

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
MAY 17, 2006**

**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 17, 2006. Vice Chairman Mike Sobol presided with the following members present: Bellamy, Bryson, Creighton, Gantt, Kelly, Newman, Pace, Sobol, VeHaun and Venable. Mr. Aceto and Mr. Bissette were absent.

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

**2. Inquiry as to Conflict of Interest:**

Mr. Sobol asked if there were any conflicts of interest with the agenda items. None were disclosed.

**3. Approval of Minutes of the April 19, 2006 Board Meeting:**

Mr. Venable questioned the wording "Woodfin Subdivision" on page three, last paragraph of the Planning Committee Report. After some discussion, Mr. Hartye stated that it should read "Woodbriar Subdivision". With no further discussion, Mr. Gantt moved that the minutes of the April 19, 2006 meeting be approved as amended. Ms. Bryson seconded the motion. Voice vote in favor of the motion was unanimous.

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

None

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

None

**6. Report of General Manager:**

Mr. Hartye presented communication from a customer expressing appreciation for a job well done. He expressed his thanks to Eric Sams and Wayne Rice.

Mr. Hartye reported that the annual technical conference will be held in Dallas, Texas this year from October 22 through 25<sup>th</sup>.

Mr. Hartye presented an article in the Asheville Citizen Times regarding Zoning in the County.

With regard to Board/Committee Meetings, Mr. Hartye reported that the next Planning Committee is scheduled for June 1<sup>st</sup> at Noon with a presentation by Jason Young on the Town of Woodfin's planning and annexation efforts. The Right of Way Committee meeting scheduled for May 24<sup>th</sup> has been cancelled and the next meeting is scheduled for June 28<sup>th</sup> at 2PM. The next regular Board Meeting and Public Hearing on the Budget for FY 2007 will be held June 14<sup>th</sup> at 2PM.

**7. Report of Committees:**

**Right of Way Committee**

Mr. Pace reported that the Right of Way Committee met April 26, 2006 to consider compensation budgets on several projects. The Committee also considered

condemnation of a parcel of property where two major interceptors are located (Reems Creek and Gill Branch). Mr. Pace stated that, due to the property owner's refusal to allow MSD permanent access to these lines, staff has spent over one year investigating several other access routes. He further stated that, although a final offer was received from the owner's attorney that may be workable, Mr. Clarke advised staff to obtain authority from the Right of Way Committee to proceed with obtaining an appraisal and condemnation if necessary in the event an agreement can not be reached. In other business, the Committee recommended minor changes to the Right of Way Policy/Procedures.

### **Finance Committee**

Mr. Kelly reported that the Finance Committee met May 1, 2006 to consider two (2) Options for the Proposed Schedule of Sewer Rates and Fees for FY 06-07. The Committee recommended adoption of Option A, and requested that Counsel research the legality of waiving fees for affordable housing. Also, the Committee recommended adoption of the Preliminary Budget for FY 06-07, which includes a 4.1% merit pay increase with a reduction of staffing by two (2) and a 4.5% rate increase and will be considered separately following the Consolidated Motion Agenda.

#### **8. Consolidated Motion Agenda:**

##### **a. Consideration of Compensation Budgets for Dingle Creek @ Crowfields Rehab; Middle Beaverdam Creek Rehab; Alta Avenue Rehab; Fair Oaks Road PRP 19001; Montford Avenue @ US 19 & 23 and US 70 @ Neil Price Avenue:**

Mr. Hartye reported that the Right of Way Committee recommends approval of the Compensation Budgets.

##### **b. Consideration of Right of Way Policy/Procedures:**

Mr. Hartye reported that the Right of Way Committee recommended approval of changes to the Right of Way Policy/Procedures.

Mr. Venable asked who approves out of court settlements, since they are no longer subject to approval by the District Board. Mr. Clarke explained that Staff and the General Manager can approve settlements within the project budget and that any settlement that is not within the budget would have to be approved by the Board.

##### **c. Consideration of Developer Constructed Sewer Systems:**

Mr. Hartye reported that staff recommends acceptance of the following developer constructed sewer systems: Kortlinn Farms, Twin Springs, Porter Road, Emma Hills MHP and Fox Lair Crossing. All MSD requirements have been met.

##### **d. Report on Third Quarter Liability Insurance Plan Performance:**

Mr. Hartye stated that the downward trend is continuing, especially in sewer backup claims, showing the positive effect of rehabilitation and preventative maintenance. This report was presented as information only.

##### **e. Cash Commitment/Investment Report – Month ended March 31, 2006:**

Presented as information only.

Mr. Venable moved that the Board approve the Consolidated Motion Agenda as presented. Mr. Newman seconded the motion. Roll call vote was as follows: 10 Ayes; 0 Nays.

