

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
MAY 19, 2010**

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 P.M., Wednesday, May 19, 2010. Chairman Aceto presided with the following members present: Bissette, Bryson, Creighton, Haner, Kelly, Root, Russell, Stanley and Watts. Ms. Bellamy and Mr. Vehaun were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Leah Karpen with the League of Women Voters, Gary McGill with McGill Associates, Joseph Martin with Woodfin Sanitary Water & Sewer District, Ed Bradford, John Kiviniemi, Jim Hemphill, Scott Powell, Peter Weed, Angel Banks, Julie Willingham, Lisa Tolley, Teresa Gilbert 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 April 21, 2010 Meeting:

Mr. Aceto asked if there were any objections to approving the Minutes of the April 21, 2010 Board Meeting 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 Mr. Martin.

6. Report of General Manager:

Mr. Hartye reported that an e-mail was received from Mike Verble of Asheville passing along his genuine appreciation for the great job Jesse Hunter and his crew did when installing the sewer riser at his gatehouse. He said MSD staff was absolutely first class, friendly, great work and all was done quickly. Mr. Hartye expressed his thanks to Jesse Hunter, Tim Haney, McKinley Hensley, Lloyd Anders, and Clement Crowe. Also an e-mail was received from Dean Luebbe from the City of Asheville expressing appreciation for James Beaver going above and beyond the call of duty on a water leak situation.

Mr. Hartye reported that MSD has once again received the Certificate of Excellence from the Government Finance Officers Association (GFOA) for the Fiscal Year 2009 Comprehensive Annual Financial Report (CAFR). He expressed his thanks to Scott Powell and Teresa Gilbert.

Mr. Hartye presented a copy of the MSD MetroLite publication and a copy of the US Conference of Mayors news release regarding residential water and sewer rates.

Mr. Hartye announced that the Right of Way Committee meeting scheduled for May 26th at 9AM has been cancelled. The annual industry meeting is scheduled for May 25th at 10AM. A Planning Committee will be scheduled for early June, and the next regular Board Meeting and Public Hearing on the Budget for FY 2010-2011 will be held June 9th at 2PM.

7. Report of Committees:

a. Right of Way Committee

Mr. Kelly reported that the Right of Way Committee met April 28, 2010 to consider Compensation Budgets for the Daniel Road Sanitary Sewer Replacement and the Patton Avenue @ Parkwood Road project. Also, the Committee considered condemnations on the Short Coxe @ Southside Avenue GSR and Town Mountain Road 4" Main Projects. Mr. Kelly further reported that staff presented the Greenway Agreement for Buncombe County and Project Status Summary for the Third Quarter.

b. Personnel Committee:

Mr. Stanley reported that the Personnel Committee met May 5, 2010 to hear a presentation by Jim Hemphill on Human Resource activities. The Committee also considered staff's recommendation for a 5.2% employer increase in funding for the self-insured health plan and a 2.9% cost of living adjustment.

c. CIP Committee:

Mr. Haner reported that the Capital Improvement Program (CIP) Committee met May 6, 2010 and was well attended by Board Members and the various municipalities. Mr. Haner stated that Mr. Bradford gave a Power Point presentation on the highlights of the current and proposed CIP program. The Committee recognized the continuing downtrend in SSO's, from 40+ in 2008 to 23 in 2009, which drives the majority of CIP projects. He further stated that Mr. Bradford presented the CIP Budget, including the 3.5% rate increase, which the Committee endorsed.

d. Finance Committee:

Mr. Kelly reported that the Finance Committee met May 12, 2010. Mr. Powell gave a review of the Third Quarter Budget to Actual and a Power Point presentation on FY 2009 Financial Performance Benchmarks; the FY 2010-2011 Preliminary Budget and MSD Business Plan and Rate Information. The Committee recommends acceptance of staff's recommendation as set forth in the Preliminary Budget for FY 2010-2011 and the Schedule of Sewer Rates and Fees.

8. Consolidated Motion Agenda:

a. Consideration of Compensation Budgets for Daniel Road Sanitary Sewer Replacement and Patton Avenue @ Parkwood Road Projects:

Mr. Hartye reported that the Right of Way Committee recommends approval of the Compensation Budgets for Daniel Road Sanitary Sewer Replacement and Patton Avenue @ Parkwood Road projects.

b. Consideration of Condemnation – Short Coxe @ Southside Avenue GSR:

Mr. Hartye reported that the Right of Way Committee recommends authority to obtain appraisal and proceed with condemnation on the Short Coxe @ Southside Avenue GSR.

c. Consideration of Condemnation–Town Mountain Road 4” Main Rehabilitation:

Mr. Hartye reported that the Right of Way Committee recommends authority to obtain appraisal and proceed with condemnation on the Town Mountain Road 4” Main Rehabilitation project.

d. Consideration of Self Insured Health Plan and Cost of Living/Merit Pay Plan:

Mr. Hartye reported that Mr. Hemphill gave a presentation on the activities of the Human Resources Department; the Wellness Committee and morale raising type of events. The Committee also considered the details of the self-insured health plan and cost of living/merit pay plan as well as what other municipalities and District’s are doing. The Committee recommends the Board grant staff’s request for a 2.9% Cost of Living salary adjustment and an employer contribution of an additional 5.2% for the health insurance plan, with employees contributing an additional 15%.

e. Recalibration of U.S. Public Finance Ratings:

Mr. Powell reported that on May 1st and 3rd, both Moody’s Investors Service and Fitch Ratings adjusted their municipal ratings to their global rating scale. Moving to a global rating scale puts greater emphasis on default probability which has been very low in the municipal market. He stated that the District experienced an adjustment from Aa3 to Aa2 from Moody’s and AA to AA+ from Fitch.

f. Third Quarter City of Asheville Billing Report – FY 2009-2010:

