

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
JUNE 14, 2006

1. Call to Order and Roll Call:

The regular monthly meeting of the Metropolitan Sewerage District Board and Public Hearing on the Budget, Rates and Fees for FY 2006-2007 was held in the Boardroom of MSD's Administration Building at 2:00 PM, Wednesday, June 14, 2006. Chairman Aceto presided with the following members present: Bissette, Bryson, Creighton, Gantt, Kelly, Newman, Pace, Sobol, VeHaun and Venable. Ms. Bellamy was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Joseph Martin with Woodfin Sanitary Water & Sewer District, Penne Rosenthal, Dan Gottlieb and Bill Douglas, Members of the Public, Stan Boyd, Martha Zeigler, Ed Bradford, John Kiviniemi, Ann LeMieux, Peter Weed, Roger Watson and Sondra Honeycutt, MSD.

2. Inquiry as to Conflict of Interest:

Mr. Aceto asked if there were any conflicts of interest with the agenda items. None were reported.

3. Approval of Minutes of the May 17, 2006 Board Meeting:

Mr. Newman moved that the Minutes of the May 17, 2006 Board Meeting be approved as presented. Ms. Bryson seconded the motion. With no discussion, voice vote was unanimous in favor of the motion. Mr. Bissette was absent during the vote.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed Ms. Rosenthal, Mr. Gottlieb, Mr. Douglas and Mr. Martin.

6. Report of General Manager:

Mr. Hartye presented communication from a customer expressing appreciation for a job well done. Mr. Hartye expressed his thanks to Jesse Hunter and Randy Mull of the System Services Division.

Mr. Hartye reported that the District received a "pat on the back" award from the WNC Regional Air Quality Agency for its performance over the past year.

Mr. Hartye reported that NC DENR conducted an inspection of the MSD Pretreatment Program on May 15th. He stated that many compliments were given throughout the written follow-up report including that, "MSD has an excellent pretreatment program". He expressed his appreciation to Monty Payne, Jon Van Hoff, Wayne Tipton and Maria Slagle of the Industrial Waste Division.

As a matter of information, Mr. Hartye presented a spreadsheet prepared by Peter Weed, at the request of Mayor Bellamy, tabulating monthly water and sewer bills for an average residence from FY00 to FY07, which included the proposed rate increase for all MSD member agencies.

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

Regarding Board/Committee Meetings, Mr. Hartye reported that the next ROW Committee will be held June 28th at 2PM and the next Regular Board Meeting will be held July 19th at 2PM. Mr. Venable reported that a Personnel Committee meeting will be scheduled toward the end of July to evaluate the General Manager, following receipt of questionnaires that will be sent to Board Members.

With regard to the spreadsheet on monthly bills, Mr. Venable asked for an explanation on how the proposed percentage increase for Weaverville was arrived at. Mr. Weed stated that the proposed increase of 5.2% is arrived at by combining the water & sewer monthly amounts and comparing them to last year.

7. Report of Committees:

Planning Committee:

Mr. Hartye reported that the Planning Committee met June 8, 2006 to hear a presentation by Jason Young, Administrator for the Town of Woodfin on planning issues and a brief history on the town. Mr. Young also discussed plans for new development, annexation and development adjacent to MSD property along the river.

In other business, Mr. Hartye reported that the Committee considered a request by Windsor-Aughtry, developer of the proposed Woodbriar Subdivision, to allow a public pump station and force main to the subdivision, since its previous request for a private pump station and force main was denied by the Planning Committee and Board. He stated that gravity sewer is achievable, but because of easement acquisition problems, the developer was unable to acquire the necessary rights of way. He further stated that Weaverville identified this as an area in its ETJ where sewer would be allowed, but did not want to get involved in condemnation with a private developer. Mr. Hartye further reported that this is an area identified in the upcoming draft County Land Use Plan as being an area that should potentially have public sewer. The County was contacted and has shown effecting some orderly solution to sewer being provided to this area. He stated that this will be brought back to the Planning Committee, along with another development in Black Mountain, after the developer has met with Buncombe County. Mr. Sobol asked if the Board needs to consider funding for this project since this is a line extension and not in the CIP budget for this year. Mr. Hartye stated that this will be funded by the developer and MSD's participation will be \$40,000 cap with cost recovery. Once the right of way acquisition is complete, the line will be built up to a certain point by the developer and the same procedure applies to the second development. Mr. Venable asked if the annexation discussed for Woodfin will include areas outside the District. If so, will these areas become part of the District? Mr. Clarke stated that some areas are outside the District and some are not, but if annexed, these areas will become part of the District.

