

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
SEPTEMBER 20, 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 on Wednesday, September 20, 2006. Chairman Aceto presided with the following members present: Bellamy, Bissette, Bryson, Creighton, Gantt, Kelly, Pace, Sobol, VeHaun and Venable. Mr. Newman was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Don Nickell with The Cliffs Communities, Bob Long, Attorney for The Cliffs Communities, Leah Karpen with the League of Women Voters, Stan Boyd, Martha Zeigler, Ed Bradford, John Kiviniemi, Mike Stamey, Kevin Johnson, Shannon Aiken, Ken Stines 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. Mr. Bissette stated that he had a conflict with Item 8. (The Cliffs Development). Mr. Aceto excused Mr. Bissette from deliberation and vote on this item. No other conflicts were reported.

3. Approval of Minutes of the August 16, 2006 Meeting:

Mr. Vahaun moved that the Minutes of the August 16, 2006 Meeting be approved as presented. Ms. Bryson seconded the motion. Mr. Aceto called for discussion. Mr. Venable requested that Item 10, paragraph 2, second sentence, be changed to read "Mr. Venable moved that the General Manager's salary be increased from \$117,500 to \$125,000 per year retroactive to July 1, 2006. Ms. Bryson seconded the motion." With no further additions or corrections, Mr. Aceto called for the question. Voice vote in favor of the motion as amended was unanimous.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed Ms. Karpen, Mr. Long and Mr. Nickell. Ms. Karpen announced a meeting to be held September 25, 2006 in the Humanities Lecture Hall at UNC-A. The subject is the story of justice "Feeling the Effect of Crime", which she feels is important for the community.

6. Report of General Manager:

Mr. Hartye announced that during the next few meetings, staff will provide an in-depth look at some of the items presented. He stated that staff will give a short presentation on Pipe Rating and the District's Health Insurance Plan during this meeting. He further stated that next month, MIS/GIS Staff will give a presentation on its department and a report will be given on Minority Inclusion.

Mr. Hartye reported that in August, the District's Plant was highlighted in the WE&T publication. He expressed his appreciation to Ed Bradford for submitting this article.

Mr. Hartye presented a copy of a paper prepared by Shannon Aiken, which was presented at the ESRI National Convention regarding her efforts in creating an application for Right of Way tracking with decision support capabilities. He expressed his appreciation to Shannon for her efforts. He stated that Shannon, along with Rodney

Smith and Karl Deking will give a presentation at the next Board meeting on other efforts of the department. He also expressed his appreciation to MIS/GIS staff, Eric Mann, David Monteith, Steven Briggs and Larry William for the outstanding service they provide.

Mr. Hartye presented an article from the Asheville Citizen Times regarding the Mayor's Cup Raft Race. He congratulated Vice Chairman Mike Sobol, who was captain of the winning team representing the Town of Black Mountain.

Mr. Hartye announced that the United Way Golf Tournament will be held on September 21st.

He also expressed his appreciation to Mayor, Bellamy who assisted him in opening up a Pre-treatment Conference this past Monday.

Mr. Hartye announced that the next Right of Way Committee Meeting will be held September 27th at 2PM and the next Board Meeting will be held October 18th at 2PM.

7. Report of Committees:

Mr. Kelly reported that the Finance Committee met September 15, 2006 to consider several items. He stated that Peter Weed presented information regarding Flat & Lifeline Rates and Martha Zeigler gave a report on Board Compensation. With regard to the Audit Services Contract for FY07, the Committee recommends that the General Manager and Finance Director be allowed to negotiate the audit contract for the coming fiscal year, subject to final Board approval.

In other business, the Committee considered changes to the Investment Policy, Amendment of the Capital Projects Ordinance and Update of the Sewer Billing Policy. Mr. Kelly stated that the Finance Committee recommends the Board accept its recommendations with regard to the aforementioned items (d.e.f.) of the Consolidated Motion Agenda.

8. Consolidated Motion Agenda:

a. Consideration of Developer Constructed Sewer Systems: Sprivey's View Sewer Extension; NineSouth Townhomes Sewer Extension; Northbrook Apartments Sewer Extension; Carns Properties Sewer Extension; Schenck Parkway Sewer Extension and Gerber Village Sewer Extension:

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

b. Consideration of Sanitary Sewer Rehabilitation Project, Pipe Rating Contract IV:

Mr. Hartye reported that the following bids for this project were received and opened on August 31, 2006: American Water Services, Inc., with a total bid of \$1,384,170.00; McCall Brothers, Inc. with a total bid of \$1,161,316.00; Portland Utilities, LLC with a total bid of \$1,104,056.30 and Terry Brothers Construction Company, Inc. with a total bid of \$1,057,941.00. He stated that staff recommends award of this contract to Terry Brothers Construction Co., Inc. in the amount of \$1,057,941.00, contingent upon review and approval by District counsel.

