

# **BOARD OF THE METROPOLITAN SEWERAGE DISTRICT**

**JUNE 11, 2003**

## **1. Call to Order and Roll Call:**

The regular monthly meeting of the Metropolitan Sewerage District Board and Public Hearing on the Budget for FY 2003-04 were held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, June 11, 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, Larry Frost with NCDENR, Bette Jackson with the League of Women Voters, Martha Zeigler, Stan Boyd, Ann Lemieux, John Kiviniemi, Ed Bradford, Blake Bridwell, Ken Stines, Roger Watson, Peter Weed, Eric Mann and Sharon Walk, MSD.

## **2. Approval of the Minutes of the May 7, 2003 Meeting:**

Mr. Blackburn requested that Item 5. (Report of General Manager) second paragraph, line 8, be changed to read "Land Use Quorum" instead of the "League of Women Voters". With no further additions or corrections, Mr. Venable moved that the Minutes of the May 7, 2003 meeting be approved as amended. Ms. Ball seconded the motion. Voice vote in favor of the motion was unanimous.

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

Ms. Graham requested that Item 6.a.1 (Pulliam-Mills Gap - Developer constructed sewer system) be pulled from the Consolidated Motion Agenda and that she be excused from voting because of a potential conflict of interest.

Ms. Zeigler requested that consideration of a Corporate Resolution be added to the Consolidated Motion Agenda for approval. She stated that the Resolution authorizes the new Accounting Manager, Scott Powell, to transfer funds between accounts, make deposits to accounts, wire debt service payments, and to effect other cash management duties inherent to his position.

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

None

**5. Recognition of AMSA National Environmental Achievement Award - Pipe Rating:**

Mr. Hartye reported the District received the Association of Metropolitan Sewerage Agencies (AMSA) 2003 National Environmental Achievement Award for the District's Pipe Rating Program. Mr. Hartye also presented a Resolution of Appreciation from the District Board for the award. He reported that he attended the AMSA Conference in Washington D.C. on May 18<sup>th</sup> to accept the award (which is one of only two such awards given annually by AMSA) on behalf of the District. Although similar efforts are being conducted by consultants, using proprietary software, the MSD Pipe Rating Program is unique in that it was developed by MSD staff using off the shelf software, and is reproducible by other utilities. He introduced the management part of the vertical team, Ed Bradford, Ann LeMieux and himself and recognized and presented plaques to the following staff: Blake Bridwell, Ken Stines, Eric Mann and Roger Watson. Jenny Konwinski was on annual leave and will be recognized at the July meeting. Ms. Ball moved that the Board adopt the Resolution of Appreciation. Mr. Pace seconded the motion. Voice vote in favor of the motion was unanimous. Mr. Hartye reported that AMSA directly notified Legislators with regard to the award

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and MSD has been contacted by other utilities that and MSD has been contacted by other utilities interested in seeing the program first hand. He stated that it's exciting that MSD can do something for the environment.

**6. Report of General Manager:**

Mr. Hartye presented information regarding Emergency Project, Budget/Rates and Board Agenda, Reading, Safety Grant, and Board/Committee Meetings.

Mr. Hartye reported that a small project located at Hilliard/Short Coxe in downtown Asheville and in the current CIP, developed into an emergency during the week of May 12<sup>th</sup>. An 8" collector collapsed under a building where it is 30 feet deep, making repair impossible, so an emergency gravity bypass was constructed by System Services to serve as a temporary measure. Plans and Specs were quickly prepared, Right-of-Way negotiations finalized and bids were received on May 23<sup>rd</sup> to replace the line.

With regard to Budget/Rates and Agenda, Mr. Hartye reported that at the request of Chairman Blackburn, the format for the Public Hearing and discussion regarding the Budget and Rates would be changed. The Board would first consider and vote on the proposed rate increase and then consider and adopt the Budget for FY 2003-2004. The change was made because projected revenues in the budget are dependent upon the rate. Mr. Hartye stated that he would be making a presentation on the Rates and Budget during the Public Hearing and following the Public Hearing, the Board will consider the rates and conclude with the consideration of a Resolution adopting the Budget for FY 2003-2004.

