

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT

MAY 9, 2001

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 9, 2001. Chairman Blackburn presided with the following members present: Aceto, Ball, Bryson, Field, Graham, Gantt, Kelly, Pace, Sobol and Venable.

Others present were: Thomas E. Hartye, General Manager, John S. Stevens, General Counsel, Danny Bridges of McGill Associates, P.A., Jim Fatland, Stan Boyd, Ann LeMieux, Ed Bradford, Sharon Walk and Sondra Honeycutt, MSD.

2. Approval of Minutes of the April 18, 2001 Meeting:

Mr. Venable moved that the minutes of the April 18, 2001 meeting be approved as presented. Ms. Field seconded the motion. Voice vote was unanimous in favor of the motion.

3. Informal Discussion and Public Comment:

Ms. Bryson expressed her appreciation to staff for arranging the building dedication.

4. Consideration of 2001-2002 Preliminary Budget & Rates:

Mr. Hartye presented a chart showing the financial picture for FY 2002, which includes Revenue, Other Financing Sources and Expenses. Ms. Field asked why the debt service of 17% is so high. Mr. Hartye stated the District has no requirement like other municipalities as far as debt service. Mr. Fatland explained that the Board and the Bond Order requires the District to separate sufficient funds from the O&M debt. He stated that the rating agencies (Standard & Poors & Moody's) don't want to see large rate increases, but rather long-term low rates of 4% or less. Mr. Hartye stated the District must maintain a debt coverage ratio of 1.2% and that 1.5% is looked on favorably by the rating agencies. He further stated that currently the District has a debt coverage ratio of 1.6%.

Mr. Fatland presented the Preliminary Budget and Proposed Sewer Rates for FY 2002. He stated that in an effort to improve efficiency, cut costs, and redirect resources to meet the increasing and unfunded regulatory requirements, staff deleted (4) four full-time and (1) part-time position resulting in a 3.5% savings in

salaries and benefits. Also, the General Manager directed that a freeze be put on new positions this year.

Mr. Fatland reported the proposed \$11,189,125 operating budget reflects a 2.6% increase over the previous year and that the estimated construction expenditure for FY 2002 is \$16.5 million, which is comprised of an estimated \$15.0 million in construction and \$1.5 million in contingency. He further reported that the Personnel Committee approved a 2.5% cost of living increase, a 2.5% fund for merit increases and 0.7% to fund the impact of the Personnel Pay Plan, which is done every three years.

Regarding sewer rate increases, Mr. Fatland reported the District held two (2) meetings with industrial representatives to consider a twenty-year plan in order to achieve equity between domestic and industrial users. He stated that staff recommends a 4% increase in domestic sewer rates and meter fees, which meets the goal set by the Board two years ago of 4% rate increases over a five-year period.

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Ms. Field asked how much the 17% debt payments represents. Mr. Fatland stated the debt payment for this year is approximately \$5.5 million. Ms. Field stated that in a discussion with Mr. Doug Bean, regarding industrial rates, he said the District is doing the right thing, but questioned whether a study on the additional costs to industry, in terms of the charge per/lb for BOD & TSS had been done. She further stated that in order to have good solid information and to be fair to industry, she suggested the study on BOD & TSS, which was done in the 70's, be updated. Mr. Hartye stated the charge per/lb for BOD & TSS is a surcharge and was not increased because the current level is commensurate with the rest of industry. He further stated an update would be done at the staff level unless there is a need to hire a consultant. Ms. Field stated if staff finds the numbers are out of line, a professional consultant should be considered. Mr. Blackburn expressed his appreciation to Mr. Hartye for information he provided industry and others regarding the rates. He stated that industry representatives said it's easier to budget for small increases over a longer period of time. Mr. Aceto asked how the twenty-year plan shows up in the budget. Mr. Hartye stated it shows up in industrial user fees. He explained that the domestic rate is the determining factor in what the industrial rate will be each year.

Mr. Venable stated he planned to vote against the preliminary budget, not as a criticism of the Finance Committee or staff, but because of his frustration in continually voting for rate increases. He further stated that instead of another rate increase, the Board might consider reducing the amount of construction being done. Mr. Sobol stated that sewer construction is driven by SSO regulations and that the community should come together and challenge these regulations by asking for the necessary funds to complete projects. Mr. Aceto asked if the Master Plan would help to quantify what the District's obligations are in order to assign priorities to rehab projects and reducing the need for future rate increases. Mr. Hartye stated that this is the purpose of the Master Plan and once the District gets beyond the current phase, work shops should be held for Board Members to gain a better understanding of what the Master Plan means over time, how much it cost and what it means to rate payers. He further stated that the District is currently negotiating with the State on what it will accept with regard to wet weather problems.

Ms. Ball asked for a clarification on the amount of revenues taken in compared to expenditures. Mr. Fatland stated the amount of revenues includes the upcoming bond issue, which is allocated to CIP. Mr. Hartye stated the total expenses are \$33 million including the CIP and the total revenues are \$22 million without the bond. Ms. Field requested that the budget include two previous years in order to see if anything is out of line. Mr. Pace stated that the work on the major interceptors has all but eliminated moratoriums and has done a great deal for economic development. With no further discussion, Mr. Pace moved that the Board approve the preliminary budget as presented. Ms. Graham seconded the motion. Roll call vote was as follows: 10 Ayes; 1 Nay (Mr. Venable)

5. Report of the General Manager:

Mr. Hartye presented information regarding the Consolidated Office Building; CIBO; GFOA Budget Presentation Award; Industry Meeting; ITT-Tevis/Facility & Tap Fees; Local Government Meeting with Buncombe County Commissioners and a letter and e-mail of thanks to staff.