Mr. Hartye recognized Ed Bradford for a presentation on this project. Mr. Bradford reported that the Pipe Rating Program is a structural defect-rating system using CCTV data, which are imbedded into the GIS database. He explained that line segments are rated for four (4) parameters; peak defect, mean defect, mean pipeline and SSO count. He stated that peak defect is the highest rated defect found within any manhole to manhole segment. Mean defect is the average of all defects. Mean pipeline is the sum of all defects divided by the pipe length and the SSO count is for those lines that have experienced overflows. Mr. Bradford reported that the contract consists of the rehabilitation of existing collector sewers using the "Fold and Form" method of trenchless technology in five of the six sub-basins and consists of approximately 13,360 L.F. In addition to the lines, the manholes on these segments will be rehabilitated or replaced, and a cleanout will be added to each service line. Mr. Venable asked if there is any way to determine how successful this program is. Mr. Hartye stated that in general terms, the reduction of SSO's and work orders is a good measure of the program's success. Mr. Bradford showed the location of the sub-basins and the amount of work to be done in each. He stated that the total project is 13,360LF with 71 manholes and 118 service lines for a total cost of \$1,102,000.00, which is approximately \$80.00 per L.F. Mr. Pace asked what a new line would cost as opposed to the method being used. Mr. Bradford said a new 8" dig and replace line would cost approximately \$150.00 to \$160.00 per L.F. Mr. Sobol asked if all of the lines are 8". Mr. Stamey stated that there are 6,569 L.F. of 6" line and 6,791 L.F. of 8" line. Mr. Sobol asked if the other lines shown in green (public lines) are okay at this time. Mr. Hartye stated that when the District gets around to rehabilitating these lines, they may have a lower score, which could be 5 to 10 years from now.

Ms. Bellamy asked about the status of the Lower Smith Mill Creek Project. Mr. Bradford reported that approximately 500 feet near Robert's Auto is complete. Ms. Bellamy expressed her appreciation to staff for making the public aware of this project and successfully re-routing the traffic around the construction site in such a high traffic area.

c. Report on Self-Insured Health Plan Report for FY 2006:

Mr. Hartye recognized Ms. Zeigler for a PowerPoint presentation on MSD's Self-Insured Health Plan. Ms. Zeigler reported that self-insurance is a plan provided by the employer, rather than buying it from a commercial carrier. She stated that Actuaries are hired to compute amounts needed to fund the plan and the Board approves the amount to be contributed to the plan by MSD as part of the budgetary process. Also, special insurance policies are purchased to limit maximum loss (\$35,000 per individual and approximately \$800,000 total) and an administrator is hired to process the claims. Ms. Zeigler addressed the pros and cons of a self-insured plan and presented a graph showing health care cost trends for self-funding vs. premiums, which illustrated the costs for self-funding health insurance were not increasing as steeply as premium costs. She stated that claims are analyzed to determine budgeting and financial projections and to target wellness programs for maximum impact on cost-savings. She reported that there is a slight increase in the total number of claims this year of 3.2% and plan expenses went up 6.6%, because premiums for stop loss coverage increased. She stated that employees are sharing the increased costs, but MSD is paying the lion's share. Increased costs are due to extraordinary claims in both FY 05 and 06; general health care cost inflation and increased utilization. She further stated that some of the reasons for increased utilization are more participation from employees and their families. Other factors impacting cost increases include cost per claim for certain illnesses are much greater than others, larger costs per claim for chronic illnesses and more prescriptions being filled.

Mr. Venable asked if the co-pay for prescriptions has changed. Ms. Zeigler stated that the co-pay for generic drugs is free, since brand name drugs are often four times the cost of generics. Mr. Venable asked if this will cause employees to buy medication they may not need. Ms. Zeigler said she did not think so because these medications must be prescribed by a doctor. Ms. Bellamy stated that if employees are taking generic drugs on a regular basis this is considered a preventative measure for the long term.

Regarding chronic illnesses, Ms. Zeigler reported that MSD is targeting its wellness programs toward these diseases, i.e., Weight Watchers, which helps diabetes, cholesterol, high blood pressure and cardiovascular disease. She went over facts from a 2005 national survey which showed the percentage of workers receiving health insurance benefits fell from 69% in 2000 to 60% in 2005; premiums for employer-sponsored health insurance rose 9.2% in 2005 and 56% of covered employees are in a plan with at least one disease management program. She stated that health care costs will continue to rise, but probably not at double-digit rates. However, she identified the impact of GASB 45, which will hit in FY 09 as a future cost driver. The key issues in controlling cost in the short run are prescription drug costs and hospital stays. She reported that Medicare Actuaries predict that healthcare cost will increase 7.7% for 2008 & 2009, but dropping to 7% thru 2015; prescription drugs will increase 8%-8.4% annually through 2015; average 11% paid out-of-pocket and an approximate annual increase of 6% for dental services. She stated that MSD will need to deal with increased health claim costs either through diverting funds from salaries; increasing employee contributions; decreasing benefits or increasing wellness programs to decrease hospitalization and other claims.

