

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
JANUARY 19, 2005**

**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, January 19, 2005. Chairman Blackburn presided with the following members present: Aceto, Ball, Bryson, Gantt, Kelly, Pace, Sobol and VeHaun. Ms. Bellamy, Ms. Graham and Mr. Venable were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Leah Karpen with the League of Women Voters, Joseph Martin with Woodfin Sanitary Water & Sewer District, Larry Frost with DENR, Martha Zeigler, Stan Boyd, Ed Bradford, Ann LeMieux, Peter Weed, Barry Cook, Mike Stamey, Mike Butler and Sondra Honeycutt, MSD.

**2. Approval of Minutes of the December 15, 2004 Meeting:**

Mr. Pace moved that the Minutes of the December 15, 2004 Meeting be approved as presented. Mr. Kelly seconded the motion. Voice vote in favor of the motion was unanimous.

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

None

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

Mr. Blackburn welcomed Mrs. Karpen, Mr. Martin and Mr. Frost.

**5. Report of General Manager:**

Mr. Hartye presented information regarding Belt Filter Presses and Incinerator Upgrade, Kudos, Reading, Good Correspondence and Board/Committee Meetings:

Regarding the Belt Filter Presses and Incinerator Upgrade, Mr. Hartye reported that the incinerator has been online since the middle of December and the Contractor is substantially complete and working on minor punch list items.

Mr. Hartye recognized Mike Stamey of the District's Engineering Department who recently received notice that he passed his final registration exam and is now a registered Professional Engineer (P.E.). Mr. Hartye stated that Mike has risen through the ranks and pursued his continuing education while at the District and is both an internal success story and an extremely valuable employee.

With regard to reading, Mr. Hartye presented an article from the Chamber's Asheville Economy Q&A on Home Appreciation; an article from the Citizen-Times regarding precipitation in WNC and from the Raleigh News & Observer regarding the blending issue.

Regarding Good Correspondence, Mr. Hartye reported on phone messages from Mr. Joe Keller regarding the District's "Can the Grease" education effort and a message from Mr. Dave Smith regarding expeditious customer service response after hours.

Mr. Hartye reported that the next regular Board Meeting will be held February 16<sup>th</sup> at 2PM and the next Right of Way Committee Meeting will be held January 26<sup>th</sup> at 2PM. He noted both the Board Meeting Schedule and Budget Calendar for the coming year.

**6. Consolidated Motion Agenda:**

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

**a. Consideration of Annual Meeting Dates:**

Mr. Hartye presented the Board/Committee Meeting Dates for 2005.

**b. Consideration of Developer Constructed Sewer Systems: The Cliffs at Walnut Cove, Phase 1 and 2; Maple Springs Villas; Kasey Business Park South; Waightstill Mountain, Phase 1 and Phase 3; IHOP, Airport Road and Tunnel Road Business Park:**

Mr. Hartye reported that the six (6) developer constructed sewer systems represent 30,000 LF of line at a cost of \$1.5 million and two (2) pump stations. He stated that Staff recommends acceptance of the developer constructed sewer systems and that all MSD requirements have been met.

**c. Consideration of Cost Recovery for Walnut Cove – Phase 1 and 2:**

Mr. Hartye reported that the Walnut Cove project is located off Avery Creek Road and consist of 81 residential units and clubhouse. Staff recommends that the Board approve authority for the General Manager to reimburse the Cliffs at Walnut Cove, LLC \$56,673.00 upon Board acceptance of the sewer system for ownership and receipt of surety.

**d. Consideration of Capital Asset Policy:**

Mr. Hartye reported that pursuant to the auditor's letter to management, which was reviewed by the Board in December, Ms. Zeigler prepared a revision to the Capital Asset Policy in order to ensure proper recording of asset acquisition and disposals. Mr. Hartye noted the changes and objective to the existing policy and stated that Staff recommends approval of the revised policy.

**e. Consideration of Budget Calendar:**

Mr. Hartye reported that the Budget Calendar includes the various Committees that help in putting the Budget together and that staff recommends approval.

**f. Consideration of Sanitary Sewer Rehabilitation Project – Tomahawk Basin Phase III.**

Mr. Hartye reported that the following bids for the Tomahawk Basin project were received and opened January 4, 2005: Buncombe Construction Company, Inc. with a total bid of \$2,150,930.00; Buckeye Construction Company, Inc. with a total bid of \$1,899,630.15; H&M Constructors, Inc. with a total bid of \$1,550,724.00; L-J, Inc. with a total bid of \$1,456,381.75 and Terry Brothers Construction Company., Inc. with a total bid of \$1,176,719.00. Mr. Hartye stated that staff recommends award of this contract to Terry Brothers Construction Company, Inc. in the amount of \$1,176,719.00, contingent upon review and approval by District Counsel. He further stated that this amount is within \$5,000.00 of estimate made by the Engineer. Mr. Sobol asked how many holes on the golf course would be

affected and the dates of construction. Mr. Bradford stated that he has worked closely with the Town of Black Mountain and Manager of the golf course in scheduling the work. Mr. Sobol asked that staff provide him with this information.