Mr. Hartye reported that once again the District received a Safety Grant from the League of Municipalities under the Workers' Compensation Program for confined space monitoring equipment.

Mr. Hartye announced that the Right of Way Committee will meeting June 25<sup>th</sup> at 2PM and the next meeting of the Board will be July 16<sup>th</sup> at 2PM.

**7. Consolidated Motion Agenda:**

**a. Consideration of Developer Constructed Sewer Systems:**

**1. Pulliam-Mills Gap**

Staff recommends acceptance of the developer constructed sewer system located off Mills Gap Road in Buncombe County. All MSD requirements have been met.

**2. 76 Peachtree (Nettlewood Proff. Park)**

Staff recommends acceptance of the developer constructed sewer system located off Hendersonville Road in Asheville. All MSD requirements have been met.

**3. Westridge Shopping Center**

Staff recommends acceptance of the developer constructed sewer system located off U.S. Highway 19-23 in Buncombe County. All MSD requirements have been met.

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Mr. Blackburn called for a motion for approval on Item a. (developer constructed sewer systems). Mr. Venable moved and Mr. Pace seconded the motion. Mr. Blackburn excused Ms. Graham from voting. With regard to 6.a.1 (Pulliam - Mills Gap) Mr. Pace asked if the existing line running under the railroad was always there. Mr. Stines stated it was. With no further questions, roll call vote was as follows: 8 Ayes; 0 Nays. (Ms. Graham was excused from voting)

Mr. Hartye went over the remainder of the Consolidated Motion Agenda.

**b. Consideration of Bids - Grassy Branch Interceptor Rehabilitation Project:**

Mr. Hartye reported that the following bids for the Grassy Branch Interceptor Rehabilitation Project were received and opened on May 29, 2003: Terry Brothers Construction Company with a bid of \$1,287,556.50; Tennoca Construction Company with a bid of \$1,562,573.50; Buckeye Construction Company with a bid of \$1,344,449.25 and Cooper Construction Company with a bid of \$1,650,032.50. He stated that staff recommends award of this contract to Terry Brothers Construction Company, Inc. in the amount of \$1,287,556.50, contingent upon review by District Counsel.

**c. Consideration of Bids - Tomahawk Branch Interceptor Rehabilitation Project:**

Mr. Hartye reported that the following bids for the Tomahawk Branch Interceptor Rehabilitation Project were received and opened on May 27, 2003: Buckeye Construction Company with a bid of \$535,679.00; Huntley Construction with a bid of \$627,829.00; Terry Brothers Construction Company with a bid of \$660,065.00; Hobson Construction

Company with a bid of \$694,600.00; Buncombe Construction Company with a bid of \$749,900.00; Tennoca Construction Company with a bid of \$762,960.00 and Morehead Construction Company with a bid of \$1,350,337.00. He stated that staff recommends award of this contract to Buckeye Construction Company, Inc. in the amount of \$535,679.00, contingent upon review by District Counsel.

**d. Cash Commitment/Investment Report - Month Ended April 30, 2003:**

Presented as information only.

**e. Consideration of Corporate Resolution to update name of Accounting Manager authorized to perform banking functions.**

Mr. Hartye stated that staff recommends approval of the Corporate Resolution.

With no discussion, Ms. Ball moved that the Board approve items b., c., d. and e., of the Consolidated Motion Agenda. Ms. Graham seconded the motion. Roll call vote was as follows: 9 Ayes; 0 Nays.

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**8. Public Hearing on Budget & Rates for Fiscal Year 2003-04:**

**MINUTES OF PUBLIC HEARING**

At 2:25 p.m., Mr. Blackburn opened the Public Hearing on the Budget and Sewer Use Rates for Fiscal Year 2003-04.

