

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT

APRIL 21, 2004

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 21, 2004. Chairman Blackburn presided with the following members present: Aceto Ball, Bellamy, Bryson, Gantt, Kelly Pace, Sobol and Venable. Ms. Graham was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Betty Jackson with the League of Women Voters, Gary McGill of McGill Associates, Larry Frost with DENR, Martha Zeigler, Stan Boyd, Angel Banks, Ed Bradford, Marsha Kiser, Ken Stines, Peter Weed and Sondra Honeycutt, MSD.

Mr. Blackburn welcomed Betty Jackson with the League of Women Voters.

2. Approval of Minutes of the March 24, 2004 Meeting:

Ms. Bellamy moved that the Minutes of the March 24, 2004 Meeting be approved as presented. Mr. Gantt 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:

None

5. Report of General Manager:

Mr. Hartye presented information regarding Press/Reading, Air Quality Permit, Board/Committee Meetings and Budget.

Mr. Hartye presented a copy of the Asheville Economy Q&A from the Chamber of Commerce regarding New Jobs, an article from the Asheville Citizen Times recognizing David Gantt for his recent certification in Workers' Compensation Law and an article in the Charlotte Observer regarding revenues, CIP and rate issues at Charlotte-Mecklenburg Utilities.

Regarding the District's Air Quality Permit, Mr. Hartye presented a copy of a letter and certificate from the Western North Carolina Regional Air Quality Agency for compliance with applicable rules and regulations.

Mr. Hartye reported that the Right of Way Committee meeting scheduled for April 28th has been cancelled and asked that the Board consider changing the next meeting of the Board from May 5, 2004 to May 12, 2004 at 2PM so all Finance Committee Members would be present. Mr. Pace moved that the date of the May Board Meeting be changed to May 12, 2004. Mr. Kelly seconded the motion. Voice vote in favor of the motion was unanimous.

Mr. Hartye reported that a public meeting on the Merrimon Avenue project will be held April 22, 2004 at 6:00 PM at the Asbury United Methodist Church on Beaverdam Road.

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6. Report of Committees:

Right of Way Committee

Mr. Pace reported that the Right of Way Committee met March 31, 2004 to consider and approve the Compensation Budget for the Middle Beaverdam Creek Rehabilitation Project and Greenway Agreements with the City of Asheville and Town of Black Mountain. He further reported that the Committee considered and approved granting a right of way to the North Carolina Department of Transportation to build a four-way intersection at NC 251 (Riverside Drive) and SR 1839 (Old Marshall Highway) along the frontage of MSD's pump station site.

CIP Committee:

Mr. Sobol reported that the Capital Improvement Program Committee (CIP) held its annual meeting April 1, 2004 to discuss several issues. Mr. Sobol asked Mr. Hartye to provide figures on how much construction the MSD would be doing this year vs. last year. Mr. Hartye reported that the total CIP budget including contingency and reimbursements is \$15,391,606 for FY 04-05. Mr. Sobol further reported that Ed Bradford, Director of CIP, gave a presentation on new projects and highlights of the current Capital Improvement Program; the Right of Way Clearing Program, Pipe Rating Program, GIS system and several programs related to preventative maintenance and construction methods. He stated that the District is in line with meeting the requirements of the State in rehabilitating 50,000 L.F. per year and that SSO's have steadily decreased from a high of 288 per year to 114 per year as of last June. He further stated that Mr. Hartye reviewed the Cost Recovery and Cost Participation Programs, the Rehabilitation Program priorities and reviewed the 10 year CIP document.

With regard to the increased costs of projects, i.e., the Broadway Project, Mr. Sobol asked how staff arrived at the 1.5% inflation rate for each year. Mr. Hartye stated that this was arrived at based on historical data. Mr. Sobol stated that in order to get a true and accurate picture of what construction costs will be in the future, MSD needs to relate it back to what the actual cost are. He further stated that the Broadway project is now 35% over what was estimated. Mr. Hartye stated that these figures are updated and that staff is using the newer data in estimates for next year's CIP. He further stated that there are a lot of assumptions that have to be made going forward with projections, but as far as estimates are concerned, they are done based on a 12-month average, not on the last project bid. Mr. Sobol stated that the Board and Community should be aware that if costs continue to rise, MSD will be spending the same amount of money on fewer projects and may not be able to accomplish what CIP would like to get done. Ms. Bellamy asked for a clarification on the increased cost of the Broadway project compared to what was estimated. Mr. Blackburn stated this would be discussed further in the Consolidated Motion Agenda.

Personnel Committee:

Mr. Venable reported that the Personnel Committee met April 5, 2004 to consider the Cost of Living/Merit Pay Plan and four (4) options for the Self-Insured Health Plan. He stated that the Committee recommended Option 3; increasing the contribution by the employee 5% and MSD's contribution by 5%. The Committee also recommended a 2.0% cost of living and a 2.0% merit increase and asked that staff consider changing the Merit range from 0 – 5% to 0 – 4%. Ms. Ball stated that she asked staff to look at what the impact would be if

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the Merit range were changed to 0 – 4%, so employees who get a lower merit increase would fall into the average range and not feel their job performance was less because they didn't get up to midrange at 2.5%.