**g. Consideration of Bids for Blower Replacement Project:**

Mr. Hartye reported that the following bids for the Blower Replacement Project were received and opened December 21, 2004: Haren Construction with a base bid of \$336,500.00 and an additive alternate bid of \$66,500; Kemp Construction with a base bid of \$364,575.00 and an additive alternate bid of \$63,951.00; State Utility Construction with a base bid of \$382,200.00 and an additive alternate bid of \$62,000.00; Dellinger, Inc. with a base bid of \$384,026.00 and an additive alternate bid of \$65,438.00 and J.L. Construction with a base bid of \$385,000.00 and an additive alternate bid of \$64,000.00. He further reported that staff recommends the Board accept the recommendation of Hazen and Sawyer to proceed with award of Phase 1 of the blower replacement project including the alternate to Haren Construction in the amount of \$403,000.00. Mr. Sobol stated that it would helpful to understand the difference in the cost of rebuilding existing motors as opposed to purchasing new energy efficient motors. Mr. Hartye stated that the payback for the energy efficient motors is 6.4 years and the existing motors are about 17 years old. He further stated that the previous motors were 91% efficient and the new motors are 95.6% efficient.

**h. Cash Commitment/Investment Report – Month ended November 30, 2004:**

Presented as information only.

Ms. Ball asked that Items b. (developer constructed sewer systems) and c. (cost recovery for Walnut Cove) be pulled for separate discussion.

Mr. Blackburn called for the question on Items a. d. e. f. g. and h. of the Consolidated Motion Agenda. Roll call vote was as follows: 9 Ayes; 0 Nays.

Mr. Blackburn called for a motion on Item b. (acceptance of developer constructed sewer systems). Mr. Kelly moved that the Board approve the recommendation of Staff. Mr. Pace seconded the motion. Ms. Ball stated that she will not vote in favor of taking over sewer systems outside the District until she can understand the impact these flows have on sewer lines within the District nor, paying for off-site improvements. She further stated that the differential rate outside the District is so minimal that there is no way to recapture by 1¢ per cc enough to upgrade these lines in the future. She stated that she understands the District wants to make additional revenue, but is not sure if it should be done at the risk of providing service to those within the current District boundary. Also, it cost more on a long term basis to provide service to lines outside the District since the lines are longer, further away and have more complications. Mr. Hartye reported that the District's Master Plan looked at the size of lines that would be needed in areas for potential growth, particularly the Avery's Creek area, which were identified as lines that would be in the District within the next 20 years. He stated that lines outside the District are approved for take-over on a case by case basis. Typically these lines are being installed now so the maintenance is a lot less. He further stated that it was the Board's philosophy to get more people on the system to help fund the CIP and the other issue was whether it was legal, but Mr. Clarke researched this and it has been okayed by the District's Bond Counsel.

Ms. Ball asked how long these lines would be maintenance free. Mr. Hartye stated that maintenance would be relatively small. He noted that there are areas within the District such as Black Mountain, Montreat and Ridgecrest that are further away than Avery's Creek, costing more to maintain. Ms. Ball stated that she is aware that flows from these areas are minimal, but is worried about the cumulative effect of continuing to accept new developments outside the District some 30 to 40 years from now. Mr. Hartye stated that the reason these areas, identified in the Master Plan, are not in the District is because the process to bring them in is cumbersome. Ms. Ball asked if the Board continues to make this its policy, is there any chance it would consider a differential rate that is more significant than 1¢ per ccf and is there any way to study the real impact. Mr. Clarke stated that he encourages the Board to look once again at some way of trying to get better control of people outside the District, since significant growth is occurring in these areas. Ms. Ball stated that having this growth happen outside the District is not something she wants to see encouraged as a part of her role either with the City of Asheville or with the Board unless these areas cover the full burden of their costs.