Under Old Business, the Committee received an update on the Springs of North Asheville Subdivision. Mr. Hartye stated that Mayor VeHaun initiated communication between the land owners toward a solution for the construction of a gravity line; thereby reducing the need for another pump station. He expressed his appreciation to Mayor VeHaun and stated that he would keep the Board updated on this issue. Also, the Committee was updated on the West End/Clingman Sewer System. Mr. Hartye reported that after investigation of the private lines; where they ran, etc., staff came up with a plan to address the sewer lines in this area, both from MSD's participation through its PSR Program or possibly a CDBG. He stated that staff met with property owners to go over the plan, and they were very appreciative of MSD's efforts. Mr. Sobol and Mr. Newman expressed appreciation to staff for their work on this project. Mr. Hartye stated that Mike Stamey headed up this effort with the help of Stan Boyd and System Service's CCTV & Construction crews.

8. Consolidated Motion Agenda:

a. Consideration of Lower Smith Mill Creek Construction Contract:

Mr. Hartye reported that the Lower Smith Mill Creek project is located within the urban corridor of Patton Avenue, between 1-240 and New Leicester Highway and is a difficult project due to limited work areas. He further reported that because only two bids were received on May 25, 2006, the project was re-advertised and the following bids were received on June 1, 2006: Buckeye Construction Company, Inc., with a total bid of \$3,353,086.45 and Terry Brothers Construction Company, Inc. with a total bid of \$2,996,173.00. Mr. Hartye stated that staff recommends award of this contract to Terry Brothers Construction Company, Inc. in the amount of \$2,996,173.00 contingent upon review by District Counsel and that Terry Brothers has extensive experience with District rehabilitation projects. Mr. Aceto pointed out that this project is the last of its type within the CIP. Mr. Hartye stated that there will be other projects that MSD identifies in other urbanized areas, but this is the last on the current 10 year CIP.

b. Consideration of Old Home Road Private Sewer Rehabilitation Project:

Mr. Hartye reported that the Old Home Road PSR Project was originally scheduled for FY 2009, however, the developer offered to contribute one-half of the construction cost, provided the District accelerate the project schedule. As a result, staff proceeded to fast-track the project and the following bids were received on May 25, 2006: Cooper Construction Company, with a total bid of \$292,300.00; Buckeye Construction Company with a total bid of \$271,160.75; Terry Brothers Construction Company with a total bid of \$204,644.50 and Burrell's Excavating Company with a total bid of \$177,600.00. He further reported that staff recommends award of this contract to Burrell's Excavating Company, Inc. in the amount of \$177,600.00, contingent upon review and approval of District Counsel. Mr. Hartye stated that Burrell's Excavating Company has extensive experience with District rehabilitation projects.

c. Consideration of RBC Blower Replacement, Phase 11:

Mr. Hartye reported that staff recommends approval of a sole-source purchase of three (3) Gardner-Denver Multi-Stage Centrifugal Air Blowers in the amount of \$460,000.00, contingent upon review and approval by District Counsel. He stated that the reason for the sole-source purchase is because the other manufacturer of this type of unit will not fit in the existing the building. Also, performance composition is not available and standardization and compatibility of existing equipment are an overriding concern. He explained that the five blowers generate a large volume of compressed air, which is used to turn the Rotating Biological Contractors (RBC's). Two blowers were replaced during FY06 with the remaining three to be replaced in FY07.

d. Cash Commitment/Investment Report, Month Ended April 30, 2006:

Presented as information only.

Regarding Item b. (Old Home Rd. PSR), Mr. Venable stated that he feels the Board should be cautious about allowing developers to contribute construction cost in order to accelerate a project schedule. Mr. Aceto called for discussion. Mr. Bradford stated that the other projects on the CIP list are already qualified private sewer rehab projects and System Services is maintaining all of the others. Mr. Hartye stated that the District had a PSR policy where it did not operate and maintain a system at all until the project was built. This policy was changed a couple of years ago, whereby if a developer was able to obtain the necessary easements, etc., MSD would operate and maintain that system. He further stated that this project is being moved up because of its participation, but this does not mean other projects are being pushed out. Using "Patton Mountain" as an example, Mr. Sobol said this is one of the reasons MSD decided to change the policy.

Mr. Aceto called for a motion on Items a. and b. of the Consolidated Motion Agenda. Mr. Kelly moved for approval. Mr. VeHaun seconded the motion. Mr. Aceto called for discussion. With no discussion, roll call vote was as follows: 11 Ayes; 0 Nays.

Mr. Aceto called for a motion on Item c. of the Consolidated Motion Agenda. Mr. Bissette moved that the Board approve the sole-source purchase of three (3) Gardner-Denver Multi-Stage Centrifugal Air Blowers in the amount of \$460,000.00 because performance composition is not available and standardization and compatibility of existing equipment are an overriding concern. Mr. Kelly seconded the motion. Mr. Aceto called for discussion. Mr. Sobol asked if the cost of blowers has increased. Mr. Kiviniemi stated that the cost has increased due to an increase in metals and other factors, but that the two blowers replaced included the cost of installation. Mr. Bissette asked how long the blowers will last. Mr. Kiviniemi said about 20 years. He pointed out that the cost of the three units includes delivery, start-up services and spare bearing sets plus, the District is saving a 15% mark-up by not purchasing through a contractor. With no further discussion, Mr. Aceto called for the question. Roll call vote was as follows: 11 Ayes; 0 Nays.

