

# **BOARD OF THE METROPOLITAN SEWERAGE DISTRICT**

**APRIL 16, 2003**

**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, April 16, 2003. Chairman Blackburn presided with the following members present: Aceto, Ball, Bryson, Field, Graham, Kelly, Pace and Venable. Mr. Gantt and Mr. Sobol were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill of McGill Associates, Leah Karpen with the League of Women Voters, Martha Zeigler, Ed Bradford, Stan Boyd, Mike Butler, Peter Weed and Sondra Honeycutt, MSD.

**2. Approval of Minutes of the March 19, 2003 Meeting:**

Mr. Venable moved that the minutes of the March 19, 2003 meeting be approved as presented. Mr. Pace seconded the motion. Voice vote in favor of the motion was unanimous.

**3. Discussion and Adjustment of Agenda:**

None

**4. Informal Discussion and Public Comment:**

Mr. Blackburn recognized Ms. Leah Karpen with the League of Women Voters.

**5. Report of General Manager:**

Mr. Hartye presented information regarding, Reading, Bond Refinancing, WNC Regional Air Quality Agency Recognition, City of Asheville Community Meeting, City of Asheville Billing, Water Environment Federation Technical Conference and Board/Committee Meetings.

Mr. Hartye presented an article regarding infrastructure extensions and development and an article regarding the Regional Water Authority's proposal to raise water rates.

With regard to Bond Refinancing, Mr. Hartye presented Rating Reports from Moody's and Standard & Poor's.

Mr. Hartye presented a certificate from the WNC Regional Air Quality Agency for the District's compliance of its Air Quality Permit during 2002, along with a copy of emission statistics for 2002.

Regarding the City of Asheville billing, Mr. Hartye stated there has been no word when this issue will be taken up by City Council or response to the Chairman's letter to the Mayor and Council.

Mr. Hartye reported that the WEFTEC Conference will be held in Los Angeles October 11 - 15 for those interested in attending.

Mr. Hartye announced that he received a letter from Buncombe County notifying him of a new Infrastructure Group. The first meeting is scheduled for April 30<sup>th</sup>. Mr. Hartye stated that he and Steve Aceto are planning to attend.

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Mr. Hartye announced that the Finance Committee will meet April 25<sup>th</sup> at 3PM; the Right of Way Committee will meet April 23<sup>rd</sup> at 2PM and the next Board Meeting is scheduled for May 7<sup>th</sup> at 2PM.

With regard to the Rating Reports from Moody's and Standard & Poor's, Mr. Venable stated that both Reports mention rate increases over the next several years. Mr. Hartye stated that both agencies have to review the District's plans at the time the review is being done, which was last fiscal year. He further stated that at that time, the District projected increases over the next 10-years, but rate increases are always subject to Board approval.

**6. Report of Committee Chairs:**

**Right of Way Committee**

Mr. Pace reported that the Right of Way Committee met March 26, 2003 to review condemnations and construction without easement or condemnation on the Lower Ross Creek Rehabilitation Project.

Mr. Blackburn reported that construction on the Country Club of Asheville Project is going very well and the Club has been very complimentary of MSD staff.

**CIP Committee**

In the absence of Mr. Sobol, Mr. Hartye reported that the CIP Committee met April 1, 2003 to review the new Collection System Permit with the State. He stated that the permit dovetails with the new regulations from EPA this year and entails "best management practices" in the sewer industry. Mr. Hartye further reported that the Committee reviewed projects that were accomplished last year (North Swannanoa Interceptor), projects for the coming year (Incinerator & Belt Filter Presses, new technology (in-house lining and Pipe Rating Program) and shared information on accomplishments, as far as the increase in projects, from 1999 to 2003. Also, the Committee went over the Rehabilitation Program Priorities, the 10-year CIP and the proposed construction budget for FY 2003-04 of \$14,089,752 with a flat \$1 million in contingency.

Mr. Blackburn noted comments by Mr. Morgan, Town Manager of Weaverville, regarding the funding ratio of 55% pay as you go and 45% bonds for CIP. Mr. Venable stated that Mr. Morgan indicated that he liked the idea of using bonds, since it passes the cost of new

infrastructure on to future residents, instead of current residents having to foot the entire bill. Mr. Hartye stated the idea is to spread the cost to the future users of the system with bonds. He further stated that another instrument utilized to accomplish this is collecting fees and charges up front for new construction. This will be looked at again by the Finance Committee as a part of the entire budget package. Mr. Pace stated that part of the reason the District has received good bond ratings is because of pay as you go. Mr. Aceto stated that it seems to be the consensus that the District has managed to come up with the right balance between pay as you go and Bonds.