Mr. Aceto stated that the Board's thinking at that time was that it was backwards that the new growth was paying for the old problem short term. Also, there was more of a regional sense of how infrastructure would be addressed. He further stated that he would be interested in hearing what other Members of the Board thought about this issue. Mr. Gantt stated it's a matter of whether the MSD wants to be regional or not and he wants to be regional. Ms. Ball stated that regionalism is good, but when there is a cost difference to treat areas outside the District, she does not feel she should pay for someone who lives far out to get the same level of service she does. Mr. Hartye stated that there are people closer in that have pump stations, which cost more than people that live farther out in northern Henderson County who have gravity sewer. He further stated that yes, they have to pay for the pump station, but MSD has to pay for the upkeep of these stations in the future. Mr. Pace stated that MSD agreed to take over these lines as a result of the Master Plan and feels that when you make a deal you should stick with it. He suggested that Ms. Ball come back to the Board with her concerns after revisiting the Master Plan. Ms. Bryson stated that this issue has been studied and is working, but would be interested in looking at it again. Mr. Sobol stated 10 years ago the CIP Committee looked at the cost of treatment for the short term, but didn't look at it long term. He further stated that the amount of money the MSD is making on new customers more than exceeds what the short term maintenance is and with the exception of more chemicals and electricity, this is the only extra expense involved. Ms. Ball stated that she respects the points that have been made, but has an obligation to bring up issues that she does not totally agree with. Mr. Sobol stated that this issue should be addressed again through the CIP and Planning Committees. Mr. Sobol asked if pump stations are included when MSD takes over sewer systems. If so, he would be against that since the Board has made it clear that it does not like pump stations. Mr. Hartye stated there is a new policy that does not allow pump stations if gravity sewer is available, but the pump stations in question were grandfathered in and that this is the culmination of a long process. Mr. Sobol asked if a developer wanted to put in a pump station would they have to maintain it themselves under the new policy. Mr. Hartye stated that it depends. If they can achieve gravity they need to, but if they want to do something else, they must bring it to the Planning Committee. Mr. Sobol requested that the issue of differential rates be brought before the Planning Committee. Mr. Blackburn stated that he worked on both the Master Plan and Finance and as a representative and resident of the City he feels the more customers the MSD has the better off it is, since the plant has the capacity to handle the additional flow and its better to spread costs over a larger customer

base. Mr. VeHaun stated that he would not vote for an increase in differential rates and that the comments made from other Members makes good sense. Ms. Ball stated that most of MSD's policies do not include goals it's trying to achieve and requested that future policies include such a goal. With no further discussion, roll call vote was as follows: 8 Ayes; 1 Nay (Ms. Ball).

Mr. Blackburn called for a motion on Item c. (cost recovery for Walnut Cove Phase 1 and 2). Mr. Kelly moved that the Board approve the recommendation of Staff. Ms. Bryson seconded the motion. With no discussion, roll call vote was as follows: 8 Ayes; 1 Nay (Ms. Ball)

**7. Old Business:**

As a matter of information, Mr. Blackburn presented a Summary of Assumptions and Results for the last bond issue.

Mr. Sobol reported that at the November meeting he asked Mr. Hobson with Banc of America questions regarding the amount of money involved in derivatives. He stated that Mr. Hobson led him to believe it was a negligible amount, especially that which the bonds would be affected by. He further stated that in a "Call Report" put out by the Government; Bank of America is second behind JP Morgan with Bank of America having asset equity of less than \$500 billion and total derivatives of \$17 trillion dollars, which is almost 1.5 times the GNP of the United States of America.

**8. New Business:**

Ms. Ball announced that in December City Council authorized the establishment of the Storm Water Enterprise Fund, which will affect MSD in a couple of ways. First, eliminating illegal connections to the sewer system and secondly, a coordinated effort between MSD and City of Asheville with regard to sanitary sewer connections to storm drains. Ms. Ball expressed her appreciation to Mr. Clarke who served on this Committee.

Ms. Ball reported that it's being reported by RiverLink that there are two (2) segments of the Swannanoa River near Black Mountain and Montreat that are now being put on the North Carolina 303D List of streams that do not meet water quality standards and because of trunk lines MSD put in, these streams are contaminated by sediment. Ms. Ball stated that she feels MSD should take an aggressive approach with some type of response. Mr. Sobol stated that there are other ways sediment can get into streams other than MSD construction, especially in flood way areas where there are no sedimentation fences. Ms. Ball stated that RiverLink is getting ready to have public comment on this issue and feels that a representative from MSD should be present.

Mr. Blackburn announced that he would not be appointed for a third term on the MSD Board. He stated that he has enjoyed serving on the Board for two terms. Mr. Aceto moved that the Board express gratitude to Mr. Blackburn for outstanding service as Chairman of the MSD Board. Ms. Bryson seconded the motion. Mr. Hartye expressed his appreciation for Mr. Blackburn's leadership. With no further comments, voice vote in favor of the motion was unanimous.

**9. Adjournment:**

With no further business, the meeting was adjourned at 3:00 PM.