In other business, Mr. Venable reported that the Committee considered Staff's recommendation to make Veteran's Day a holiday. The Committee tabled the recommendation.

Regarding the Self-Insured Health Plan, Ms. Bellamy asked what the 5% Employer/Employee split represents. Mr. Blackburn stated that the Employer contribution will be \$1,039,000 and the Employee contribution will be \$254,000. Ms. Bellamy stated that her concern is that employees are only getting a 4% maximum pay increase and in many circumstances for the lower wage earner this amount would be decreased because of the 5% increase in insurance. Ms. Zeigler stated that currently employees are paying \$5.00 every two weeks for individual health insurance. Under Option 3 this amount would increase by 5%. Mr. Hartye stated that up until last year, employees were covered entirely by MSD. At that time, all employees were given the opportunity to suggest and vote on ways to change the contributions, i.e., add money to the premium in what the employee pays or increase the deductibles. Mr. Sobol stated that the benefit package, especially with health insurance, does affect the lower income employees' more than high income employees because MSD is absorbing \$360,000 in additional premiums. Mr. Hartye stated that the \$360,000 increase was for FY 2003-2004, not for FY 2004-2005. Ms. Ball asked what MSD is doing to keep increases low since rates for other local governments and industry are going up more than 5% a year and in some cases up to 15%. Ms. Zeigler stated that basically the estimate is based on what MSD's claims were during the past year, which was better than the previous year and recommends a reserve of \$400,000 in case the 5% estimate is not accurate.

Regarding the 401k/457 plans matching contributions, Mr. Sobol asked what the figures were for last year. Mr. Venable stated that the employee contributes 3% and MSD 5%. Mr. Hartye reported that of the 150 employees, 17 employees do not contribute, but are getting 2% employer contribution; 3 employees contribute 1-2% with a 2% employer contribution; 130 employees contribute 3% and up with a 5% employer contribution. He presented a survey of other municipalities, showing a majority contributing to 401k or 457 plans.

Finance Committee:

Mr. Kelly reported that the Finance Committee met April 20, 2004 to consider RFP's for Bond Underwriters and Investment Advisor and recommended adoption of the Preliminary Budget for FY 05 which includes a 2% Cost of Living increase and a 2% Merit increase for employees and a 2% domestic rate increase for sewer users. These items will go before the Board at the May 12th meeting. He further reported that the Committee considered and recommends that the Board authorize increasing billing charges for Regional Water Authority-City of Asheville, Black Mountain, Weaverville, Woodfin W&SD, Biltmore Forest, Montreat and Ridgecrest to \$1.78 per bill with delivery of acceptable billing data.

Ms. Ball asked if there are any projections on how MSD's revenues are coming in. Mr. Venable pointed out that this information is provided under Item h. of the Consolidated Motion Agenda.

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7. Consolidated Motion Agenda:

Mr. Kelly moved that the Board approve the Consolidated Motion Agenda. Mr. Pace seconded the motion. Mr. Hartye presented the following items:

a. Consideration of Compensation Budget – Middle Beaverdam Creek Rehabilitation Project:

Mr. Hartye reported that the Right of Way Committee recommends approval of the Compensation Budget for the Middle Beaverdam Creek Rehabilitation Project.

b. Consideration of Highway Right of Way Grant to the NCDOT:

Mr. Hartye reported that the Right of Way Committee recommends approval to grant the requested Right of Way to the North Carolina Department of Transportation for the construction of a four-way intersection at Riverside Drive and Old Marshall Highway.

c. Consideration of Records Retention Policy:

Mr. Hartye reported that the Department of Cultural Resources has issued a Records Retention and Disposition Schedule for Water/Sewer Authorities and Sanitary Districts, which pursuant to General Statute 121-5 (b) should be approved by the District's Board and a copy included in the minutes of the meeting during which the guidelines are approved. He further reported that Staff recommends that the Records Retention and Disposition Schedule for Water & Sewer Authorities and Sanitary Districts be adopted.

Mr. Venable asked if this is a new document that just applies to water and sewer systems. Ms. Zeigler stated that because she could not find an adopted policy she contacted the Department of Cultural Resources and asked if she could develop a policy based on what MSD does. Since they had several other requests, the Department of Cultural Resources developed one for Water/Sewer Authorities and Sanitary Districts. Mr. Clarke stated that any local government that develops a Records Retention Policy has to have the policy approved by the Department of Cultural Resources. He suggested the Board adopt the policy subject to review by Counsel. Regarding employee records, Ms. Bellamy asked if the names and dates of employment will be maintained so employees can continue to use MSD as a reference. Mr. Hartye stated he would look into this. Mr. Blackburn pulled this item for further consideration.

d. Condemnation Statistics of Recent Projects:

Presented as information only.