Ms. Zeigler reported that current wellness programs and initiatives include Weight Watchers at work; Health Fair in November for screenings and education; health risk assessments to help measure progress and modifying plan benefits to encourage checkups and screening tests. Mr. Aceto asked what MSD's plan is for GASB 45 going forward. Ms. Zeigler stated MSD is exploring options for modifying its plan or benefits for retirees. Mr. Aceto asked if MSD is thinking about setting up some type funding to offset this liability and if this will be considered this year. Ms. Zeigler said this will be one of the options considered, but does not intend taking any action until 2009. Mr. Kelly asked what MSD spends on healthcare compare with the City of Asheville and others. Ms. Zeigler said she would look into this.

d. Review of Investment Policy:

Mr. Hartye reported that the Finance Committee recommends the Investment Policy be amended as follows: delete "in consultation with an investment professional" and add "as deemed prudent by the Finance Officer" and that the rest of the policy remain the same.

e. Consideration of Amendment of Capital Projects Ordinance:

Mr. Hartye reported that the Finance Committee recommends Amendment of the Capital Projects Ordinance to fund new and continuing capital projects.

f. Consideration of Update of Billing and Collection Policy:

Mr. Hartye reported that the Finance Committee recommends adoption of the revised Sewer Billing policy, which provides for additional effective and reasonable methods to collect from sewer-only customers and participation in the State's Debt Set-off program.

g. Cash Commitment/Investment Report – Month Ended July 31, 2006:

Presented as information only.

Mr. Bissette moved that the Board approve the Consolidated Motion Agenda as presented. Mr. Venable seconded the motion. Mr. Aceto called for discussion. With no discussion, Mr. Aceto called for the question. Roll call vote was as follows: 11 Ayes; 0 Nays.

9. Old Business:

a. Consideration of Public Pump Station Request – The Cliffs Development:

Mr. Hartye recognized Mr. Long, who represents The Cliffs. Mr. Long stated that he would like to address some of the concerns raised by the Board at its last meeting. First, because of concerns about density, the number of lots has been reduced from approximately 100 to 82 in total, plus the Wellness Center. Secondly, there was a concern expressed about this type of development. He reported that this particular part of the project does not have the long-range views and because the Wellness Center has physical activity associated with it, i.e. tennis courts, etc., the developer has determined that this facility needs to be serviced since they are lower down and are away from the golf course. Therefore, it was deemed that more of a village type concept was in order with smaller lots and houses, which will be totally maintained by The Cliffs. With regard to concerns about controlling erosion, Mr. Long stated that The Cliffs has an outstanding record despite the fact that they were building a golf course, as well as the rest of the development, during the time of major floods and has never been cited for any type of soil erosion violation, which speaks to its environmental concerns and directly impacts this request for a pump station.

Mr. Nickell reported that a pump station was not originally presented because they tried to do everything staff had asked them to do. However, when they met with staff, a pump station was suggested, since the topography for half of the lots could not be served reasonably by a gravity system without a pump station. They were told The Cliffs might qualify since, under certain circumstances, pump stations are allowed if, in the opinion of the District, gravity service is not achievable and extraordinary circumstances justify the use of a pump station. Therefore, they went back and tried to take into account some of the considerations presented. Mr. Nicholls presented the following two alternatives for gravity sewer design with a pump station. Alternative A minimizes the number of lots on the pump station, but would require the sewer lines at the northern end of the property to be deeper. Alternative B maximizes the number of lots on the pump station, utilizing the natural topography of the property, which results in shallower sewer lines and no individual pumping to access the sewer. He stated that it was important to note that after a site visit to the project by Mr. Hartye, Mr. Boyd and Mr. McGill and review of the nine factors developed by the Board to determine if this project met the criteria for a pump station, staff recommends allowing the construction of the option that combines a gravity sewer extension along with a pump station.

