cut costs. Mr. Aceto moved that the Board approve the bid of Bryant Electric Co. in the amount of \$857,000.00. Mr. Venable seconded the motion. Mr. Venable asked how long this technology has been available and whether the old equipment can be sold to offset the costs. Mr. Hartye stated that this technology has been available for some time and that the existing equipment is not worth much. With no further discussion, roll call vote was as follows: 10 Ayes; 0 Nays.

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2. **Committee Reports:**

Finance Committee:

No further report.

Right of Way Committee:

Mr. Pace reported that the Committee considered condemnations for North Swannanoa Phase II, Section 3, and a compensation budget.

Planning/Construction Committees

Mr. Aceto stated there was no further report for the Planning Committee.

Mr. Venable stated that in consideration of the Sodium Hypochlorite Facility, the Construction Committee was made aware that there would be an on-going increase in the cost of chlorine because of the new process.

3. **New Business:**

Ms. Bryson commended staff for their prompt and courteous attention to a sewer back up at the home of Mr. Mike Lewis, who sent a letter of thanks to Mr. Mull and others.

Mr. Hartye reported that WLOS did a report on the District's Preventative Line Maintenance Cleaning Program, which was aired on June 13, 2000.

4. Old Business:

Mr. Blackburn reported that he is activating the Search Committee to replace the General Manager. He stated that the Committee consists of himself, as Chair along with Mr. Sobol, Mr. Kelly and Mr. Spell. He requested that each Member of the Board write what they would like to see in a General Manager. Mr. Gantt asked when applications for this position would be accepted. Mr. Blackburn stated that the search would begin this month, with applications accepted in August and September.

Regarding Avery Creek, Mr. Clarke reported that he received another draft of the Agreement between the District and Avery Creek and the only issue to be considered is the term of the Agreement, which they feel should be for a two-year period. He suggested that the Board authorize the General Manager and Chairman to negotiate the final Agreement with Avery Creek. He gave a brief report on the highlights of the Agreement. A discussion was held regarding the term of the Agreement; how the billing would be handled and the monthly charge. Mr. Aceto moved that the Board authorize the General Manager and Chairman to negotiate the final Agreement with Avery Creek. A discussion was held regarding whether the motion should include the term of the Agreement. With no further discussion, Ms. Field seconded the motion. Roll call vote was as follows: 10 Ayes; 0 Nays.

5. Other Business:

With regard to the Grievance Committee, Mr. Spell stated that it is very possible the District will be called upon to activate this Committee. Ms. Field and Mr. Gantt were appointed to serve for the second quarter.

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6. Adjournment:

With no further business, Mr. Pace moved for adjournment at 3:50 p.m. Mr. Venable seconded the motion. Voice vote was unanimous in favor of the motion.

Jackie W. Bryson, Secretary/Treasurer