Mr. Hartye gave a slide presentation that included a breakdown of Revenues and Expenditures for FY 2004; the AMSA 2002 Rate Survey, which includes a General Profile, Utility Benchmarking, Residential Consumption and Residential Rate Comparisons. Mr. Hartye stated that the average monthly bill for an MSD residential customer is at or below the AMSA Region IV average, however, the rate per ccf is high by comparison. He further stated that staff will bring information to the Finance and Planning Committees in the fall to consider a flat rate for single family residential accounts. Mr. Hartye reported that MSD's Industrial Charges for Flow, BOD & TSS were 20% lower than the AMSA Region IV average in 2002. Ms. Field asked why the average AMSA rate customer used 9.9 ccf of water each month compared to the Regional Water Authority's average of 5 ccf per month. Mr. Hartye stated that based on data MSD receives from Asheville-Buncombe Regional Water Authority the average resident uses approximately 5ccf/month. Staff has been checking other member agencies and the usage is similar. He further stated that the high end customers are using more. Mr. McGill stated that the water conservation program during the past several years may have had an effect on the usage. Ms. Field stated that if water conservation is the reason, this would be a good marketing tool for the Asheville area. Mr. Aceto asked what affect seasonal residents have on the average. Mr. McGill stated that he did not feel it would have an effect on the annual average. With regard to flat rates, Ms. Ball stated that if a flat rate is used, residents would not be charged based on the service they get, which in her opinion, is a social disincentive for going with a flat rate. Why should someone who chooses to use less water be forced to pay more. Mr. Hartye indicated that over 90% of the costs associated with serving residential customers are fixed costs. Mr. Blackburn stated that the idea of a flat rate must first go to the Finance Committee to see if it's worthwhile and

then to the Planning Committee to determine if it's feasible with all the variables that come into play.

Mr. Hartye went over the financial planning and rate setting assumptions and how growth is factored in user charges and facility & tap fees. The projections assume a 1% growth in User Charges. Current data show a 1.1% growth in the number of accounts from FY02 to FY03. District revenues increased 2.7% in FY 2002-2003 separate and apart from the 2.5% rate increase. With regard to facility & tap fees, Mr. Hartye reported that during the last two years, the District received approximately \$1.5 million each year in facility and tap fees. He stated that in developing past budgets the District projected \$730,000 to \$900,000 in facility and tap fees and that \$1million is projected for FY04. Ms. Field asked what a 1% rate increase would generate. Mr. Hartye stated that it would generate approximately \$200,000.

Mr. Hartye stated the purpose of the proposed rate increase is required to fund the District's Capital Improvement Program (CIP), which runs approximately \$12 - \$14 million/year and is necessary to replace a dilapidated sewer system and keep the Treatment Plant in compliance. He further stated the CIP is funded by approximately \$6 - \$7 million/year in bond money and \$6 - \$7

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million/year in "Pay as Go" money. He further stated that MSD could fund the FY04 budget without a rate increase through bond money and "pay as go" and still meet near term obligations. The increase for FY 2004 is proposed to keep rate increases small and consistent; to maintain a 2% increase for approximately 8 of the next 10 years for CIP funding and to maintain a favorable debt service ratio. He presented a sample bi-monthly bill for Regional Water Authority Residential Customers based on a consumption of 10/ccf. Ms. Field asked what percent of MSD customers are industrial. Mr. Hartye



stated there are approximately 30 significant industrial users representing approximately \$2.8 million in revenues.

Ms. Zeigler reviewed several changes to the Final Budget that were not in the Preliminary Budget including, a Summary Budget by Fund, Performance measures and accomplishment for each section, 10-Year Financial Forecast, Directors Fees, Planned Projects by Type, Debt Service, Revenue by Type, Expenses by Function, Growth/Demographics and a 5-Year Staffing History.