Mr. Powell reported that at the end of each quarter, the City of Asheville staff prepares a summary of all billing and collection activities for MSD which is reconciled to beginning and ending account receivable balances. Net billings are up .9% from the previous period last year. Cash receipts during the first half of the year were down 1.1%. Receivables are up 12.4% and the aging percentages are showing signs of accounts requiring additional time to collect. He stated that he met with Water Department staff and they stated there have been some adjustments added to their books which affect both the old balances as well as more individuals requiring time to pay on outstanding accounts. He further stated that staff will continue to monitor future quarters as this could have a cash flow impact on the District. Based on analysis of the data presented, all funds from the City of Asheville are being remitted to MSD in a timely manner.

g. Cash Commitment/Investment Report – Month Ended March 31, 2010:

Mr. Powell reported that Page 2 presents the makeup of the District’s Investment Portfolio. There has been no change in the makeup of the portfolio from the prior month. Page 3 is the MSD Investment Manager Report as of the month of March. The weighted average maturity of the investment portfolio is 111 days. The yield to maturity is 1.35% and is exceeding MSD bench marks of the 6 month T-Bill and NCCMT cash portfolio. Pages 4 and 5 show revenues and expenditures in relation to budget expectations. Page 6 is the MSD Variable Debt Service Report. Both the 2008 A&B Series are performing better than budgeted. As of the end of April, both issues have saved the District rate payers 2.5 million dollars in debt service since April 2008. Mr. Aceto asked about the spike in Facility and Tap fees compared to prior years. Mr. Powell stated that this line item is up because of development that could occur. He explained that last year this line item was in excess of \$2 million over the entire year. This year is just over \$1 million. Mr. Hartye explained that the reason it looks high is because this is presented as a percentage of the budget which was budgeted low because of the economy. Regarding the Investment Portfolio, Mr. Aceto asked Mr. Powell to explain the mix and how diverse

it is. Mr. Powell stated that MSD has an obligation to keep \$15 million at Bank of America, for which \$5 million is in the operating account and the \$10 million is in a governmental advantage account; a money market account. The remaining portfolio is kept short, with a substantial amount in local banks (Home Trust & First Citizens) and that MSD has not put money back into the fixed income market because the investment horizons and yields are very small. He further stated that most of the investment houses anticipate an increase in interest rates in the third and fourth quarter of this year; the reason for keeping the investment horizons short. Mr. Aceto asked Mr. Powell to explain how the Bank of America accounts and CD's are collateralized. Mr. Powell stated that all of MSD investments are with a particular bank that participates in a "pooling method" which means they collateralize all governmental entities accounts in excess of 110% with the North Carolina Treasurer.

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

9. Consideration of Resolution Adopting the Preliminary Budget for FY 2010-2011 and Schedule of Sewer Rates & Fees:

Mr. Powell went over the Preliminary Budget document. He reported that behind the Introduction tab is the District's Budget message which includes the Current Year Highlights section outlining the decrease in domestic consumption due to a wet summer. The Operating Budget section outlines the proposed \$13.9 million operations and maintenance budget and proposed changes for the upcoming year. The Capital Improvement Program section outlines the proposed \$22.2 million construction budget as well as outstanding debt and debt service, and the Sewer Rate Increase section outlines the past five years domestic rate increases and proposed FY 11 domestic rate increase of 3.5%. Mr. Powell further reported that behind the Policies and Process Tab is a description of the budget process including the Statutory and Board requirements, the budget administration, and if needed, budget amendments.

Mr. Powell reported that Page 11 describes the forecasting methodology and includes the current business plan which outlines the current year proposed budget as well as estimates of needs for the next nine years. Page 13 is the proposed \$45,420,400 FY 11 budget which incorporates the following: A 3.5% domestic rate increase and a continuation of the Industrial Rate Parity Plan. He stated that last year MSD put a moratorium on raising facility and tap fees, but is now lifting the moratorium and continuing with the plan. The Facility & Tap Fee Plan has a 145% increase in budgeted revenues. The budget includes a 2.0% rate of return on investments; a 2.9% cost of living increase; a 5.2% increase in funding for self-insured medical plan; a 33.3% increase in funding for North Carolina retirement cost, and funding for post-employment health benefit of \$232,000.

Mr. Powell reported that behind the Operation & Maintenance tab is a detailed account of the proposed budget by department as well as current year projected and prior years actual. The Insurance Fund tab is an overview of the various insurance funds along with their respective proposed budgets for FY 11 and FY 09 actuals and current year projected cost. The Replacement Fund tab is an overview of the various replacement funds along with their respective proposed budgets for FY 11 and FY 09 actuals and current year projected expenditures. The CIP Program tab is an overview of the CIP program run by the Engineering department along with their proposed FY 11 budget and projection of needs for the upcoming nine years. Behind the Debt Financing tab is an overview of debt management as well as a brief description of capital project funding. He stated that in the Power Point presentation to the Finance Committee it was shown that MSD attempts to use a 50%-50% component; 50% pay as go and 50% debt in funding all of the capital projects going into the future. MSD will be funding 52%

pay-as-go of the proposed CIP projects during the next 10 years and 48% debt issues in years FY 13 and 17. He stated there is a detailed listing of current outstanding debt as well as aggregate debt service for each outstanding issue. Behind the Appendix tab is the proposed FY 11 Budget Resolution with the schedule of rates and fees. Also included is a flow of funds which is a graphical representation of the budget resolution and a big version of the business plan. Ms. Karpen asked if the Board understood the budget presentation. Mr. Aceto stated the budget was presented on-line prior to presentation at the Finance Committee and again at today's meeting of the Board. Mr. Kelly moved that the Board adopt the Resolution for the Preliminary FY 2011 Budget and Schedule of Rates and Fees. Mr. Stanley seconded the motion. Roll call vote was as follows: 10 Ayes; 0 Nays.

10. Old Business:

Mr. Hartye stated that at the last meeting Mr. Aceto requested that action items from the Board Retreat be brought back to the Board. The items were, preparation of a revised travel policy, which will be presented at the June meeting of the Board, and priorities for the extension of sewer into areas that have failing septic tanks, which will be brought before the Planning Committee at its next meeting in early June.

11. New Business:

Mr. Russell expressed his appreciation to System Services staff for response to a manhole overflow on his property. He said he was very impressed by their effort to resolve the problem.

Regarding Board Compensation, Mr. Aceto asked staff to do a comparison of what other municipalities and sewer districts are doing in this regard.

