

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
APRIL 16, 2008**

**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 2:00PM, Wednesday, April 16, 2008. Chairman Aceto presided with the following members present: Bellamy, Bissette, Bryson, Creighton, Gantt, Haner, Kelly, Metcalf, Sobol and VeHaun. Mr. Russell was 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, Stan Boyd, Ed Bradford, Jim Hemphill, Scott Powell, Angel Banks, Ken Stines, Peter Weed, Mike Butler 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. No conflicts were reported.

**3. Approval of Minutes of the March 19, 2008 Board Retreat, Regular Board Meeting and Special Meeting of the Board on March 25, 2008.**

Mr. Aceto asked if there were any objections to approving the Minutes of the March 19, 2008 Board Retreat and Regular Board Meeting and Special Meeting of the Board on March 25, 2008 as presented. With no objections, the Minutes were approved by acclamation.

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

None

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

Mr. Aceto welcomed Ms. Karpen and Mr. Martin.

**6. Report of General Manager:**

Mr. Hartye presented an article in MSD's MetroLite featuring the efforts of the Building Trades Crew and Plant personnel who made emergency repairs to the incinerator.

Mr. Hartye presented a Resolution on Affordable Housing drafted by Mr. Clarke to be distributed to the member agencies for adoption and brought back to the Board at a future meeting, along with information and letters from the Affordable Housing Coalition.

Mr. Hartye reported that MSD recently received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its FY 2007 CAFR. He expressed his appreciation to Scott Powell and Teresa Gilbert for their efforts.

Mr. Hartye reported that the Annual Developers and Engineers Meeting was held on April 8, 2008. He stated that approximately 20 attendees from outside MSD and 8 from within participated. He expressed his appreciation to Stan Boyd, Kevin Johnson, Mike Butler, Kay Farlow and Shannon Aiken for their efforts in putting this meeting together.

Mr. Hartye reported that MSD sponsored a booth at the Annual Home Show held March 13-16 at the Civic Center. Handouts included those for sewer extensions, GIS website mapping, and grease disposal were distributed along with grease lids and magnets indicating call MSD First and the phone numbers. He stated that those who stopped by the booth expressed appreciation for the information offered. Also, there were positive comments about responses to calls by System Services. Mr. Hartye expressed his appreciation to Kay Farlow, Mary Alice Hunter, Tim Revis, Steven Briggs, David Montieth and Lisa Tolley for manning the booth.

Mr. Hartye presented a WEF article on Microconstituents in the Water Environment. He stated that the WEF is doing research on this issue and that he will keep the Board advised. Mr. Hartye also presented a Drought Workshop announcement sponsored by the Woodfin Sanitary Water & Sewer District to be held on Tuesday, April 22, 2008 from 12-1 PM at MSD.

Mr. Hartye announced that the Personnel Committee will meet Monday, April 21<sup>st</sup> at 11:30 a.m. The Finance Committee will meet on Wednesday, April 23<sup>rd</sup> at 3 p.m. The next Right of Way Committee meeting will be held April 30<sup>th</sup> at 9 a.m. The next regular Board Meeting will be held May 14<sup>th</sup> at 2 p.m.

**7. Report of Committees:**

Right of Way Committee

Mr. Kelly called on Mr. Sobol for a report. Mr. Sobol reported that the Right of Way Committee met March 26, 2008 to consider Compensation Budgets on the Heywood Road Interceptor Phase 2 and Monroe Place General Sewer Rehabilitation projects. The Committee also considered Condemnation on the Dingle Creek Interceptor Phase II, Project.

CIP Committee

Mr. Sobol reported that the Capital Improvement Program (CIP) Committee met April 10, 2008. He stated that the Committee discussed the lack of attendance and possible reasons why. Mr. Sobol explained that because most of the annexation projects that came to MSD through Consolidation are complete, member agencies are no longer concerned, therefore, do not feel the need to attend. Mr. Clarke stated that the Consolidation Agreement requires the CIP Committee to meet annually to report on the rehabilitation of the District Sewerage System.

Mr. Sobol reported that a presentation was given by Mr. Bradford on the highlights of the current CIP. Regarding the Right of Way Clearing Program, Mr. Sobol reported that approximately 38,000 feet of recorded rights of way is being cleared annually in addition to clearing on capital projects and on System Services in-house clearing efforts and that an additional 11,000 feet is currently underway. Mr. Hartye stated that GIS will be utilized in this effort; showing areas that need to be bush hogged in the future. The cost of the program is about \$50,000 annually. Mr. Sobol further reported that a status report on Reimbursement Projects and Rehabilitation Program Priorities was given along with a Review of the 10-year CIP Document and approval of the CIP budget for FY 08-09 of \$18,803,725. Mr. Hartye stated that the value of the CIP document is that it shows when and where MSD is going now and in the future. Mr. Haner stated that he had made a suggestion that member agencies be contacted after receiving the information package and that staff obtain some type of feedback before the meeting as to their attendance, if they approve the budget, and just general input regarding the CIP. Mr. McGill stated that part of the reason attendance is low is because staff does such a good job of providing information, they do not feel the need to attend.