**9. Consideration of Revised Schedule of Sewer Rates & Fees:**

Mr. Hartye reported that the Finance Committee recommends a 4.5% increase in User Charges and Option A for Fees and charges. Option A would result in a 30% increase in Facility Fees and Option B a 150% increase. With regard to facility fees, the District has applied a 70% reduction for affordable housing. Mr. Hartye stated that there was some discussion as to whether these fees should be waived for the lower range of affordable housing and Counsel was directed to look into this and report his findings to the Board. Mr. Clarke reported that he spoke with the Institute of Government and they do not think MSD has the authority to charge a reduced fee for affordable housing unless there is some difference in the utility service provided, such as the size of housing or less water usage. He stated that he feels more comfortable with a reduced fee than no fee at all, since MSD might be more subject to a legal challenge if there were no fee for affordable housing. He pointed out that cities and counties have the authority to do community development and programs for low income people. As a result of his conversation with the Institute of Government, Mr. Clarke said he recommends continuing with a reduced facility fee. He discussed challenges that have been made in towns where higher rates were charged for different classes of people, but noted that facility fees are not set to recover the cost of service, but rather to allow new users to share in some of the cost of existing facilities.

Mr. Venable asked why mobile homes are looked at differently than affordable housing. Mr. Boyd stated that the rate has only been reduced a little more than a standard house. Mr. Hartye reported that a few years ago staff evaluated the different types of residential units and found no appreciable difference in the usage. Mr. Clarke asked Mr. Creighton what the County's current parameters are for affordable housing. Mr. Creighton stated that the county is not seeing many mobile homes because of problems with financing. Mr. Hartye asked what is considered affordable housing in the City and County. Ms. Bellamy said \$130,000 and Mr. Creighton said it's about the same in the County. Mr. Pace stated that the municipalities must inform the MSD that a particular residence is affordable housing before they can get a reduced rate. Mr. Clarke asked if the City and County regard mobile homes as affordable housing. Ms. Bellamy said the City considers mobile homes as affordable housing if they are on a permanent foundation. Mr. Creighton said he does not think mobile homes are included in the County's affordable housing policy. Mr. Clarke stated if a mobile home is included in either the City or County's affordable housing policy, then the user would pay the affordable housing fee. Mr. Hartye stated that currently this is decided by the municipalities. Mr. Venable stated that a mobile home is as much affordable housing as a stick built home and the Board can say it will charge the same. Mr. Pace stated that it's up to the municipalities to make that determination. Mr. Gantt said this is something the County should look at. Mr. Kelly moved that the Board approve Option A of the Revised Schedule of Sewer Rates and Fees. Ms. Bryson seconded the motion. Mr. Sobol called for discussion. Mr. Venable said he will vote against the motion because he feels the fees should be the same for mobile homes as they are for affordable housing. Mr. Pace stated that, if the municipalities change their policy, the fees will be the same. Ms. Bellamy asked if the costs of fees are based on the City and County's current policy. Mr. Hartye said yes. With no further discussion, Mr. Sobol called for the question. Roll call vote was as follows: 6 Ayes; 4 Nays (Ms. Bellamy, Mr. Sobol, Mr. VeHaun and Mr. Venable).

Mr. Hartye presented a sample bi-monthly bill for City of Asheville residential customers, which is a synopsis of previous years and current billing and includes rate increases for both the COA and MSD and the new COA CIP Fee for FY 07. Mr. Sobol

said he would like to see a discussion held on the possibility of a flat rate and asked Mr. Hartye if this would go through the Finance Committee. Mr. Hartye said this was looked at when discussions were held on City of Asheville billing charges, but can be brought back to the Finance Committee. He reported that, in talking to David Hanks, he said the City is considering monthly billing. If this should come about, the MSD may consider doing its own billing, since there would be a significant increase in the cost of billing. Mr. Hartye stated that the last page of the fees and charges were updated to include where MSD stood with Region IV and North Carolina on fees. Also, there was a Financial Survey done by NACWA, and some of those numbers were included in the spreadsheet.

**10. Consideration of Resolution Adopting the Preliminary Budget for FY 2006-2007:**

Mr. Hartye presented a Resolution adopting the Preliminary Budget and called for questions. Mr. VeHaun asked why MSD is cutting back on training and why there is an increase of 4.4% in communication charges. Mr. Hartye stated that MSD takes training very seriously and the decrease has more to do with travel to conferences than training. He further stated that the National WEFTEC conference is one that is typically well attended, and this year MSD does not expect to have as much participation. With regard to the increase in communication charges, Mr. Hartye said the increase is due to the increasing costs of radio frequency charges and additional cell phones. Ms. Zeigler stated that some of these charges are based on estimates, but she would go back to check the final numbers. Ms. Bellamy asked if staff has water service figures from the other municipalities. Mr. Hartye said yes and he would make that information available to the Board. Mr. Kelly moved that the Board approve the Resolution Adopting the Preliminary Budget for FY 2006-2007. Mr. Pace seconded the motion. Mr. Sobol said he will vote against the motion, since the rate increase is too high. With no further discussion, Mr. Sobol called for the question. Roll call vote was as follows: 7 Ayes; 3 Nays (Ms. Bellamy, Mr. Sobol and Mr. VeHaun).

**11. Old Business:**

None

**12. New Business:**

None

**13. Adjournment:**

With no further business, Mr. Gantt moved for adjournment at 2:50PM. Mr. Pace seconded the motion. Voice vote in favor of the motion was unanimous.

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Jackie W. Bryson, Secretary/Treasurer