

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
DECEMBER 19, 2007**

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, December 19, 2007. Chairman Aceto presided with the following members present: Bissette, Bryson, Creighton, Haner, Kelly, Newman, VeHaun and Venable. Ms. Bellamy, Mr. Gantt and Mr. Sobol were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Leah Karpen with the League of Women Voters, Joseph Martin with Woodfin Sanitary Water & Sewer District, Ken Fields with Cherry Bekaert & Holland, Stan Boyd, Martha Zeigler, Jim Hemphill, Peter Weed, John Kiviniemi, Ed Bradford, Ken Stines, Angel Banks, Scott Powell, Julie Willingham, Mike Stamey, Shaun Armistead 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. He stated that he has a conflict with Item 7.c (Springs of North Asheville) of the Consolidated Motion Agenda and asked to be excused from voting on this issue. No other conflicts were reported.

3. Approval of Minutes of the November 14, 2007 Board Meeting:

Mr. Aceto asked if there were any objections to approving the Minutes of the November 14, 2007 meeting as presented. With no objections, the Minutes were approved by acclamation.

4. Discussion and Adjustment of Agenda:

Mr. Aceto asked if there were any adjustments to the agenda. Mr. Hartye requested that Item 7.d (Presentation of FY 06-07 Comprehensive Annual Financial Report) be given during the Report of the General Manager.

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed Ms. Karpen and Mr. Fields.

Mr. Aceto expressed his appreciation to Mr. Venable for his years of dedicated service on the MSD Board. He stated that he appreciated Mr. Venable's attention to details and for his fiduciary obligations on the Board and accountability to the citizens of Weaverville. He further stated that Mr. Venable's personal concern for the staff was expressed in his service to the Personnel Committee. Mr. Aceto called for a motion to adopt the Resolution of appreciation for Mr. Venable as presented. Mr. Bissette moved that the Board adopt the resolution written and presented by Counsel. Mr. VeHaun seconded the motion. Voice vote in favor of the motion was unanimous.

6. Report of the General Manager:

Mr. Hartye introduced Mr. Ken Fields, with Cherry Bekaert & Holland for a report on the Comprehensive Annual Financial Report (CAFR) for FY 06-07. Mr. Fields noted the letter (Independent Auditor's Report) on page 11 stating a "clean" opinion on the financial position of the District as of June 30, 2007. He noted a second letter on page 68, which is a report on internal control over financial reporting and stated that they did not identify any deficiencies in financial reporting that they considered to be material weaknesses. Mr. Fields presented a copy of a letter that explains the auditor's responsibility under GAAS and Government Auditing Standards and the responsibilities of MSD and the Board of Directors. He stated that he has seen many CAFR's over the

years, but the one prepared by staff is very professional and well done. Mr. Fields also presented a copy of an Executive Summary on the Audited Financial Statements, which includes overall audit comments, financial statement highlights and SAS 61 letter; communication with MSD Board Members.

Mr. Fields reported that some of the steps taken during the course of the audit were to look at procedures that are in place; look at opportunities for management overrides and interview a number of people out of the financial realm and that all of the procedures turned out well. He further reported that a comparison of MSD with similar facilities was done and in MSD's case, all of the amounts and ratios looked at were either comparable or exceeded its peers. He stated some of the things looked at were ratio of expense and revenue, how old the accounts receivables are and how they are being collected, the amount of cash on hand and whether its sufficient enough to weather hard times, and the ratio of debt to equity. He said that for a facility the size of MSD, it's remarkable that during the course of the audit, there were no amounts they proposed MSD change in its financial statements.

Mr. Fields reported that for next years' audit there are rules that will come into play that will direct the audit approach where they will be looking at policies and procedures. He stated that he does not anticipate any problems in this area. Mr. Aceto asked Mr. Fields to address changes the Board may be considering for next year. Mr. Fields said he is not aware of anything the Board can do other than policy approval. Mr. Aceto expressed the Board's appreciation to Martha Zeigler, Scott Powell and Teresa Gilbert for preparation of the CAFR.

Mr. Hartye reported that a call was received from Mr. Murdock in Asheville thanking MSD for excellent service and extending his thanks to Mike Rice who he said was prompt, very nice, courteous and efficient. In addition, a call was received from the owners at 2 Kirby Place expressing appreciation for a job well done by Herman Shelton who was described as being very efficient in his cleaning.

Mr. Venable reported that he received a call from a Weaverville resident who was upset about the new Reems Creek Interceptor and wanted someone to call her. He stated that he contacted Stan Boyd and within two hours Mike Stamey, Project Engineer called her back and answered all of her questions. He further stated that after her conversation with Mike Stamey, she called him back and expressed her appreciation to him for MSD's quick response.

Mr. Hartye reported that the District has again been given the Distinguished Budget Presentation Award for FY 07. He expressed special thanks to Martha Zeigler, Teresa Gilbert and Scott Powell for their efforts.

Mr. Hartye announced that John Kiviniemi was this year's recipient of the William D. Hatfield award given by the NC AWWA/WEA, which recognizes operators of treatment plants for outstanding performance and professionalism.

Mr. Hartye presented an article from the Charlotte Observer titled "Carolinas Investment Pools Strong." In addition, he presented letters from a 3rd grade class received following a presentation on MSD by Julie Willingham.