12. Adjournment:

With no further business, Mr. Aceto called for adjournment at 2:35 PM.

Jackie W. Bryson, Secretary/Treasurer

MSD

Regular Board Meeting

Metropolitan Sewerage District
of Buncombe County, NC

AGENDA FOR 05/19/10

| ✓ | Agenda Item | Presenter | Time |
|---|--|-----------|------|
| | Call to Order and Roll Call | Aceto | 2:00 |
| | 01. Inquiry as to Conflict of Interest | Aceto | 2:02 |
| | 02. Approval of Minutes of the April 21, 2010 Board Meeting. | Aceto | 2:05 |
| | 03. Discussion and Adjustment of Agenda | Aceto | 2:10 |
| | 04. Informal Discussion and Public Comment | Aceto | 2:15 |
| | 05. Report of General Manager | Hartye | 2:20 |
| | 06. Report of Committees a. Right of Way Committee – 4/28/10 – Kelly b. Personnel Committee – 5/5/10 – VeHaun c. CIP Committee – 5/6/10 – Haner d. Finance Committee – 5/12/10 - Kelly | Hartye | 2:40 |
| | 07. Consolidated Motion Agenda | | 3:00 |
| | a. Consideration of Compensation Budgets: Daniel Road Sanitary Sewer Replacement and Patton Avenue at Parkwood Road. | Hartye | |
| | b. Consideration of Condemnation – Short Coxe @ Southside Avenue GSR. | Hartye | |
| | c. Consideration of Condemnation – Town Mountain Road 4" Main Rehabilitation | Hartye | |
| | d. Consideration of Cost of Living/Merit and Self-Insured Health Plan for FY 2010-11 | Hartye | |
| | e. Recalibration of U.S. Public Finance Ratings | Hartye | |
| | f. Third Quarter City of Asheville Billing Report | Hartye | |
| | g. Cash Commitment/Investment Report–Month Ended March 31, 2010 | Hartye | |
| | 08. Consideration of Resolution Adopting the Preliminary Budget for FY 2010-2011 and Schedule of Sewer Rates & Fees. | Hartye | 3:15 |
| | 09. Old Business: | Aceto | 3:30 |
| | 10. New Business: | Aceto | 3:35 |
| | 11. Adjournment (Next Meeting/Public Hearing 6/9/10) | Aceto | 3:40 |

APPROVAL OF MINUTES

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
APRIL 21, 2010**

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 P.M., Wednesday, April 21, 2010. Chairman Aceto presided with the following members present: Bellamy, Bissette, Bryson, Creighton, Haner, Kelly, Root, Stanley, VeHaun and Watts. Mr. Russell was absent

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Mike Sobol, Joseph Martin with Woodfin Sanitary Water & Sewer District, Chuck McGrady with Henderson County, Stan Boyd, Ed Bradford, John Kiviniemi, Jim Hemphill, Scott Powell, Barry Cook, Angel Banks, Jon van Hoff, Kay Farlow 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 17, 2010 Meeting:

Mr. Haner moved that the Minutes of the March 17, 2010 meeting be approved as presented. Mr. Watts 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:

Mr. Aceto welcomed Mr. Martin and Mr. Sobol.

Mr. Sobol presented Mr. Aceto with a variety of running clothes, sweat suit and an inscribed towel for his participation in the Cooper River Bridge Run in Charleston, South Carolina, where Mr. Aceto suffered a heart attack during the event. Mr. Aceto expressed his appreciation to Mr. Sobol, for his presentation and to all of the Doctors and Nurses and friends who assisted him.

6. Report of General Manager:

Mr. Hartye reported that the annual Home Show was held at the Civic Center on March 19-21st. He stated that it was another great year in spite of a slow year for new sewer connections. There was a lot of praise for the System Services staff for a job well done. Grease caps and information on reducing grease in the sewer system were given out along with information on "Call MSD First." Mr. Hartye stated that the idea behind "Call MSD First" is that if users have any problems with backups, etc., they should call MSD before calling a plumber, since there may be a problem in the sewer main. He further stated that the response time is approximately thirty minutes anywhere within the District's 180 mile service area. In addition, there is no cost for the MSD First Responder to come out and assess where the problem is. Mr. Hartye expressed his thanks to Lisa Tolley, Myrt Hunter, Amy Alexander, Herman Shelton, Kathy Meeks, Mrs. Bryson and Ellie Hartye for working the booth. He gave a special thanks to Kay Farlow for putting together the MSD Home Show Booth and working long hours for the entire show.

Mr. Hartye announced that the Asheville Board of Realtors is putting on an expo/trade show on April 29th at the Crowne Plaza. MSD is partnering with the City of Asheville to have a booth at the event and the public is invited.

As a follow-up to the retreat discussion concerning travel for seminars and conferences, Mr. Hartye presented a list of conferences that are given by various organizations that are related to the business of the District, along with web site links.

Mr. Hartye called on Jon van Hoff for a Power Point presentation on some of the responsibilities and operations of MSD's Pretreatment Section.

Mr. van Hoff reported that the reason the Pretreatment Program exists is because of Title 40 Code of Federal Regulations, which is regulated by the EPA and passed down to the State level. The State has given MSD the authority, on a local level, to enact this program. He stated that the objectives of this program are to make sure there is no interference with collection lines or the plant itself, or pass-through of pollutants into the river. In addition, staff is responsible to make sure the sewer lines are safe. He further stated that every day the pretreatment staff deals with different types of hazards and skills. The tools used in their job include: The Sewer Use Ordinance, Permits, Monitoring, Inspections and Enforcement.