Ms. Ball asked how many condemnations have been challenged in court since Mr. Pace has been Chairman of the Right of Way Committee. Mr. Clarke stated that there have been four (4) cases (three (3) prior to the Board giving the Committee Condemnation authority and one (1) after). Ms. Ball asked if these cases should cause the Board to reconsider its negotiation policy. Mr. Clarke stated that every effort is made to resolve cases short of litigation. Mr. Pace stated that three (3) contacts are made with property owners and since a more aggressive approach has been taken,

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condemnations are settled faster. Ms. Banks stated that before the Committee was given this authority, it would take several months before condemnations were settled. By having this authority, a significant amount of time has been saved in negotiations and noted that the number of condemnation cases has not gone up since this authorization was given. Ms. Banks provided appraisals and settlement figures on the three cases that went to trial.

e. Consideration of Bids – Broadway Avenue & Broadway @ Five Points:

Mr. Hartye reported that the following bids for Broadway Avenue & Broadway @ Five Points were received and opened April 7, 2004: Ruby-Collins, Inc. with a total bid of \$2,247,114.00; Terry Brothers Construction Co., Inc. with a total bid of \$1,385,765.00 and Buckeye Construction Co., Inc. with a total bid of \$1,199,657.00. Staff recommends award of this contract to Buckeye Construction Co., Inc. in the amount of \$1,199,657.00, contingent upon review by District counsel. Mr. Hartye stated that the low bid appears to be competitive based on the bidding and does reflect the increase in ductile iron costs. Ms. Bellamy asked if the \$1,000 increase is due to the cost of materials and whether estimates on future projects will be based on these costs. Mr. Hartye stated that the upward trend in prices is being incorporated into current estimates for next year. Mr. Sobol asked for a clarification on how historical data is incorporated into future estimates. Mr. Hartye stated that the historical data is maintained to provide a “running annual average” of project costs to be used for estimating the next fiscal year’s projects. As current bids are incorporated into the spreadsheet, the estimates will go up. Mr. Sobol questioned whether this would be greater than 1.5%. A lengthy discussion followed regarding what percentage of inflation should be used in making projections and its relative impact overall.

f. Self Insured Health Plan – 9 Month Report:

Mr. Hartye presented a History of the Self-Insured Health Plan from FY97 through FY03 along with four options for FY05 funding, which was presented to the Personnel Committee. He stated that the Personnel Committee selected Option 3 to be recommended to the Board in the FY05 budget, which increases the contributions made by both the District and the employees by the same percentage of 5%. Also, he presented a chart showing Claim Payments by Month, which are significantly below last year's level.

g. Billing Data Acquisition and Billing Charges:

Mr. Hartye presented a reference sheet for all municipalities showing their status level and MSD's target goals. In addition, he presented a table regarding billing reports from the various municipalities. He reported that the Finance Committee, at its February meeting, requested that staff prepare information with regard to equalizing the rate paid to member agencies to provide billing for the District. He stated that staff recommends increasing billing charges for the Regional Water Authority – City of Asheville, Black Mountain, Weaverville, Woodfin Water & Sewer District, Biltmore Forest, Montreat and Ridgecrest to \$1.78 per bill (with delivery of acceptable billing data).

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Mr. Venable asked if the District is obligated to pay the City of Asheville double if they decide to bill monthly instead of bi-monthly. Mr. Blackburn stated that if that should occur the District would go to an in-house billing system and that the District is not obligated to pay for a monthly billing.

h. Third Quarter Budget vs. Actual:

Mr. Hartye presented a Quarterly Budget Report for the nine months ended March 31, 2004. He stated that at the end of each quarter, actual revenue and expenditure amounts are compared with the budget to evaluate departmental performance and to estimate year-end results in preparation for the subsequent year's budget.

i. Cash Commitment/Investment Report – Month Ended February 29, 2004:

Presented as information only.

With no further discussion, Mr. Blackburn called for the question on items a.b.d.e.f.g.h.i. Roll call vote was as follows: 10 Ayes; 0 Nays.

Regarding item c. (Records Retention Policy), Mr. Kelly moved that the Board table Mr. Clarke's recommendation to adopt the Policy subject to review until Mr. Clarke has had an opportunity to review the Policy and give his comments. Mr. Pace seconded the motion. Voice vote in favor of the motion was unanimous.

8. Old Business:

Mr. Venable asked for a report on the status of the Belt Filter Press. Mr. Hartye stated that the press went on-line today.

9. New Business:

Mr. Blackburn appointed Ms. Bellamy to serve on the Finance and Planning Committees.

Mr. Blackburn announced that there is an employee grievance and stated that he and Mr. Aceto will serve on the Committee and asked Ms. Ball if she would be willing to serve.

10. Adjournment:

At 3:10 PM, Mr. Aceto moved for adjournment. Mr. Pace seconded the motion. Voice vote in favor of the motion was unanimous.

Jackie W. Bryson, Secretary/Treasurer