

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT

MAY 12, 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 PM., Wednesday, May 12, 2004. Chairman Blackburn presided with the following members present: Aceto, Ball, Bellamy, Bryson, Gantt, Graham, Kelly Pace Sobol and Venable.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill of McGill Associates, Larry Frost with DENR, Martha Zeigler, Stan Boyd, Ann LeMieux, Ed Bradford, John Kiviniemi, Peter Weed and Sondra Honeycutt, MSD.

2. Approval of Minutes of the April 21, 2004 Meeting:

Ms. Bellamy moved that the Minutes of the April 21, 2004 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 welcomed Mr. Larry Frost with DENR.

5. Report of General Manager:

Mr. Hartye presented information regarding Press/Reading, Good Correspondence, Board/Committee Meetings and Budget.

Mr. Hartye presented an Asheville Citizen Times insert regarding RiverLink and its RiverWay Project Executive Action Team. He noted that Mr. Pace will serve as a member of the team whose mission involves empowering a diverse group of community leaders for implementation of the RiverWay Project.

Mr. Hartye reported that the District will begin a media campaign as a part of its ongoing public relations and education program. He stated that the main thrust of the campaign will be “Call MSD First” when there is a sewer problem and will emphasize that customers can do their part to reduce SSO’s and protect the environment with the proper disposal of grease as a solid waste. Also, maintenance, access and insurance issues for private service lines will be addressed. The campaign will consist of three 60 second radio spots and a 30 second TV spot. Mr. Hartye stated that Peter Weed built the bathroom set and Ann LeMieux will be the District’s main spokesperson. Ms. Bellamy suggested that WRES, a low power FM station, would be a good avenue for MSD to air information regarding the proper disposal of grease, etc.

Mr. Hartye reported that there was some press regarding odor as a result of construction at the plant. He stated that the incinerator should be back on-line by August 1st.

Regarding Good Correspondence, he presented an email from Ann LeMieux regarding a phone call from a resident complimenting both the Duty Crew of Ken Stines, Eric Sams and Mitch Hawes and the Construction Crew consisting of

Shane Meadows, Mitch Hawes, Toby Roberts and Neil Chandler on prompt response and quality customer service on the evening of April 13th.

Minutes

May 12, 2004

Page Two

Mr. Hartye reported that the Right of Way Committee will meet May 26th at 2PM and the next Board Meeting and Public Hearing on the Budgets will be held June 9th at 2PM.

6. Report of Committees:

Finance Committee

Mr. Kelly reported that the Finance Committee met prior to the Board meeting to consider five (5) requests for proposals for an Underwriter. After narrowing the selection down to three (3), the Committee recommends that the Board authorize the Finance Committee to interview representatives from City Bank, Bank of America and Wachovia and provide a recommendation to the Board at the June 9th meeting as to the selection of an Underwriter. Mr. Kelly moved that the Board adopt the recommendation of the Finance Committee. Voice vote in favor of the motion was unanimous.

7. Consolidated Motion Agenda:

a. Acceptance of Developer Constructed Sewer Systems:

1. East End Place

Mr. Hartye reported that staff recommends acceptance of the developer constructed sewer system and that all MSD requirements have been met.

2. Dover Street

Mr. Hartye reported that staff recommends acceptance of the developer constructed sewer system and all MSD requirements have been met.

b. Cash Commitment/Investment Report for Month Ended March 31, 2004:

Presented as information only.

Ms. Bellamy requested that she and Ms. Ball be excused from voting on Item a.1., (East End Place) since the developer is the City of Asheville.

Mr. Pace moved that the Board approve Item a.2 (Dover Street developer constructed sewer system). Ms. Graham seconded the motion. Roll call vote was as follows: 11 Ayes; 0 Nays.

Mr. Pace moved that the Board approve Item a.1 (East End Place developer constructed sewer system). Ms. Graham seconded the motion. Roll call vote was as follows: 9 Ayes; 0 Nays. Ms. Bellamy and Ms. Ball were excused from voting.

8. Consideration of Proposed Sewer Rates for FY05:

Mr. Hartye presented the proposed sewer rates going forward. He stated that the Finance Committee recommends acceptance of staff's recommendation for a 2% rate increase for FY 2005. Ms. Ball asked for a clarification on why the Board adopts a draft rate increase and budget in May when it will be considered

Minutes

May 12, 2004

Page Three

again in June. Mr. Hartye stated that because of last year's discussion on this issue, vote on the rate increase was put first so the budget would be right as far as the estimated revenues. Mr. Clarke stated that the Board is required to adopt a Preliminary Budget by May 15th and a final Budget by June 15th.