Mr. van Hoff reported that the first notification MSD gets of an industry coming in is from Planning & Development. The application gives staff the information needed to determine the type of industry it is and what they manufacture. The next step is to go into the Code of Federal Regulations to check on the industry type and the parameters MSD must have the industry test for. He explained that staff must first determine how much they can allocate out in different metals, BOD, TSS and other pollutants and, from the following three sources; Water Quality Standards, Sludge Loading and the Plant interference and chart which is the most limiting. Once the lowest limit capacity for one of the three sources is determined, staff will know what can be allocated out to the different industries. He further stated that prior to issuing a Permit to Discharge Industrial Waste, the industry must submit a flow diagram of its pretreatment system. The industry is given effluent limits and monitoring requirements and are told how often they need to monitor their system, and how often MSD will monitor the system. MSD monitoring is sent to Pace Analytical and results are sent to MSD by e-mail. The industry fills out its monitoring information on the MSD web site. Both electronic reports are downloaded into a database staff can easily access. The database can determine if the industry is in compliance. He stated that MSD has been using this data collection process for the last several years. The State of North Carolina, as far as pretreatment, has just begun to use this same process.

Mr. van Hoff reported that Inspections is another tool used by pretreatment. He presented slides showing the containment of hazardous chemicals, which are inspected to make sure they do not spill or leak into the sewer system

Mr. van Hoff reported that MSD has an Enforcement Response Policy, which is an official document staff can use when an industry is in non-compliance. A Notice of Violation (NOV) is sent by letter informing the industry they are in violation. If the matter can not be resolved, MSD can charge a civil penalty up to \$25,000 per day, terminate service or have the industry written up in the newspaper. He showed slides of a couple of industries that were in violation, i.e., an industry that when first started was a regular machine shop, but over the years added a plating operation. The industry decided not to discharge the waste into the sewer system, but to have it hauled off on a regular basis.

Mr. van Hoff reported that another area Pretreatment is involved in falls under the Collection System Permit. Staff goes out to inspect restaurants to make sure grease does not get into the system; a major contributor to SSO's. In 1993 staff started inspecting restaurants to make sure they were properly equipped with grease interceptors and traps. He stated that through this program, blockages and SSO's due to grease have been reduced by 64%. He further reported that the majority of problems with grease blockages occur from multi-family housing that are collectively compact together. As a result, staff went out into the community to educate people on how to "Can the Grease" instead of pouring it down the drain. Mr. van Hoff presented the Board with lids and brochures that

are given away during presentations and at the annual Home Show. He stated that related advertisements appear on billboards, MSD vehicles, buses, and in water bills. He further stated that staff is now educating children with "The Lippen Story," which is an adventure story where the children can associate with the properties of grease and how it is properly disposed.. Mr. Haner asked if MSD has seen constant progress in grease reduction over the years. Mr. van Hoff, stated that he has not monitored this over the last few years, but prior to that, the reduction was 64%. Mr. Aceto asked how staff becomes aware of un-permitted industrial discharges. Mr. van Hoff stated that every five years an industrial waste survey is done, which is required by the State. Also, they have to go through the phone book and a list of manufacturers, but it is very infrequent that an industry comes in that MSD is not aware of. Mr. Watts asked about pharmaceuticals. Mr. van Hoff said he has never permitted such an industry, but if there was one, they would need a permit. Mr. Watts said he was thinking more about nursing homes dumping pharmaceuticals. Mr. van Hoff said he has local permits with the hospitals and he does check their pharmacies and labs. Also, there is a law coming out that says disposal of pharmaceuticals must be incinerated first. Mr. McGill said the Sewer Use Ordinance addresses medical waste. Mr. Hartye stated that Jon runs a great Pretreatment Section which is a leader in the State, and also serves as MSD's internal auditor for ISO 14001 Environmental Management System. Mr. Hartye expressed his appreciation to Jon for his service.

Mr. Hartye called on Gary McGill for a Power Point presentation on his recommendations for MSD as a result of meetings with Progress Energy and his investigation of MSD's alternatives.

Mr. McGill summarized the events of the power outage on Christmas morning as a result of a tree falling on the Craggy circuit, along with the internal part failure within the MSD generator and staff's response and O&M procedures that followed. He stated that even if a replacement part had been on-site, it could not have been installed quickly enough to avoid the overflow that occurred in the sewer system as a result of the outage. He reported that since the outage, he and staff have been evaluating how to prevent this from happening again. He presented slides of the power supply to the treatment plant and the Elk Mountain sub-station.

Mr. McGill reported that MSD and McGill staff met with local representatives of Progress Energy (PE) to get an understanding of its supply side; particularly the adequacy of the power system to the MSD location and what its reliability was in terms of outage, power quality and risks. He stated that through these discussions, they identified a series of improvements to the PE system to help minimize future outages. He further stated that in mid February a letter was sent to PE requesting the involvement of technical staff to evaluate system improvements. As a result of this effort, the following alternatives were discussed and recommended: (1.) Upgrade existing generator and transfer switch gear to allow for thoroughly "full load" test of standby power system. Tests will perform automatically and report any problems encountered. It is recommended that this work be completed by Power Secure through an agreement with PE at a cost of \$66,326.00. (2.) Establish a Generator Maintenance and Power Monitoring Agreement. This agreement will provide real-time monitoring of the generator and transfer system operation; interactive scheduled testing of the system with status reports, and transfer equipment maintenance. It is recommended that this service be established for a period of one year at a cost of \$14,345 per year. After the initial one year period, the benefits of the agreement should be evaluated based on experience. (3.) Install automatic circuit transfer switch in the PE substation to instantaneously transfer the MSD service from the Craggy distribution circuit to an alternate distribution circuit at Broadway; reducing the number of power outages. It is recommended that the transfer switch be installed at a cost of \$126,000 with an annual facility fee to maintain the switch of \$15,600. (4.) Increase the on-site standby power capacity. This allows full treatment plant operation during all power outages and provides a much higher reliability. In addition, failure of a single generator unit will not cause a complete shutdown of standby power. It is recommended that generation capacity be increased at an estimated cost of \$1.370 million. However, the exact capacity requirements and electrical configuration should be the subject of more

study before implementation. Mr. McGill stated that instead of having a single unit, there would be a building with four (4) smaller units that would equal the duplication of what MSD currently has, which would provide more redundancy. Other alternatives discussed but not recommended include: Install spare transformer in D/D substation; install dedicated underground circuit from PE substation and, install dedicated transformer and circuit from PE substation.