9. Public Hearing and Consideration of Final Budget and Rates & Fees for Fiscal Year 2006-2007:

MINUTES OF PUBLIC HEARING

At 2:37PM, Mr. Aceto declared the Public Hearing open on the Budget, Rates & Fees for Fiscal Year 2006-2007.

Mr. Aceto called for public comment and recognized Ms. Penne Rosenthal. Ms. Rosenthal asked for a breakdown of sewer charges with the proposed rate increase for Woodfin residents. Mr. Weed explained that the \$22.41 is the estimated charge per month, which would be doubled for a bi-monthly bill. Ms. Rosenthal stated that she is currently paying \$55.00 bi-monthly without the increase. Mr. Weed stated that the \$22.41 is based on 5 ccf per month or 3,750 gallons and that she is likely using more water than the monthly average. Mr. Hartye presented a breakdown of the rates for FY07. Ms. Rosenthal said she is concerned about the set rate of \$12.00 for sewer service per month, which she feels is difficult for low income people to pay and would rather see the cost go up for usage instead.

In unrelated business, Ms. Rosenthal asked who the principals of Terry Brothers Construction are. Mr. Bradford said he would be happy to provide this information following the meeting, and that this information is available on MSD's website. Mr. Venable asked Ms. Rosenthal why she was interested in this information. Ms. Rosenthal said she would like to know who the people are that are getting the contracts for the District.

Mr. Aceto recognized Mr. Douglas. Mr. Douglas asked how much of the rate increase is set aside for replacement. Mr. Hartye stated that of the \$35 million budget, \$14 million per year goes back into the system, which includes replacement of certain items at the plant.

Mr. Aceto recognized Mr. Gottlieb. Mr. Gottlieb asked why MSD needs a rate increase since it has a reserve of \$46 million. Mr. Hartye presented the investment report showing contractual commitments, bond funds and District reserve funds, which are all subtracted from the reserve amount. He stated that the remaining amount of \$19,615,358 is moved forward into next years' budget of \$35 million, and that the District is actually using bond funds in addition to what it brings in, to supplement that amount and pay for the CIP program.

Ms. Rosenthal asked how many connections the District has. Mr. Weed said approximately 45,000. Ms. Rosenthal asked if this is both residential and commercial. Mr. Weed said yes.

With no further comments, Mr. Aceto thanked members of the public for their participation and stated that he appreciates the opportunity to talk about the District and what it's doing. He invited future input from those present.

At 2:50PM, Mr. Aceto declared the Public Hearing closed.

Mr. Kelly moved that the Board approve the Resolution adopting the Budget, Rates and Fees for FY 2006-2007. Mr. Gantt seconded the motion. Mr. Aceto called for discussion. Mr. Sobol stated that several years ago a discussion was held regarding a minimum fee and asked other Members if they recall this discussion. Mr. Pace stated that he thought the fee was reduced for affordable housing and low income people and that this was done during the time commercial rates were increased. Mr. Hartye stated that Mr. Weed would provide an historic breakdown on what occurred regarding this issue.

Mr. Sobol asked where the District stands with respect to its variable rate debt. Ms. Zeigler reported that to date, the District has done well. However, since this is not year end, she contacted Mr. Hobson for a year end report, which will show what the savings will be. She further reported that, interest earnings on investments, is far outpacing the increase in the variable debt. She stated that, there is some negative basis on the swap, but not to a great degree. When the swap occurred, the District had over 8%, which is very healthy. She further stated that the final numbers should be available at the next meeting.

With no further discussion, Mr. Aceto called for the question. Roll call vote was as follows: 10 Ayes; 1 Nay (Mr. Sobol)

10. Old Business:

Mr. Newman asked for additional information on discussions regarding a flat rate. Mr. Hartye said he would be happy to provide this information and since Mr. Sobol asked that this issue be reconsidered, a Finance Committee meeting will be scheduled to discuss flat rate issues. He further stated that flat rates were previously discussed when the City was going to increase the cost of billing and the District was considering doing its own billing in-house. However, this was not done because the City did not double its billing charge.

11. New Business:

Mr. Sobol stated that when MSD goes out for bid on the US 70 replacement project across from Ingles Warehouse, the Town of Black Mountain would like to coordinate its Streets and Sidewalk project with MSD's sewer project and build a sidewalk. He asked what the cost difference would be if the area was restore back to a 4' wide 4" deep traffic bond to accommodate this work. Mr. Hartye said he would look into it.

12. Adjournment:

With no further business, Mr. Pace moved for adjournment at 3:00PM. Mr. Kelly seconded the motion. Voice vote in favor of the motion was unanimous.

Jackie W. Bryson, Secretary/Treasurer