

# **BOARD OF THE METROPOLITAN SEWERAGE DISTRICT**

**SEPTEMBER 15, 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, September 15, 2004. Chairman Blackburn presided with the following members present: Aceto, Bryson, Gantt, Graham, Kelly, Pace, Sobol and Venable. Ms. Ball, Ms. Bellamy and Mr. VeHaun were absent.

Others present were: Thomas Hartye, General Manager, William Clarke, General Counsel, Gary McGill of McGill Associates, Joseph Martin with the Woodfin Sanitary Water & Sewer District, Martha Zeigler, Stan Boyd, Ed Bradford, Ann LeMieux, John Kiviniemi and Sondra Honeycutt, MSD.

## **2. Approval of Minutes of the August 18, 2004 Meeting:**

Mr. Gantt moved that the Minutes of the August 18, 2004 Meeting be approved as presented. Ms. Bryson 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 Good Correspondence, Flood, Bond Issue, Accomplishments for FY 2004, Reading and Board/Committee Meetings.

Mr. Hartye presented a letter of appreciation from George Beverly Shea regarding James Beaver, one of MSD's First Responders.

Regarding the Bond Issue, Mr. Hartye reported that on August 19<sup>th</sup> District representatives, Underwriters and Bond Counsel met with the Local Government Commission for a Document Review Session and on September 20<sup>th</sup> and 21<sup>st</sup> they will meet with the Rating Agencies. He further reported that at the October meeting, the Board will adopt the Series Resolution and the bond closing is scheduled for November 17<sup>th</sup>.

Mr. Hartye presented a copy of the District's Accomplishments for Fiscal Year 2004. He stated that since MSD's budget, performance measures and Collection System Permit are all centered on the fiscal year, staff will report future accomplishments based on that timetable.

With regard to reading, Mr. Hartye presented an article on "Clean Machines" published in the Mountain Express.

Mr. Hartye reported that the Right of Way Committee will meet September 29<sup>th</sup> at 2PM and the next meeting of the Board is scheduled for October 20<sup>th</sup> at 2PM.

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**6. Report of Committees:**

**Right of Way Committee**

Mr. Pace reported that the Right of Way Committee met August 25, 2004 to consider Compensation Budgets on Lower Smith Mill Creek, Waters Road and Russell Avenue Rehabilitation Projects. Also, the Committee considered condemnations on two projects.

**7. Consolidated Motion Agenda:**

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

**a. Consideration of Compensation Budgets for Lower Smith Mill Creek, Waters Road and Russell Avenue Rehabilitation Projects:**

Mr. Hartye reported that the Right of Way Committee recommends approval of the Compensation Budgets for Lower Smith Mill Creek, Waters Road and Russell Avenue.

**b. Update on Progress of Bond Issue:**

Presented as information only.

**c. Consideration of Bids for Construction of Lower Patton Mountain and Depot Street @ Nasty Branch:**

Mr. Hartye reported that the following bids for the Lower Patton Mountain and Depot Street rehabilitation projects were received and opened on September 2, 2004: Hobson Construction with a total bid of \$295,700.00; Terry Brothers Construction with a total bid of \$281,893.00 and H&M Constructors, Inc. with a total bid of \$270,039.00. He further reported that staff recommends award of the contract to H&M Constructors, Inc. in the amount of \$270,039.00, contingent upon review by District counsel and that satisfactory references are obtained by staff.

**d. Cash Commitment/Investment Report – Month Ended July 31, 2004:**

Presented as information only.

Ms. Graham asked about the cost of the Lower Patton Mountain project and whether the District was going to get some type of funding. Mr. Hartye stated that the District can charge for those who tie onto the system in the future,

but cannot assess a charge to those presently tied on. He further stated that because of the expense involved, and continued problems with repeated overflows, backups and structural failures on the lower portion of this line, MSD decided to do the necessary repairs. Mr. Sobol asked how often this line is checked. Ms. LeMieux stated weekly. Mr. Sobol asked if this was a Private System Rehabilitation (PSR) project. Mr. Hartye stated that only the lower Patton Mountain portion of the entire project is a PSR.