Ms. Karpen asked where the project is located. Mr. Nickell stated that the property is located at the end of Long Shoals Road and Hwy 191 in Avery's Creek. Mr. Veahun asked how many homes are shown in the blue section of the map and how many are at the bottom. Mr. Nicholls said 77 and 46 respectively. Mr. Nicholls presented pictures taken along Power Creek, which has been placed into a buffer to protect it environmentally, but would be destroyed if a gravity system were put in. Mr. Creighton asked if they have purchased the property and how many lots can be put in with septic if MSD does not approve the request. Mr. Nickell said they

have purchased the property, but have not looked at this option yet. Mr. Paced noted that at the last meeting, Mr. Nickell said if they had purchased all of the property in the beginning, they could have put in gravity lines. Mr. Nickell stated that to the best of his knowledge, there was a way, but it cannot be done now because the road is paved and water, power and gas are in place. He further stated that they attempted to purchase this property, but the owners said no. Later, the property became available.

Mr. Aceto stated that the Board needs to make its decision based on merit; being fair to the applicant and protecting the rate payers and the system. He further stated that he does not think it would be fair to this applicant to ask them to justify their development. Mr. Sobol asked what lots are on septic systems. Mr. Nickell said the lots from Powder Creek down are on septic. Mr. Sobol stated that if planned ahead of time, sewer could have been put in these areas. He asked why they don't use septic systems in Phase V. Mr. Nickell stated that the lots in Phase V are smaller. Mr. Creighton asked Mr. Hartye to address how staff came up with its recommendation and what options were discussed. Mr. Pace asked if a discussion was held in the beginning about a gravity system for the entire development. Mr. Hartye stated that when this development was looked at for the first time, staff was pressing for a gravity system, until he, Gary McGill and Stan Boyd made a field visit and determined that this was a different situation. In general terms, this was not a low lying flood plain where sewer could be easily run, but had sharp bends and sharp inclinations and solid rock. Also, there is a stream buffer that would have to be torn apart in addition to blasting next to homes. He further stated that it was their opinion that environmentally, the impact of routing a gravity sewer would be more disruptive. He added that this is not a major pump station that can serve other properties and would not likely be eliminated in the future.

Mr. McGill stated that the other alternatives initially presented were rejected and that because of the nature of Powder Creek, this area is not conducive to a sewer line. He further stated that on the road above Powder Creek there are houses there with steep slopes down to the creek and under the current circumstances, a sewer line could not be built without encroaching on those properties. Mr. Creighton asked if it's in the best interest of the Board to recommend a pump station since a future gravity line will not be built in this area. Mr. Hartye stated that the evaluation was predicated upon the assumption that public sewer was to be provided to this area and that construction of a gravity sewer would have more of an environmental impact than a pump station. Mr. McGill said the evaluation was not what the sewer service alternatives are, but if the development is provided with public sewer from MSD, what are these alternatives. Mr. Sobol stated that just because a developer comes in and asks for public sewer, this doesn't mean they should get it all the time. He further stated that this Board has a responsibility to the ratepayers as to whether it's going to help develop every piece of property that is out there. Mr. Kelly asked if there is more chance of environmental damage caused by a pump station that malfunctions than from one of the 80 septic systems. Mr. McGill stated that because pump stations must be built to MSD standards, this allows for more control over quality, thus lessening the chance of a malfunction. For this reason, he feels a pump station is the better choice. Mr. Vahaun stated that if the developer meets the criteria for a pump station, which was set by the Board, how can the Board refuse the request? Mr. Venable stated that the Board pays staff to make these decisions and in his opinion, the Board is here to make policy, not second guess staff. Therefore, he doesn't see how he can vote against staff's recommendation for a pump station. Mr. Venable moved that the Board allow the option that combines a gravity sewer extension along with a pump station. Ms. Bryson seconded the motion. Mr. Aceto called for discussion. Mr. Pace stated that the Board has been put into a position to consider a pump station because staff did not tell the developer to put in sewer to handle the whole valley; it only handled their immediate problem. He further stated that when staff considers a project, they should look at the whole

picture and insist that the sewer go in the right place at the right time, even if the developer loses a few lots by doing so. Mr. McGill stated that staff has to take care of what comes to them as it comes and give their best advice.

Mr. Long stated that it's his understanding that this does not cost the MSD anything. The developer will pay for all costs associated with the design, permitting and construction of the new system and will pay the cost for the operation and maintenance of the pump station for the first 20 years. In addition, The Cliffs is agreeable to enlarge the size of the well to serve additional development in the area. Mr. Sobol stated that MSD has a policy against pump stations, but once again, is voting to help a large development. With no further discussion, Mr. Aceto called for the question. Roll call vote was as follows: 6 Ayes, 4 Nays (Mr. Creighton, Mr. Gantt, Mr. Pace and Mr. Sobol). Mr. Bisette was excused from voting.

10. New Business:

None

11. Adjournment:

With no further business, Mr. Kelly moved for adjournment at 3:30 PM. Ms. Bryson seconded the motion. Voice vote in favor of the motion was unanimous.

Jackie W. Bryson, Secretary/Treasurer