Mr. Bissette asked what the total cost of the four recommendations is. Mr. Hartye said about \$1.5 - \$1.6 million; most of the cost being the \$1.370 million for the generator addition. He further stated that he previously authorized \$67,000 for the upgrade of the existing generator and circuit breaker controls, which can be done in this year's budget and incorporate the cost of the additional stand-by power capacity in the CIP, which will come before the CIP Committee and the Board during the budget process. Mr. Hartye thanked Mr. McGill and staff for their efforts. Mr. Watts asked if MSD switches from one circuit to another how does the power get to the MSD D/D transformers without a dedicated line. Mr. McGill stated that the Craggy Circuit MSD is on would automatically be switched over to the Broadway Circuit, which would be extended to MSD. Mr. Watts asked if PE has a trip beyond MSD's cap point on the Craggy circuit. Mr. McGill said yes. He explained that on the day of the outage, PE had to go to a location and manually trip the switch to get power to the plant. MSD requested an automatic switch be located there, but PE indicated it was not feasible due to system configuration. Mr. Haner asked what the next step is. Mr. Aceto stated there are a couple of questions that need to be addressed. First is there any prospect of partnering with Silver-Line Plastics or other stakeholders who have equal concerns, and second, what impact or input if any can MSD expect from its hydro system or other co-generation opportunities. Mr. Hartye stated that Silver-Line's issues are different than MSD's, since they go through more voltage fluctuations and are going in a different direction on a different feeder than MSD. Regarding the Broadway substation, it was found that 90% of the time this substation is on when the Craggy substation is down; making sense to get the transfer switch between the two lines. Mr. McGill stated that he would like to continue dialogue with PE. With regard to co-generation, Mr. Kiviniemi stated that MSD's hydro facility must have utility power to function. Also, MSD is limited to how much hydro production it can make based on the level of water in the river. Mr. Kelly asked if anyone has checked with the State Utilities Commission to see what the obligation is of PE to provide MSD with power without having to spend its own money to get service. Mr. McGill said not specifically. Mr. Kelly stated that it might be a good idea to see if the State Utilities Commission puts the burden on PE to supply another utility with PE's essential power, in a reasonable manner and price. No action was taken on the recommendations presented.

Mr. Hartye continued with his report and presented a copy of the minutes of the Board Retreat for review and comment. Mr. Aceto asked Mr. Clarke to develop what the action items were from the Retreat in order to have a reference point for next year's Retreat.

Mr. Hartye reported that the next Right of Way Committee meeting will be held April 28th at 9AM. The Personnel Committee will meet at 2PM on May 5th. The CIP Committee will meet May 6th at 8:30 AM. The Finance Committee will meet May 12th at 2PM to go over the preliminary budget, and the next regular meeting of the Board will be held May 19th at 2PM.

7. Report of Committees:

Right of Way Committee

Mr. Kelly reported that the Right of Way Committee met March 24th to consider Compensation Budgets on Elk Park Drive, Lake Julian Interceptor Phase 4 and Short Coxe @ Southside GSR projects. The Committee also considered Condemnation on the North Griffing Boulevard Four-Inch Main Project.

8. Consolidated Motion Agenda:

a. Consideration of Compensation Budgets: Elk Park Drive PRP, Lake Julian Interceptor, Phase 4 and Short Coxe @ Southside GSR Projects:

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

b. Consideration of Bid for Chemical Root Control Application, Preventative Maintenance:

Mr. Hartye reported that as a part of System Services on-going preventative maintenance program, Chemical Root Control plays an important role by helping eliminate root intrusion inside the sewer line; preventing SSO's and sewage backups in dwellings. The contract is to treat approximately 90,000 LF of sanitary sewer line. He further reported that an advertisement for the Chemical Root Control Application was placed on the MSD Website. Four (4) vendors responded and requested bid packages. On March 25, 2010, a bid from one vendor (Duke's Root Control) was received with a total bid of \$115,068.00. Staff recommends that the bid of Duke's Root Control be accepted. Mr. Hartye stated the cost is approximately \$1.29 ft compared to previous contract of \$1.49 ft.

c. Consideration of Bids for Sanitary Sewer Rehabilitation Projects: Four-Inch Main, Delano Road and Riverside Drive @ Westover:

Mr. Hartye reported that the rehabilitation projects are for the replacement of aged four and eight-inch clay lines, which contain a significant number of structural defects, triggering overflows and repeat maintenance calls. The following bids were received and opened on April 8, 2010: B C & D Associates with a total bid of \$1,052,075.00; Buckeye Construction Co., Inc. with a total bid of \$428,192.65; Fallon Utilities with a total bid of \$337,654.94; Carolina Specialties, Inc. with a total bid of \$277,835.00; Patton Construction Group with a total bid of \$265,920.00; Huntley Construction Co., with a total bid of \$252,487.32; T&K Utilities with a total bid of \$216,316.00 and Terry Brothers Construction Co., Inc. with a total bid of \$205,703.00. Mr. Hartye stated that staff recommends award of this contract to Terry Brothers Construction Co., Inc. in the amount of \$205,703.00, subject to review and approval by District Counsel.

d. Consideration of Developer Constructed Sewer Systems: Westmore Subdivision, Oakcrest Village Subdivision and Rockwood Apartments, LLC, Phase II:

Mr. Hartye reported that the Westmore Subdivision consist of 92 homes; Oakcrest Village Subdivisions of 5 homes and Rockwood Apartments of 136 units. Staff recommends acceptance of the developer constructed sewer systems. All MSD requirements have been met.

e. Local Government Employees' Retirement System, Employer Contribution Rate Increase:

Mr. Hartye reported that due to the 2008 recession, the Local Government Employees Retirement System (LGERS) realized a negative 20 percent investment return, which amounted to reduction in plan assets of \$4.9 billion. He stated that LGERS is instituting a common calculation method called asset smoothing in conjunction with future market returns to mitigate the \$4.9 billion reduction. He further reported that as of FY 2010, the District contributes 4.8% of total salaries to the Retirement System. This rate has been in effect since July 1, 1983. However, LGERS is projecting to raise employer contribution rates over the next six years to an amount slightly over 9%. He stated that the projected change will increase the