### **Personnel Committee**

Mr. Venable reported that the Personnel Committee met April 3, 2003 to receive the Personnel Staff Annual Report and consider the Cost of Living/Merit Pay Plan for FY 2003-04. He stated that Ms. Kiser presented statistics that pertain to Personnel and noted that the total number of employees will be reduced

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to 155 for the next fiscal year. He further reported that the Committee recommends to the Finance Committee and the Board a 2.5% cost of living and a 2.5% merit pay plan. He stated since this recommendation was made in connection with budget considerations, the percentages may change. Mr. Kelly stated that considering a 2.5% rate increase and the fact that the industrial revenue is not growing and the residential revenue is not increasing much, how will the District pay for a 5% increase in personnel costs. Mr. Venable stated that this is just a recommendation, and if it requires the District to raise rates, he feels the Committee should reconsider its position on this issue. Mr. Hartye stated that in the past the Personnel Committee would meet early on about the Cost of Living and Merit and make a decision, but would not know the effect of that decision. As a result, staff looked at what is happening in the marketplace, what the CPI is, etc. He stated that all inputs of the budget will be presented to the Finance Committee as one package, and at that point, the Committee will make its final recommendation to the Board. Ms. Ball requested that the Finance Committee package be made available to the entire Board prior to the meeting on April 25<sup>th</sup>.

### **7. Consolidated Motion Agenda:**

**a. Consideration of Construction without Easement or Condemnation - Lower Ross Creek Rehabilitation:**

Mr. Hartye reported that the Right of Way Committee recommends the Board approve to proceed with construction of the Lower Ross Creek Rehabilitation project without easement or condemnation action at this time. If the owners or heirs do come forth, staff will negotiate or condemn if necessary for taking at that time.

**b. Consideration of Cost Participation in Sewer Upgrade/Relocation - New Mountain Area Hospice:**

Mr. Hartye reported that staff recommends the MSD participate in 50% of the construction costs for the New Mountain Area Hospice upgrade in an amount not to exceed \$17,450.00. Funds are available in the CIP Contingency.

**c. Consideration of Approval of the Capital Improvement Program Budget for FY2004:**

Mr. Hartye reported that the CIP Committee endorses and recommends adoption of the FY 2003-2004 Capital Improvement Program Budget in the amount of \$14,089,752.00 with a flat contingency of \$1,000,000.00 as well as reimbursements totaling \$419,742.00.

**d. Status of Unauthorized Connections/Smoke Testing Report:**

Presented as information only.

**e. Cash Commitment/Investment Report - Month Ended February 28, 2003:**

Presented as information only.

Regarding Item c. (CIP Budget) Ms. Ball asked if adoption of the Capital Improvement Program would impact the percent of sewer rate increase necessary to support it, or if the Operating Budget would have to be decreased. Mr. Hartye

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stated yes, the CIP does affect the rates that will be recommended. The Finance Committee will consider this along with the other components of the District finances at the April 25<sup>th</sup> meeting. The endorsement requested above is for the next fiscal year CIP only, not future years. He further stated that if adjustments are necessary, the Board has the ability to do so, however, what the Board is being asked to adopt is the Plan itself not the dollar figure, which meets the criteria of the 50,000 lineal feet and other objectives in the CIP. Ms. Ball asked why this item was brought to the Board for consideration when it will be presented as part of the budget to the Finance Committee on April 25<sup>th</sup>. Mr. Hartye stated that this item was presented because it was an endorsement of the CIP Committee. He further stated that the Plan incorporates real projects that staff has worked on to develop the program and there are other issues behind the projects, not just the dollar figure. Ms. Ball stated that she would like to see some type of prioritization of projects in the event a project would have to be cut. Mr. Aceto stated that he should have asked the CIP Committee what they felt the priorities should be. Ms. Ball stated that asking for the Committee's input is critical. Mr. Hartye stated that the purpose of the April 1<sup>st</sup> meeting was to get input and endorse the Plan. Ms. Field stated that priorities are set based on the Pipe Rating Program. A discussion was held with regard to how priorities are set and the wording of the recommendation.

