

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT

AUGUST 21, 2002

1. Call to Order and Roll Call:

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, August 21, 2002. Chairman Blackburn presided with the following members present: Ball, Bryson, Field, Gantt, Graham, Kelly, Pace, Sobol and Venable. Mr. Aceto was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill and Danny Bridges of McGill Associates, Leah Karpen, with the League of Women Voters, Marcus Barksdale, with Mattern & Craig, Kurt Wright, with WK Dickson, Martha Zeigler and Sondra Honeycutt, MSD.

2. Approval of Minutes of the July 17, 2002 Meeting:

Mr. Venable stated that since the motion and second for approval of the June 12, 2002 Minutes are shown to have been done by the same person, it should be corrected. In addition, page three, item 6., paragraph 4., should be changed to read "Mr. Venable stated it would be helpful if this information could be accessed by name as well as address". With no further additions or corrections, Ms. Graham moved that the minutes of the July 17, 2002 meeting be approved as amended. Mr. Pace seconded the motion. Voice vote in favor of the motion was unanimous.

3. Discussion and Adjustment of Agenda:

Mr. Venable requested that items b. and f. of the Consolidated Motion Agenda be pulled for further discussion. Mr. Sobol requested that items d. and e. be pulled.

4. Informal Discussion and Public Comment:

Mr. Blackburn called for comments from the public and recognized Ms. Leah Karpen, representing the League of Women Voters.

5. Report of General Manager:

Mr. Hartye introduced Martha Zeigler, MSD's new Finance Director. He stated Ms. Zeigler resides in Weaverville, is a CPA and a North Carolina Certified Local Government Finance Officer. He further stated Ms. Zeigler came to MSD from Land of Sky Regional Council in July, and prior to that, worked four years for Buncombe County, two years at Mountain Area Hospice and eight years with Killian, Cole and Marshall.

Mr. Hartye presented information regarding Press, Kenilworth Lake, Early Retirement Offering, COA Community Meetings and the Water Environment Federation Conference.

Regarding Kenilworth Lake, Mr. Hartye presented a memorandum from Ed Bradford giving an update on the Kenilworth Lake/Ross Creek Projects. Mr. Hartye noted that a copy of the memorandum had been shared with David Herbert of the NC Clean Water Fund and Kenilworth residents.

Mr. Hartye presented a memorandum from Marsha Kiser outlining the Early Retirement Program. He stated seven employees are eligible for the voluntary program. Mr. Venable asked for a clarification on the eligibility categories. Mr. Hartye stated the two criteria are age 50 and older with

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20 years of service and age 60 and older with five years of service. Ms. Ball asked if eligible employees would receive 1/2 of their current annual salary in a lump sum check. Mr. Hartye stated the payment would be available in a lump sum or bi-weekly over six months. He further stated this would be made available for agreeing to retire half way through the year so the budget ultimately stays the same. Ms. Ball asked if he plans to freeze these positions for six months in order make up the savings. Mr. Hartye stated six of the seven positions would not be replaced. One position is questionable depending on the circumstances. Ms. Ball asked if the cost savings to the MSD is a result of hiring replacements at a lower salary. Mr. Hartye stated the cost savings would be realized by not replacing these positions next year.

Regarding the City of Asheville Community Meetings, Mr. Hartye reported that the Assistant City Manager has requested that MSD consider participating in future meetings. He stated that he and Stan Boyd would attend. The next meeting is scheduled for Tuesday, October 29, 2002.

Regarding the WEFTEC Conference, Mr. Hartye stated that a schedule of technical sessions has been highlighted and distributed to those who plan to attend. He further stated the convention floor walk is tentatively scheduled for 11AM on Monday after the Opening General Session. Additional information will be provided at the September meeting.

In other business, Mr. Hartye reported that MSD is adhering to the voluntary water restrictions in Woodfin.

With regard to the Thermal Converter, Mr. Hartye reported that it is down for testing and repairs and the Nutri Lime Facility is being utilized in the interim. He stated that the Nutri Lime product would be available in approximately 45 days. Ms. Bryson asked if there is a market for the product. Mr. Hartye stated there is not a lot of interest, but staff is considering running an ad in a local agriculture magazine.

Mr. Hartye reported that the Auditor has notified the MSD that it has been certified for ISO 14001 at the Plant. Mr. Hartye said he would like to recognize those persons who worked toward this certification at the October Board meeting.

Mr. Hartye announced that the company picnic is scheduled for Friday, September 13, 2002 behind the Treatment Plant Maintenance Facility.

6. Report of Committee Chairs:

Right of Way Committee

Mr. Pace reported that the Right of Way Committee met July 24, 2002 to consider condemnations on several projects and to consider proposals for acquisition services on the Merrimon/Reed Creek Rehabilitation Project.