District's contribution from \$363,746 in FY 2010 to an amount of \$684,546 in FY 2016 holding salaries constant.

f. Third Quarter Budget to Actual Review:

Mr. Powell reported that Domestic User Fees are below budgeted expectations at 73% of budget. This is attributed to a decrease in consumption due to a wet summer and continuing recessionary pressures on MSD's commercial customers. He further reported that O&M Expenditures are in line with staff's expectations. Capital expenditures are low in comparison to 75% year end due to delaying the multi year microscreen project as well as receiving 10 to 40 percent favorable pricing in projects constructed in the current fiscal year. Mr. Aceto asked if the other municipalities are experiencing this same kind of favorable contractor pricing. Mr. Powell said yes.

g. Cash Commitment/Investment Report – Month Ended February 28, 2010:

Mr. Powell reported that Page 2 presents the makeup of the District's Investment Portfolio showing no significant change in the makeup of the portfolio from the prior month. Page 3 is the MSD Investment Manager's report as of the month of February. Mr. Powell stated that the weighted average maturity of the investment portfolio is 92 days. The yield to maturity is 1.35%; exceeding bench marks of 6 month T-Bill and NCCMT cash portfolio. He further stated that MSD is keeping the investment portfolio short and anticipates this will change in makeup starting the third quarter of the calendar year and first quarter of the fiscal year. This is when all of the information coming from various investment houses say MSD should start seeing favorable returns. Page 6 is the MSD Variable Debt Service Report. Mr. Powell stated that both the 2008 A&B Series Bonds are performing better than budgeted expectations. As of the end of February both issues have saved District customers \$2.4 million in debt service since April, 2008.

Mr. VeHaun moved that the Board approve the Consolidated Motion Agenda as presented. Mr. Stanley seconded the motion. Roll call vote was as follows: 11 Ayes; 0 Nays.

9. Old Business:

None

10. New Business:

None

11. Adjournment:

With no further business, Mr. Aceto called for adjournment at 3:37 PM.

Jackie W. Bryson, Secretary/Treasurer

REPORT OF GENERAL MANAGER

MEMORANDUM

TO: MSD Board

FROM: Thomas E. Hartye, P.E., General Manager

DATE: May 14, 2010

SUBJECT: Report from the General Manager

- Kudos
 - Email from Mike Verble of Asheville passing along his genuine appreciation for the great job Jesse and his group did when installing the sewer riser at his gatehouse. "Absolutely first class. Friendly people, great work and all done quickly. They cleaned up so well that you would have never known they were here." Thanks to Jesse Hunter, Tim Haney, Mckinley Hensley, Lloyd Anders, and Clement Crowe.
 - Email from Dean Luebbe from the City of Asheville expressing appreciation for James Beaver going above and beyond the call of duty on a water leak situation and that MSD should be happy to have employees like him.

- GFOA Certificate of Excellence for FY 2009 CAFR

MSD has once again received the Certificate of Excellence from the Government Finance Officers Association (GFOA) for the Fiscal Year 2009 Comprehensive Annual Financial Report (CAFR). Many thanks to Scott Powell and Teresa Gilbert.

- Reading
 - MSD MetroLite publication is in the sleeve of your Board book.
 - The US Conference of Mayors news release regarding residential water and sewer rates.

- Board/Committee Meetings

The next Right of Way Committee is scheduled for May 26th at 9am. The next Regular Board Meeting will be held June 9th at 2pm to consider the Final budget.



Government Finance Officers Association
203 N. LaSalle Street - Suite 2700
Chicago, IL 60601

Phone (312) 977-9700 Fax (312) 977-4806

05/06/2010

NEWS RELEASE

For Information contact:
Stephen Gauthier (312) 977-9700

(Chicago)--The Certificate of Achievement for Excellence in Financial Reporting has been awarded to **Metropolitan Sewerage District of Buncombe County** by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

An Award of Financial Reporting Achievement has been awarded to the individual(s), department or agency designated by the government as primarily responsible for preparing the award-winning CAFR. This has been presented to:

W. Scott Powell, Director of Finance

The CAFR has been judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.

The GFOA is a nonprofit professional association serving approximately 17,500 government finance professionals with offices in Chicago, IL, and Washington, D.C.



The United States Conference of Mayors

1620 Eye Street, N.W. • Washington, D.C. 20006
Phone (202) 293-7330 • Fax (202) 293-2352
E-mail: info@usmayors.org URL: usmayors.org

For Immediate Release
March 15, 2010

Contact: Carlos Vogel (cvogel@usmayors.org) 202-861-6708

AVERAGE AMERICAN HOUSEHOLD WATER AND SEWER RATES ARE EXPECTED TO INCREASE 2 TO 4 TIMES BY 2028

Nation's Mayors Report on Past and Projected Cost of Public Water and Wastewater Services and Infrastructure

Washington, D.C. – A report released today by the U.S. Conference of Mayors says that water and sewer rates for American households will double to quadruple over the next 20 years. The report forecasts future spending for public water and wastewater systems will range between \$2.5 and \$4.8 trillion over the next 20 year period 2009 to 2028. Over the last 53 years, local governments have invested \$1.6 trillion.

The report shows that cities provide the overwhelming majority of public water and wastewater infrastructure investment—accounting for more than 95% of total expenditures for these public services. In 2008 local government spent \$93 billion on water and sewer services and infrastructure, while Congress provided only \$2 billion in grants to states who then disbursed the money in the form of loans to local governments which have to be paid back with interest.

“We need a new partnership with the federal government to achieve the clean water goals: providing safe, adequate and affordable water quality for the 21st Century while protecting the environment”, said U.S. Conference Mayors President Burnsville (MN) Mayor Elizabeth Kautz. “Right now the federal government is imposing many more mandates than the money needed to meet them.” she said. “Many of these mandates impose costs on cities to clean up the pollution caused by mining and agricultural activities. “But it is our citizens, whose family budgets are already strained by the economy, who will have to pay the skyrocketing water and sewer rates.”