Regarding the Bond Issue, Mr. Venable asked if the District issues variable rate bonds is there a risk if the interest rates go up. Also, what is the cost

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of the interest rate cap. Mr. Clarke stated that there is a risk if the interest rates go up, but the District can offset that risk by investing the money it has. He further stated that the reason for buying an interest rate cap is to cap the rate at a certain amount. Also, you can convert the bonds to a fixed rate at any time. Ms. Zeigler stated that the cost of the cap is approximately \$40 - \$50,000 per year. Mr. Blackburn stated that although this is a variable rate bond issue, it is only a small portion of the District's total indebtedness. Mr. Hartye stated that the interest rate cap is a tool that can be applied at any time and the question was whether to apply it at the outset. He further stated that based on current conditions staff and the underwriters felt that the existing cash on hand provides an adequate hedge against interest rate volatility and that the cost of the cap did not appear to be justified at this time. Mr. Sobol asked what percent the cap is set at. Mr. Clarke stated that the proposed cap would be set at 5%, but the interest rate on the bonds is at 1.5% and the debt service is figured on an average rate of 3.5%. Mr. Aceto stated that the question is not that the District can cap the interest rate when it needs to, but to manage the risk with cash investments where the return offsets what is being paid; regardless of how high the interest rates go. Mr. Venable asked where the investment cash comes from. Mr. Hartye stated that there are other funds such as the Insurance Fund, Debt Service Fund and the 6% O&M Reserve Fund that have money in them, but at different times a certain amount of these funds will be restricted and unrestricted and may be invested. He presented

a graph showing historical unrestricted plus restricted monies available for investment. Mr. Kelly stated that the Finance Committee spent a great deal of time on this and asked the investment advisors what the experience was with other wastewater agencies they represented. The advisors stated that at all times everyone came out better with variable rate bonds.

With no further discussion, Mr. Blackburn called for the question. Roll call vote was as follows: 8 Ayes; 1 Nay (Mr. Sobol). Mr. Gantt was absent during the vote.

**8. Old Business:**

None

**9. New Business:**

With regard to the recent flood due to Hurricane Frances, Mr. Hartye reported that MSD was fortunate it didn't have as much damage as other areas. He stated that a few lines washed out, some electrical valves and flow monitoring panels at the plant were damaged and one of the District's track hoes fell into a sink hole. He presented photos of one of the contracted sites showing restoration of an owner's property, which was very happy with the results. He further reported that in preparation of Hurricane Ivan, he will meet with staff on a daily basis to make provisions for any emergency that may arise. He stated provisions have been made to move the MSD Fleet to the Woodfin Community Center and use this facility as a command center if extensive flooding occurs. Mr. Aceto stated that he is satisfied staff has been exploring contingency plans and has a policy of redundancy in place. He asked Mr. Hartye to speak about any recent experiences learned that will be applied to Hurricane Ivan. Mr. Hartye stated that moving fleet away from the river and buying additional materials for the Carrier Bridge crossing is critical. Mr. Aceto asked if there is an access plan in place. Ms. LeMieux stated that most areas are accessible except for Biltmore. Regarding the washouts, Ms. Graham asked about the volume of sewerage that got into the water. Mr. Hartye stated that the main washout was at the KOA Campground, but

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the water was off so there was a minimal environmental health issue. There was also a leak in Biltmore. Mr. Venable asked if the MSD has a plan in place if there is some type of catastrophic occurrence and would the public know who to contact. Mr. Hartye said any type of breakage would be localized and would not be a county-wide event. Also, MSD has a published emergency number.

Mr. Martin with the Woodfin Sanitary Water & Sewer District stated that it would be helpful to have some type of one-stop source of information for utilities and emergency services when serious situations arise. Mr. Hartye stated that meetings have been held with key organizations to discuss the needs, but critical information such as phone numbers should be passed along as well.

**10. Adjournment:**

With no further business, Mr. Aceto moved for adjournment. Mr. Pace seconded the motion. Voice vote in favor of the motion was unanimous.

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Jackie W. Bryson, Secretary/Treasurer