Mr. Hartye announced that the next regular Board Meeting will be held January 16th at 2PM.

7. Report of Committees:

Mr. Kelly reported that the Right of Way Committee met November 28, 2007. He called on Ms. Banks for a report. Ms. Banks reported that the Committee considered

Estimated Compensation Expenses for the Reems Creek Master Plan Interceptor Extension. She explained that this estimate uses market value averages of recent sales in the area rather than standard tax values used for rehabilitation projects. She stated that market values were obtained from a report prepared by a licensed appraiser and MSD's standard formula has been applied using these values. She further stated that the Committee recommends approval of Estimated Compensation Expenses.

8. Consolidated Motion Agenda:

a. Consideration of Estimated Compensation Expenses – Reems Creek Master Plan Interceptor Extension:

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

b. Consideration of Bids for Shawnee Trail USR, Winding Road USR and Northwood Road GSR:

Mr. Hartye reported that this contract is a combination of three small projects. The Shawnee Trail and Winding Road projects are for the replacement of failing, unclaimed private sewers. The Northwood Road Project is for the rehabilitation of a problematic public line, which lacks manholes. He further reported that the following bids were received on November 15, 2007: Bryant's Land & Development Inc. with a total bid of \$288,478.22; Carolina Specialties with a total bid of \$248,041.52; T&K Utilities, Inc. with a total bid of \$245,485.00; Terry Brothers Construction Co., Inc. with a total bid of \$218,057.00 and L-J, Inc. with a total bid of \$209,520.00. Mr. Hartye stated that because L-J, Inc. is based in Columbia, S.C., and has not previously worked for the District, staff checked references from ten people associated with eight recent L-J projects. Due to poor performance history of L-J, Inc., as indicated by the majority of references, staff recommends award of this contract to the second low bidder, Terry Brothers, Inc. in the amount of \$218,057.00, subject to review and approval by District Counsel. Mr. Clarke stated that the Statute authorizes the District to award the bid to the "lowest responsible" bidder, therefore if MSD feels the lowest bidder is not responsible, the bid can be awarded to the next lowest responsible bidder. Mr. Venable asked Mr. Hartye to explain the District's policy regarding maintaining and replacement of private lines. Mr. Hartye explained that once an agreement is signed by those affected by the line; allowing MSD on their property to maintain and eventually replace the line, the line is put on a list. He stated that if there is an immediate problem, it is taken care of and scheduled for replacement based on the severity of problems with the rest of the line. With regard to Winding Road, Mr. Venable asked if MSD concerns itself with a line that extends beyond the problem area. Mr. Stines stated that the remaining houses on Winding Road are on the other side of the hill and drain in the other direction. Mr. Bissette asked how MSD notifies the low bidder. Mr. Clarke stated that a letter has been sent from Mr. Hartye stating that staff will recommend award of the bid to the next lowest responsible bidder. Mr. Venable asked if staff is responsible to check references. Mr. Hartye said yes and that the Project Engineer has put together a detailed memorandum of the reference responses.

c. Consideration of Developer Constructed Sewer Systems: Springs of North Asheville, K&M Investments, Mill Creek Utilities, Kailee's Court Phase 1 and North Buncombe School Sewer Extension:

With regard to the Springs of North Asheville, Mr. Hartye expressed his appreciation to Mayor VeHaun for his input on this project in facilitating negotiations between the developer and land owner for gravity sewer instead of a

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

d. Presentation of Audit & CAFR – Fiscal Year Ended June 30, 2007:

Mr. Hartye reported that staff recommends acceptance of the CAFR as presented by Mr. Fields.

e. Cash Commitment/Investment Report – Month Ended October 31, 2007:

Presented as information only.

Mr. Aceto called for a motion on Items a. and b. of the Consolidated Motion Agenda. Mr. Kelly moved that the Board approve Items a. and b. as presented. Mr. Venable seconded the motion. With no discussion, roll call vote was as follows: 9 Ayes; 0 Nays.

Mr. Aceto called on Ms. Bryson to preside over the vote on Item c. of the Consolidated Motion Agenda. Ms. Bryson called for a motion on Item c. Mr. Bissette moved that the Board approve Item c. as presented. Mr. Kelly seconded the motion. With no discussion, roll call vote was as follows: 8 Ayes; 0 Nays. Mr. Aceto was excused from voting.

9. Old Business:

Mr. Aceto asked the Board to consider a date in March for a retreat to review goals set in 2007 and to set goals for action and policy review for the coming year.

10. New Business:

Mr. Venable announced that the Weaverville Town Board met and appointed Mr. Steve Metcalf as his replacement on the Board. He stated that he feels Mr. Metcalf will be a good addition to the Board. Mr. Aceto expressed his appreciation to the Town Board for its appointment.

At 2:43 PM, Mr. Venable moved that the Board go into closed session to discuss a personnel matter. Ms. Bryson seconded the motion. Voice vote in favor of the motion was unanimous.

At 3:50 PM, the Board went into open session. Mr. Aceto asked if there was any action the Board recommends as a result of closed session discussions. No action was taken.

11. Adjournment:

With no further business, Mr. Aceto called for adjournment at 3:51 PM.

Jackie W. Bryson, Secretary/Treasurer