The report finds that current federal financial assistance programs are fragmented and not targeted to metro-urban areas that the nation depends on for employment, economic growth, and environmental stewardship. Currently the nation's preeminent federal water program--the State Revolving Fund Loan Program—is inadequate in its current form and needs to be revitalized to meet 21st Century needs. The report shows that the SRF program has received flat funding while the federal government has dramatically increased mandates on local governments.

In addition to the wave of unfunded mandates, the report also finds that the increased costs are related to population growth, urbanization, and aging infrastructure. The combination of mandates and these other factors are forcing local government onto a spending treadmill where ever-growing annual investments may not be sufficient to guarantee safe, affordable and adequate supplies and services or meet state and federal requirements.

KEY FINDINGS

- The cost of providing public water and wastewater services and infrastructure from 1956 to 2008 was \$1.6 trillion in nominal dollars and \$3.2 trillion in inflation adjusted 2008 dollars.
- Local government spending doubled five times over this period, while GDP doubled four times over the same period. Today, sixty cents on every dollar spent is for Operations and Maintenance; and 40 cents goes to capital investment, reversing an historical trend of a majority of expenditures on capital investments.
- Local government devotes six tenths of one percent of GDP to this function each year, while the intended preeminent federal aid program – the State Revolving Fund (SRF) loan programs - provides a mere 2 thousandths of one percent of GDP annually. The SRF program fails to provide adequate financial assistance to cities.

- Cities are spending more dollars on water and wastewater each year, but the investment needs far outweigh local government's ability to keep up with an aging infrastructure- Americans will likely face increased service disruptions, increased water main breaks, and greater impacts on local economies and threats to public health.

"The bottom line is that our federal water and wastewater programs must be reformed and directly fund our cities to meet these challenges," said U.S. Conference of Mayors CEO and Executive Director Tom Cochran, "Otherwise, families will be hit with unrealistic bills they cannot afford." "The nation's mayors call on Congress and the Administration to work with cities to establish a National Action Agenda that will renew and strengthen the intergovernmental commitment to water and wastewater infrastructure," he said.

A copy of the Report: "TRENDS IN LOCAL GOVERNMENT EXPENDITURES ON PUBLIC WATER AND WASTEWATER SERVICES AND INFRASTRUCTURE: PAST, PRESENT AND FUTURE", can be found at www.usmayors.org/publications

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The U.S. Conference of Mayors is the official nonpartisan organization of cities with populations of 30,000 or more. There are 1,139 such cities in the country today, each represented in the Conference by its chief elected official, the Mayor.

COMMITTEE REPORTS

**RIGHT OF WAY
COMMITTEE RECOMMENDATIONS
AND MINUTES
April 28, 2010**

I. Call To Order

The regular monthly meeting of the Right of Way Committee was held in the Boardroom of the William H. Mull Building and called to order at approximately 9:00 a.m. on Wednesday, April 28, 2010. The following Right of Way Committee members were present: Glenn Kelly, Jackie Bryson, Jon Creighton, Jerry VeHaun and Robert Watts.

Others present were: Max Haner, Al Root and Bill Stanley, Board members; Ellen McKinnon, Martin/McGill; Tom Hartye, Ed Bradford, Angel Banks, Roger Watson, Scott Powell, Daniel Marsh, Wesley Banner and Pam Nolan, M.S.D.

II. Inquiry as to Conflict of Interest

Mr. Kelly inquired if anyone had a conflict of interest with Agenda items. There was none.

III. Consideration of Compensation Budgets—

**Daniel Road Sanitary Sewer Replacement, Project No. 2009078
Patton Avenue @ Parkwood Road, Project No. 2007021**

The attached Compensation Budgets are based on current ad valorem tax values and follow the MSD approved formula.

STAFF RECOMMENDATION: Approval of Compensation Budgets.

Ms. Banks explained the locations and gave some background on the projects. The Daniel Road Project is located off of Starnes Cove Road and consists of replacing approximately 800 lf of 6" Clay pipe with 8" DIP. The Patton Avenue @ Parkwood Road Project consists of replacing approximately 1600 lf of 4" and 6" clay pipe with 8" ductile iron pipe. There was no discussion. Mr. Kelly made the motion to accept Staff's recommendation. Ms. Bryson seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.

**IV. Consideration of Condemnation – Short Coxe @ Southside Avenue GSR,
Project No. 2004025**

PIN 9648.10-47-0493 – Commercial site on Biltmore Avenue contains two separate buildings. Proposed sewer alignment runs between the two buildings. Owner will not grant easement due to his plans for connection of the buildings. MSD design engineer will discuss alignment challenges at our meeting.

Total Contacts: 7

STAFF RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

Ms. Banks explained the location and situation with the above project. It is also noted that there is a water line between the buildings. It has been discovered that this water line is inactive and the property owner could possibly obtain a building permit to connect the two buildings. Owner has been offered standard compensation of \$26,245.00 and is generally opposed to the project. Since it has been discovered that water line is inactive and owner could possibly connect the two buildings, the project engineer will see if there are any other alignment options for the location of the sewer line.

Ms. Banks stated that staff does expect more condemnations on this project, given discussions with project owners. Ms. Banks then turned the meeting over to Roger Watson, Project Engineer. Mr. Watson presented a map with an overview of the project and explained some of the design challenges. Mr. Watson explained that there was a large box culvert (6' x 11') running through the project. Mr. Bradford pointed out that the culvert is completely buried, with buildings over it along with buildings over the existing sewer line as well. There are multiple utilities and rock to be avoided. Mr. Bradford also stated that MSD has had to perform vacuum excavation on the utilities due to the number of them and that MSD will literally be threading a needle through them. Mr. Watson stated that this process is very expensive but it is less disturbing and will be less expensive in the long run, by virtue of knowing exact locations of these utilities. Mr. Watson also stated that pipe bursting was investigated but was not an option due to the depth.