Ms. Ball moved that Item 6.c (CIP Budget) be pulled from the Consolidated Motion Agenda. Mr. Pace seconded the motion. Voice vote in favor of the motion was unanimous.

Ms. Graham moved that the Board approve items 6.a, 6.b, 6.d, and 6.e of the Consolidated Motion Agenda. Ms. Ball seconded the motion. Roll call vote was as follows: 9 Ayes; 0 Nays.

Ms. Field moved that the Board accept the CIP Budget in concept and that it direct the General Manager to take it to the Finance Committee for approval and recommendation to the Board. Mr. Pace seconded the motion. Ms. Ball stated that she will vote against the motion because she feels it should not be voted on at all. Mr. Aceto asked Ms. Ball what she feels about this process. Ms. Ball stated that the Committee process is an excellent set-up for the Board, but feels that everything associated with the budget should come back to the Board as a package, therefore, she does not understand voting on this and other budget issues individually. Ms. Field stated that this recommendation acknowledges that all of the CIP Committee Members endorse the

budget. Mr. Blackburn stated that the CIP Committee needs to endorse the budget, but next year it will be presented to the Board as information only then sent to the Finance Committee for a final recommendation to the Board. Mr. Hartye stated that it's important for this information to come to the Board before going to the Finance Committee since there is a lot of information to absorb. Mr. McGill stated that at this year's meeting, Mr. Hartye went over the CIP Plan and does not feel the CIP Committee has neither the knowledge nor the desire to reprioritize the Plan; however, there are projects in their respective jurisdictions that they would like to see or have questions about. He further stated that the biggest function of the CIP Committee is to adopt the Plan. With no further discussion, roll call vote was as follows: 8 Ayes; 1 Nay (Ms. Ball).

## **8. Consideration of Approval of Sewer Use Ordinance:**

Mr. Hartye reported that the Sewer Use Ordinance has been through the notification process and the District has received comments back. He presented the comments and proposed changes along with the Summary of Changes. He

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stated that the majority of changes had to do with food service establishments. Mr. Hartye reported that the two issues raised by the City had to do with calibration of flow meters and other user charges and fees. Mr. Aceto asked what the last sentence in Section 15.02 (User Charge and Fee Schedules) means "Neither the establishment of User Fees and charges nor payment of user fees and charges shall be subject to review under this Ordinance". Mr. Clarke stated that a number of things in the ordinance are subject to review either by petitioning the General Manager or by asking for a hearing before the Board. He further stated that the Board has the absolute authority to set rates, fees and charges, which are not subject to review by anyone. Mr. Venable asked why the District came up with an Ordinance. Mr. Clarke explained that as a part of the NPDES Permit, the District is required to have a pre-treatment program and an Ordinance regulating the system. Ms. Graham asked if the restaurant industry has been allowed to review the Ordinance and have any input prior to the Board voting on it. Mr. Weed stated that the Industrial Waste Coordinator was absent, but would check with him when he returned. Ms. Graham stated that she would not vote on it until the people affected by it have had a chance to have an input. Mr. Pace referenced page 5 of the Ordinance which defines the difference between a grease interceptor and a grease trap and stated that unless a person knows what is required, they may be forced to put in the more expensive one, which may mean the difference between going into business or not. Ms. Graham stated that on occasion the interpretation of the City and County Inspectors are different than MSD's, but ultimately, it should be MSD's decision when it concerns MSD issues. Mr. Hartye agreed with Ms. Graham, but stated that most of the restaurants already have either a grease trap or an interceptor in place. He stated that this requirement mainly affects new restaurants, but will

have staff provide this information at the next meeting. Ms. Graham moved that the Board table approval of the Sewer Use Ordinance until the next meeting. Mr. Pace seconded the motion. Ms. Graham stated there is a Restaurant Association and staff may also check with the hotel industry. With no further discussion, voice vote in favor of the motion was unanimous.

**9. New Business:**

None

**10. Old Business:**

None

**11. Adjournment:**

With no further business, the meeting was adjourned at 3:13 p.m.

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Jackie W. Bryson, Secretary/Treasurer