Planning Committee

Mr. Sobol reported the Planning Committee met August 13, 2002 to review Fees and Charges. He further reported the Committee recommends approval of Staff's recommendation to increase Tap Fees from \$350.00 to \$550.00 per tap plus \$800.00 for any pavement disturbance or boring. Ms. Graham asked if the \$800.00 would take the place of the \$600.00 Facility Fee or if it is a

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separate charge. Mr. Sobol said it's a separate charge and that the Facility Fee would be increased by \$100.00. Mr. Sobol further reported the Committee recommends excluding affordable housing fees (\$300.00) from this increase. Also, the Committee recommends a combined fee of \$400 for Permit, Plan Review, Construction Inspection and Closeout Document Review Fee for sewer systems constructed by developers and conveyed to MSD. Mr. Hartye stated the Committee recommends October 1, 2002 as the effective date of the increase. Ms. Graham asked if there has been any discussion with developers who would be most affected by this increase. Mr. Hartye stated a meeting was held with developers with regard to general issues and the development of a fee for developer constructed sewer systems to be transferred to MSD. He further stated there are other services MSD provides along with the development process and the Planning Committee recommends the fees be combined to make it a total processing fee, which includes plan review, inspection, document transfer. He stated that since this is an interim measure, the Committee has asked staff to come back with more detailed figures and other ideas as far as privatization of taps and other such issues. As a result, the Planning Committee may be coming back to the Board with a different recommendation on fees. A discussion followed regarding combining fees, the actual cost of tap fees and whether the District should charge developers a fee for inspection. Mr. Pace stated that fees should be charged based on what it cost MSD, not what other communities are charging.

In other business, Mr. Sobol reported the Committee discussed the Resolution from Buncombe County to disallow sewer extensions to elevations above 2,500 feet and slopes greater than 40%. He stated Mr. Boyd presented maps showing areas that would be affected by this resolution, specifically, areas in Montreat where much of the land is at higher elevations. Ms. Ball asked if there was a discussion on how to determine the 40% slope. Mr. Hartye stated these are issues that need to be discussed in detail with the Buncombe County Planning Board and that MSD needs to be involved in these meetings. Mr. Gantt stated the

important thing is to be willing partners with Buncombe County on this issue. Ms. Ball stated that any decision by the MSD Board should be based on its ability to provide sewer service, not on the issue of elevation or slope. Mr. Gantt stated that because this issue is part of the Land Use Plan a comprehensive decision should be made by all parties involved. Mr. Venable asked for a clarification on Ms. Ball's statement. Ms. Ball stated that this issue could be resolved by coming up with something that works for everyone and since MSD has always said it is not in the business of Land Use Planning, it should be careful to base its limitations on its ability to provide sewer service. Ms. Field stated that the Planning Committee asked staff to present information on lines that would be affected by this resolution and that the Committee looked at this information to see what kind of financial impact it would have on the MSD. Mr. Hartye stated that since MSD does not extend lines, this cost is the responsibility of the developer and what MSD must look at is the existing lines and how much was invested. He further stated that MSD has a minimum 8" line requirement, which can handle capacity in these areas, so there is no real investment loss only potential revenue loss. Ms. Ball stated that although the developer pays for the cost of extending lines, the future cost to MSD is in taking over these lines for maintenance. Mr. McGill stated that when these meetings occur, the Water Authority will have the most input and MSD should listen to them before expressing its opinions. He further stated that since the 2500 feet and 40% slope are arbitrary numbers, which were chosen when they were put in the Land Use Plan, they should be looked at to see if they are appropriate. Mr. Pace stated that since the MSD has funded the major lines, the County should handle the issue of density.

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7. Consolidated Motion Agenda:

a. Consideration of Proposals for Acquisition Services for Merrimon/Reed Creek Rehabilitation Project:

Mr. Hartye reported that the Right of Way Committee recommends acceptance of Martin/McGill's proposal for easement acquisition services for the Merrimon/Reed Creek Rehabilitation Project on a fee not to exceed basis at an hourly rate.

b. Consideration of Request for Cost Recovery Program Reimbursement:

Mr. Hartye reported that staff recommends the Board authorize the General Manager to issue a reimbursement in the amount of \$2,570.00 to David Ball of Ball Enterprises Inc. upon Board acceptance for ownership of this sewer system.

c. Consideration of Release and Reconveyance of Easement, Lot 86, portion of 87 - Reems Creek Golf Course:

Mr. Hartye reported that staff recommends approval of execution and recording of release and reconveyance.

d. Consideration of Contract - Tomahawk Basin Phase 2 Dig & Replace:

Mr. Hartye reported that the following bids were received August 6, 2002 for the Tomahawk Basin, Phase 2 Dig & Replace Project: Thalle Construction Company with a total bid of \$1,878,865.00; Bryant Electric Company with a total bid of \$1,679,320.00; Buckeye Construction Company with a total bid of \$1,548,312.50; T&K Utilities Construction Company with a total bid of \$1,697,320.00 and Terry Brothers Construction Company with a total bid of \$1,502,645.00. He further reported that staff recommends award of the contract to Terry Brothers Construction Company in the amount of \$1,502,645.00.

e. Consideration of Contract - Lakey Gap Road, Phase 2 Dig and Replace:

Mr. Hartye reported that staff recommends award of the contract for Lakey Gap Road, Phase 2 to Bryant Electric in the amount of \$87,819.00 contingent upon review by District Counsel.

f. Consideration of Fees & Charges:

Mr. Hartye reported that the Planning Committee recommends the following: Adopt staff's recommendations in the interim, except change the wording of "Road Crossing" to include any "Pavement Disturbance or Boring", and to exclude affordable housing fees from this increase. Also recommends a combined fee of \$400.00 for Permit, Plan Review, Construction Inspection and Close-out Document Review Fee. Recommends adoption of the schedule for reproduction charges. The Committee also recommends that the Planning Committee evaluate and bring to the Board policy issues to include the following: Bidding/Outsourcing of taps; evaluation of "cost recovery", combining of fees, affordable housing fees, and evaluation of the facility fee (what is it and why was it established). The

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Committee recommends that staff and the Planning Committee re-evaluate and adjust these fees on an annual basis.

g. Cash Commitment/Investment Report for Period Ended 6/30/02:

Presented as information only.

Regarding Item f. (Fees & Charges), Ms. Ball asked for a clarification on the residential Facility Fee increase. Mr. Sobol stated that an increase of \$100.00 would be added to the current fee per structure. Ms. Ball also asked if homeowners in annexed areas where the City has put in a sewer line and sub-connection would be responsible for the tap fee. Mr. Hartye stated the facility fee would be appropriate in that case, but not the tap fee.

Regarding Item g. (Cash Commitment/Investment Report), Mr. Venable asked for an explanation on the unencumbered balance of \$13,995,297. Mr. Hartye stated these are construction carry-over funds that will be used for future projects. Mr. Venable asked why these projects would not be funded from revenues received from ratepayers that were included in the budget. Mr. Hartye stated that incoming revenues are approximately \$20 million, but the amount to be expended is \$33 million. The \$33 million is comprised of \$11 million operations, \$6 million debt service and \$16 million for construction (CIP). He further stated that each year \$4 to \$5 million pay-as-go comes in from revenues, but the CIP is \$16 million, so periodically MSD must have a bond issue to augment the revenues in order to pay for the CIP (construction).

Regarding Item b. (Cost Recovery Program Reimbursement), Mr. Venable questioned the sewer line participation cost of \$6,107.00 for this project. Mr. Hartye reported that the \$6,107.00 is the maximum amount the MSD would participate in. Regarding the Cost Recovery Program Application, Mr. Venable stated that since the Application does not say anything about a bond or letter of credit, would this be covered under item h. of the requirements. Mr. Clarke stated that an agreement must be signed with MSD. Mr. Hartye stated this is done after the line is installed, inspected and approved. At the same time, MSD gets a letter of credit for the amount of the check.

Ms. Ball moved that the Board approve the Consolidated Motion Agenda items a., b., c., e., f. and g. Ms. Bryson seconded the motion. Roll call vote was as follows: 10 Ayes; 0 Nays.

Regarding Item d. (Tomahawk Basin), Mr. Sobol asked if the estimated projected costs are adjusted each year. Mr. Hartye stated that each year all of the budget data sheets are looked at to make sure the numbers are correct and MSD engineers re-estimate jobs that are still on the docket, but have not been constructed. The estimates are based upon the last 12 months of construction projects. Mr. Sobol requested that this information be provided to the CIP Committee at the spring meeting. Also, with regard to the Tomahawk Basin, he asked that information on the number of service calls prior to the start of this project and the number of calls after completion be provided. Ms. Graham moved that the Board approve Item d. of the Consolidated Motion Agenda. Mr. Pace seconded the motion. Roll call vote was as follows: 10 Ayes; 0 Nays.

8. Old Business:

None

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9. New Business:

A discussion was held regarding a date for the Finance Committee meeting. The meeting is tentatively scheduled for the week of September 23rd.

At 3:06 p.m., Mr. Sobol moved that the Board go into closed session to discuss the litigation between Tom Tarrant and the MSD. Ms. Bryson seconded the motion. Voice vote in favor of the motion was unanimous.

At 3:16 p.m., the Board went back into open session.

10. Adjournment:

With no further business, the meeting adjourned at 3:17 p.m.

Jackie W. Bryson, Secretary/Treasurer