**8. Consolidated Motion Agenda:**

**a. Consideration of Compensation Budget – Heywood Road Interceptor Phase 2.**

Mr. Hartye reported that the Right of Way Committee recommends approval of the Compensation Budget for Heywood Road Interceptor Phase 2.

**b. Consideration of Compensation Budget – Monroe Place General Sewer Rehabilitation:**

Mr. Hartye reported that the Right of Way Committee recommends approval of the Compensation Budget for Monroe Place General Sewer Rehabilitation.

**c. Consideration of Condemnation – Dingle Creek Interceptor Phase 11:**

Mr. Hartye reported that the Right of Way Committee recommends authority to obtain appraisal and proceed with condemnation on the Dingle Creek Interceptor Phase 11.

**d. Cash Commitment/Investment Report – Month Ended February 29, 2008:**

Presented as information only.

Mr. Bellamy asked if MSD is working with the City of Asheville Storm Water Department on the Dingle Creek Project. Mr. Hartye said yes. Ms. Bellamy moved that the Board approve the Consolidated Motion Agenda as presented. Mr. Kelly 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:**

**Consideration of Resolution Regarding the Current Economic Crisis:**

Regarding the fiduciary responsibilities of the Board, Mr. Sobol stated that there are several areas he would like to address; where MSD is, how it got there, and what it should do.

Mr. Sobol reported that because of the downgrade of XL Capital, MSD was forced to pay thousands of dollars per week for new insurance for its bonds. He stated that if not for the General Manager, Counsel and the Chairman obtaining an improved rating on MSD's bonds, MSD would have had to pay over one million dollars in one year for extra insurance. He further reported that as the credit market worsens, homeowners are losing homes, resulting in a loss of revenue, which affects MSD directly.

Mr. Sobol reported that in the late 80's and early 90's complex derivatives came on the scene. He explained what derivatives are and how they work. He further reported that Credit Default Swaps (CDS's) also came on the scene, which is another form of credit derivatives. He stated that CDS's are bets between two parties on whether or not a company will default on its bonds and that they are completely deregulated by the federal government. Mr. Sobol presented an article on Birmingham/Jefferson County Alabama, regarding its \$4.6 billion dollar debt. He stated that Jefferson County is paying millions of dollars in extra premiums because their credit rating has dropped.

Mr. Sobol stated that this is not a banking crisis, but a housing crisis and other loans are facing scrutiny as well. Mr. Aceto asked how this affects MSD. Mr. Sobol stated that deregulation has got to the point where the bank insurers were downgraded, which directly affected MSD. He presented a table showing the top 25 holding companies

with derivatives. He noted that the Bank of International Settlement's (BIS) 2007 valuation of the world's derivatives is now \$516 trillion. Mr. Sobol stated that he is asking the Board to support a return to regulatory controls, pre-1999, where the banking industry was normal; it was transparent, sane and trustworthy. He further stated that where it stands now, there is tremendous exposure that has not only affected MSD, but could affect homes being foreclosed on if there is a severe downturn in the economy, which in turn would affect the MSD. Mr. Sobol moved that the Board consider adoption of the Resolution previously presented. Ms. Bellamy seconded the motion. Mr. Aceto asked what the next step will be if the motion is adopted? Mr. Sobol stated that this will send a message to legislators asking that they consider adding more regulation to the derivative market. Mr. Haner stated that he feels Mr. Sobol presented the information in a way that shows it did affect MSD in dealing with bond matters; in the money it was forced to pay. He further stated that he is supportive of the resolution and feels it should not only go to state representatives, but to the member agencies. Mr. Aceto stated that he has a grave concern with the resolution in that this is a political issue, which only has an indirect effect on MSD. He further stated that there are many political issues that have an indirect effect on what MSD does, and if this Board takes a stand to address generally, the public welfare, then it will be preoccupied with many issues. In addition, it takes the Board a step further toward becoming a political board, which it's worked very hard not to be. Mr. Haner asked Mr. Aceto if he would feel better about it if it were not sent to state representatives. Mr. Aceto said no. He respectfully advised the Board not act on this motion. Mr. Sobol stated that this is something that will affect everyone in the District and hopes that the rest of the Board will support this resolution. Mr. Clarke cautioned the Board about adopting a resolution based on opinion, rather than fact. Mr. Bissette stated that he appreciated Mr. Sobol's presentation, but has an issue with the wording of the resolution and cannot support passing it since he's not sure he understands exactly what it says. Mr. Metcalf stated that he shares Mr. Aceto's concern and needs more time to understand the information presented. Mr. Metcalf moved that the Board table the motion. Mr. Sobol stated that although time is of the essence, he would agree to table the motion for now. With no objection, the motion was tabled.

**10. New Business:**

None

**11. Adjournment:**

With no further business, Mr. Aceto called for adjournment at 2:50 PM.

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Jackie W. Bryson, Secretary/Treasurer