He reported that the William H. Mull building dedication was held April 30th and the District will receive the "Smart Growth Award" today for this facility by the Smart Growth Partners of WNC.

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He expressed his appreciation to staff for receiving the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for the third year. Mr. Aceto moved that the Board commend staff (Jim Fatland, Teresa Gilbert, Sharon Walk & Peter Weed) for preparation of an award winning budget and that this commendation be part of their respective personnel files. Ms. Graham seconded the motion. Voice vote was unanimous in favor of the motion.

Regarding ITT-Tevis/Facility & Tap Fees, Mr. Hartye reported that the District received a check in the amount of \$30,750.00 for fees owed. He further reported for the current year to date, the District has collected over \$950,000 for Facility & Tap Fees, which is up from last year's figure of \$726,900. A discussion followed regarding the Facility & Tap Fees in the Avery Creek area.

6. Report of Committee Chairs:

Personnel Committee

Mr. Venable reported the Personnel Committee met April 16, 2001 to hear a report from Mr. John Maxwell of Springsted Incorporated on the procedures used in performing the Personnel Pay Plan Study. He stated that since the Personnel Committee did not have a chance to review the report prior to the meeting, a subsequent meeting was held April 18th. The Committee recommends approval of the Proposed Pay Plan, a 2.5% cost of living (COL) and adjust salary ranges with the COL. Also, that a 2.5% merit be approved and a 100% lump sum amount of merit for those employees at the top of their pay range.

Regarding the Pay Plan, Ms. Ball stated the Committee discussed the number of employees whose pay grade will increase by four or more and that the increase only apply to those employees who fall below the mid-range of their proposed salary. Mr. Blackburn suggested the Committee meet again to resolve this issue.

Mr. Aceto asked for a clarification on the District's contribution to the employee 401-K program and whether an employee must be vested before receiving the full benefit. Mr. Fatland stated that once the District contributes to the 401-K program, it belongs to the employee whether they are vested or not. Mr. Blackburn stated the Committee needs to address whether an employee should be vested to receive the full benefit of the matching 401-K program.

Right of Way Committee:

Mr. Pace reported the Right of Way Committee met April 25, 2001 to consider a condemnation. He stated that the Committee recommends the authority to proceed with condemnation using the amount agreed to by property owners and obtain appraisal if necessary. Mr. Pace expressed his appreciation to Billy Clarke for his advice in this matter. In other business, the Committee considered Compensation Budgets; a proposal for Easement Acquisition Services and Quarterly Reports.

Finance Committee:

Mr. Blackburn reported that in the absence of Mr. Kelly, he chaired the Finance Committee meeting of April 25, 2001. He reported the Committee met to discuss the Proposed FY02 Budgets and Rates. Also, the Committee considered the Annual Audit Contract for year ended 6/30/01. Mr. Kelly moved that the Board approve the Annual Audit Contract from Gould Killian CPA Group for the

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fiscal year ending June 30, 2001 at 85% of their normal billing rate, with a not to exceed amount of \$27,800. Mr. Aceto seconded the motion. Roll call vote was as follows: 11 Ayes; 0 Nays.

Regarding rights-of-way contingency, Ms. Ball asked if the District should make the contingency a percentage of the contract, instead of a dollar figure. Mr. Hartye stated that the combined contingency is set at \$10,000 for up to 10 parcels. If over 10 parcels, the contingency is more based upon a formula in Right of Way Manual. Mr. Pace stated the reason the contingency is set at this amount is to save time and does not recommend the Right of Way Policy be changed. Ms. Graham stated the Committee revisited the Policy and reaffirmed it should remain as it is.

7. Consolidated Motion Agenda:

a. Consideration of Compensation Budget - Lookout Road:

The Right of Way Committee recommends approval of Compensation Budget for Lookout Road.

b. Consideration of Compensation Budget - Swannanoa River Road:

The Right of Way Committee recommends approval of Compensation Budget for Swannanoa River Road.

c. Consideration of Proposal for Easement Acquisition Services - Swannanoa River Road - McGill Associates:

The Right of Way Committee recommends acceptance of Martin/McGill's proposal for easement acquisition services for the Swannanoa River Road Project.

d. Consideration of Developer Constructed Sewer Systems for Gateway Plaza and Hearing Impaired Facility - Clearview Terrace:

Staff recommends acceptance of the developer constructed sewer systems. All MSD requirements have been met.

e. Cash Commitment/Investment Report for Period Ended 3/31/01:

Presented as information only.

With no discussion, Ms. Graham moved that the Board approve the Consolidated Motion Agenda as presented. Mr. Gantt seconded the motion. Roll call vote was as follows: 11 Ayes; 0 Nays.

1. Consideration of Bids - Grove Park Inn Rehab:

Mr. Hartye reported that only two bids were received, therefore, the project would be rebid and presented to the Board at the next meeting.

2. Old Business:

Mr. Hartye noted the enclosure of the Right-of-Way Quarterly Report.

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3. New Business:

None

Mr. Hartye announced the Right of Way Committee would meet May 23rd at 2:00 p.m., the Planning Committee May 30th at Noon, the Master Plan/ Citizens Participation Committee June 1st at 8:30 a.m. and the Construction Committee the week of June 4th. A discussion was held regarding appointments to the various committees.

4. Adjournment:

At 3:15 p.m., Mr. Aceto moved for adjournment. Mr. Venable seconded the motion. Voice vote was unanimous in favor of the motion.

Jackie W. Bryson, Secretary/Treasurer