Ms. Ball asked how much the District pays the League of Municipalities in addition to liability insurance and whether this amount is part of the O&M Budget. Ms. Zeigler stated that the District pays approximately \$100,000.00 in deductibles, which is part of the O&M Budget.

Ms. Bellamy asked what the 2% increase is based on. Mr. Hartye stated that the 2% increase is based on the projected costs of the Capital Improvement Program (CIP) going forward and explained the options for financing the program. He reported that a few years ago, after talking to the various industries, the Board decided as a policy that it was better to have smaller consistent rate increases in lieu of erratic rate increases. Ms. Graham asked if the 1.5% cost of inflation for construction is an assumption for one year only. Mr. Hartye stated

no, that these are estimates in numbers based on the 50,000 lineal feet and over time, the proportion of lining and rehab in place will be higher than it is now. He further stated that as far as recent increases in ductile iron and steel, estimates on the most recent jobs are used to estimate construction costs for next year.

Ms. Ball stated that she does not agree with the philosophy of gradual rate increases because it doesn't give the public an opportunity to understand the impact it will have, or give them a chance to voice their concerns and opinions. For this reason Ms. Ball stated she will not vote for the increase. Mr. Sobol stated that if MSD is going to keep up with maintenance on the lines and expand the CIP, it can't be done without rate increases. Ms. Graham moved that the Board approve the recommendation of the Finance Committee for a 2% rate increase for FY05. Mr. Pace seconded the motion. In response to Ms. Ball's statement, Mr. Venable stated that in his opinion, the ratepayer can absorb a 2% increase better than a much higher increase later. Ms. Bellamy asked Mr. Clarke if after the Preliminary Budget is adopted, would she and other Members have an opportunity to become more educated on the budget process before its final adoption at the June 9th Public Meeting. Mr. Clarke stated yes, but that a Preliminary Budget must be submitted by May 15th and a final Budget adopted by June 15th. Ms. Bellamy stated that for this reason she would not support the motion at this time. With no further discussion, roll call vote was as follows: 9 Ayes; 2 Nays, Ms. Ball and Ms. Bellamy.

9. Consideration of 2004-2005 Preliminary Budget:

Mr. Kelly moved that the Board adopt the 2004-2005 Preliminary Budget. Ms. Bryson seconded the motion. Mr. Venable asked if the District borrows the additional \$18,000,000 will the debt coverage drop because of the payments that will be due. Ms. Zeigler stated that it's possible, but staff will need to discuss the debt payment structure with the financial advisor to determine the proper schedule. With no further discussion, roll call vote was as follows: 9 Ayes; 2 Nays, Ms. Ball and Ms. Bellamy.

10. Old Business:

Mr. Venable asked if there has been a response from the Regional Water Authority regarding the water meter program. Mr. Blackburn stated that he has

Minutes

May 12, 2004

Page Four

not received a response. Ms. Ball reported that the Water Authority did receive the letter and is in the process of gathering additional data before writing a response.

Ms. Venable asked if there is any progress on the development of an Education Center at the old maintenance facility. Mr. Hartye stated that staff is working on an educational video with the Water Efficiency Taskforce (WET), but has not heard anything on the Education Center. Mr. Weed stated that WET is waiting on a response to their letter to Congressman Taylor.

As a matter of information, Mr. Hartye presented a summary sheet regarding the Rate/Budget for FY05.

11. New Business:

None

At 2:33 PM, Mr. Aceto moved that the Board go into closed session to discuss a personnel matter. Ms. Graham seconded the motion.

At 2:45 PM, the Board reconvened the regular meeting.

Mr. Aceto moved that the Board approve the recommendation of the Grievance Committee that the General Manager's decision to affirm the termination of Mr. Bobby Troutman be upheld. Mr. Kelly seconded the motion. Roll call vote was as follows: 11 Ayes; 0 Nays.

12. Adjournment:

With no further business, Mr. Venable moved for adjournment at 2:47 PM. Mr. Pace seconded the motion. Voice vote in favor of the motion was unanimous.

Jackie W. Bryson, Secretary/Treasurer