Mr. Blackburn called for comments from the public on the proposed 2003-2004 Budget and Sewer Use Charges. There being no comments, Mr. Blackburn declared the Public Hearing closed at 3:00 p.m.

#### **9. Consideration of Sewer Use Charges for FY 2003-2004:**

Mr. Hartye presented a 10-year Financial Forecast/Cashflow spreadsheet for review and reported that the Finance Committee recommends the Board adopt Staff's recommendation for a 2% rate increase for FY2003-04. Mr. Kelly moved that the Board adopt a 2% rate increase for FY 2003-04. Mr. Aceto seconded the motion. Mr. Pace stated that even though interest rates are low, he does not foresee revenues growing this year and is pleased with staff's conservative projections in this regard. He asked Mr. Hartye if the projections are looked at each quarter. Mr. Hartye stated they were. Ms. Field stated that she does not feel comfortable raising the rates 2%, since the City of Asheville, Buncombe County and the Water Authority are not raising rates. She further stated that the spreadsheet done for her showed no impact for five years; while meeting all requirements. Ms. Field pointed out the current forecast shows no rate increases for FY2011 and FY 2014 and asked why MSD couldn't do a zero rate increase this year then go back with a 2% rate increase across the board. Mr. Venable asked what the consequences would be if there is no rate increase. Mr. Hartye stated that the Resolution approving the Budget would show revenues with no rate increase. Mr. Blackburn stated if there is no rate increase, "Pay as Go", which is used for construction, would decrease. Ms. Ball stated that she agrees with being conservative when estimating revenues, but being conservative to the point of being at 66% of revenues is too conservative and that there is at least \$200,000 that can be used as revenue. She further stated that she would not vote for a rate increase, but would vote for the budget. Mr. Venable stated that he has had a problem with 4% rate increases, but feels better about a 2% increase. Mr. Venable noted that employee salaries had been increased for the coming fiscal year. Ms. Ball pointed out MSD would still get increases in revenues (without a rate increase) because

of growth. In the past couple of years, the amount of growth has been underestimated. She further stated that the Board recognizes that times are difficult and MSD should not impact the rate payer when MSD has the money it needs. Mr. Kelly moved that the Board call for the question. Mr. Pace seconded the motion. Mr. Blackburn stated that he is in favor of a rate increase and feels a small gradual rate increase is best for the users. Mr. Aceto stated that the 2% rate increase represents a consistent extension of MSD's previous methodology. As a result, the rate increases have decreased over the years and feels this is a sign the

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MSD is on the right track. He further stated that the Finance Committee made a decision that these were sound assumptions and to vary from that is to change the assumptions. As to what other authorities are doing, the tax revenues are up more than the District's rate revenues, therefore an accurate comparison can not be made. He stated that he was happy with the assumptions and would like to see MSD stick with them. With no further discussion, voice vote in favor of the motion to call the question was unanimous. Mr. Blackburn then called for a vote on the 2% rate increase. Roll call vote was as follows: 7 Ayes; 2 Nays (Ms. Ball & Ms. Field)

**10. Consideration of Resolution Adopting the Budget for FY 2003-04:**

Mr. Kelly moved that the Board approve the Resolution adopting the Budget for FY 2003-04. Ms. Bryson seconded the motion. Ms. Bryson commended staff for the work they did in presenting the budget. Mr. Blackburn thanked the Board for their involvement in the budget. Mr. Venable also expressed his appreciation to staff. With no further comments, roll call vote was as follows: 9 Ayes; 0 Nays.

**11. Old Business:**

None

**12. New Business:**

Mr. Blackburn stated that discussion on a flat rate will be presented first to the Finance Committee then to the Planning Committee.

**13. Adjournment:**

Mr. Venable moved for adjournment at 3:25 p.m. Mr. Kelly seconded the motion. Voice vote in favor of the motion was unanimous.

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Jackie W. Bryson, Secretary/Treasurer