There was some discussion regarding the location of the project. Mr. Watts asked what the obstacle was with coming south of the subject building. Mr. Watson stated this was an option to be looked into but the property owner still may not agree. Mr. Kelly asked if there were any other utilities in the box culvert. There was some discussion regarding utilities not going through the box culvert. Ms. Banks further added that the culvert can be built over as it is maintained by the individual property owner. Mr. Haner asked if it could be justified that there was a need to replace the line. Ms. Banks and Mr. Bradford both stated yes. There was some discussion as to whether the property owners had actual plans drawn for future building. Mr. VeHaun made the motion to accept Staff's recommendation. Ms. Bryson seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

V. Consideration of Condemnation-Town Mountain Road 4" Main, Project No. 2008182

PINS 9649-73-3057, 9649-73-3095 & 9649-73-4021– The house on this property was constructed so close to the existing sewer that the replacement line cannot be built in the same trench. The proposed sewer was aligned to parallel the far property line away from the house.

During a meeting held on site the property owner expressed concerns of having the alignment on his property at all. He requested shifting the alignment onto his neighbor's property, stating his neighbor would not mind. The project engineer, who was also present for this meeting, prepared a preliminary drawing showing the alignment being shifted onto the neighboring property. A subsequent meeting was held on site with the neighboring property owner, and they were not agreeable to shift the proposed alignment of the sewer onto their property.

The subject owner was not pleased with the compensation (\$4992) being offered for the easement areas on his property.

The subject owner was notified that his neighbor was not agreeable for the sewer to be shifted and the alignment would remain on the subject property. Subject owner has since been non-responsive.

Total Contacts: 15

STAFF RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

Ms. Banks explained the above situation. There was no discussion. Mr. Kelly made the motion to accept Staff's recommendation. Mr. Creighton seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

VI. Greenway Agreement for Buncombe County

Buncombe County is conducting a feasibility study for an 11-mile greenway system along the US 70 and Swannanoa River Corridors. The project area spans from the Buncombe County line in the vicinity of Ridgecrest and Point Lookout Trail, through Black Mountain and Swannanoa to the Azalea Road Park where the greenway will connect with the Wilma Dykeman Riverway Plan.

Potentially half of the 11-mile corridor could overlap MSD sewer easements, thereby creating the need for a greenway agreement with Buncombe County. MSD has previously entered into greenway agreements with Town of Fletcher (2002), Town of Black Mountain (2004) and City of Asheville (2004).

This agreement, identical to the previous three, stipulates the approval process, the responsibility of the County to pay for all costs including acquisition of greenway rights, prohibited uses of the sewer easement, MSD access over trails, restoration of trails, and indemnification of MSD by the County. The attached agreement follows prior agreements, has been reviewed by MSD Counsel and is provided as information.

STAFF RECOMMENDATION: For Information Only. No Action Required.

VII. Quarterly Report – Third Quarter

Attached you will find a Project Status Summary for all active acquisition projects. This report provides information on percentage of easements complete, percentage of compensation expended and comments on condemnations. This information is provided for your review.

STAFF RECOMMENDATION: For information only. No action required.

There being no further business the meeting adjourned at approximately 9:24 am.

PERSONNEL COMMITTEE MEETING

May 5, 2010

2:00 p.m.

1. Call to Order

Chairman VeHaun called the meeting to order at 2:00 p.m. in the W.H. Mull Building of the Metropolitan Sewerage District. In attendance, were the following members: Jackie Bryson, Bill Stanley, Robert Watts, Allan Root, and Bill Russell. Also present were Steven Aceto, Max Haner, Glenn Kelly, Billy Clarke, Tom Hartye, Jim Hemphill, Scott Powell, Ed Bradford, Stan Boyd, Barry Cook, Peter Weed, Teresa Gilbert, Sheila Pike, and Pam Thomas.

2. Inquiry as to Conflict of Interest

Mr. VeHaun stated there was none at this time.

3. Human Resource Activities

Mr. Hemphill discussed several areas of activity within the Human Resource Department: employee relations and morale, succession planning, and wellness activities.

Mr. Hemphill also reviewed several employee relations activities; employee appreciation cookout, picnic, Halloween and Pumpkin Chunking contest, Retirement party, and Day of Caring along with several photos of our current employees. He also presented succession planning progress with a list of who we use for training such as WCI – basic supervisory development series, UNC School of Government, and leadership development. The tuition reimbursement program is taken advantage of by 6 to 10 employees. The District offers a total of \$300.00 reimbursement for each class and books, by earning a grade C or better in the class.

“Wellness” is one of the major programs that MSD “geared up” in the past year. Physical Incentives and “Know Your Numbers” offered to every employee and spouse on the insurance plan. The employee received a full blood panel that measured cholesterol, glucose, and high blood pressure. The employee will have their medical insurance premiums reduced by \$100.00 for getting a physical. 60% of the employees have had their physical. The employee advisory committee developed a plan that if the employee does not get a physical by January 1, 2011 they will pay \$100.00 per pay period for insurance. “Housecalls” 3 Streams Medical Services brings a nurse practitioner on site one day every week for medical issues. The average numbers of employees who participate is between 4 to 13 people, and includes spouses and children on the insurance plan. He also presented information about the Health Fair (125 employees attended), tobacco cessation (11 employees have successfully stopped using tobacco), exercise room improved, introduction of an exercise program called “Just Move”, Red Dress Day (heart health awareness), and an MSD garden.

The employee advisory committee has made some recommendations that require further discussion proposed to take effect on January 1, 2011 which include; outpatient surgery preauthorization, stand alone vision plan, glasses and contacts covered a \$200/yr or \$400/every 2 years, 26 year old dependent coverage, and generics dispensing alternatives using local services.

Mr. Hemphill also presented the organizational chart with a total of 150 budgeted employees, information with a chart comparison of Buncombe County’s demographic percentages: provided an overview of employees with average age being 47, average years of service at 12, and a turnover rate of 3%. Mr. Haner asked during the exit interviews did MSD see a pattern as to why the employee left. Mr. Hemphill stated that the employees left at our request, along with one retirement.

Mr. Hemphill also presented a chart on personnel reductions from FY 2000-01 with 168 employees to FY 2010-11 at 150 employees. Mr. Russell asked what happened to the deleted 18 positions. Mr. Hartye stated the positions were deleted through re-engineering of jobs when employees leave the district. Mr. Haner asked where the two vacant positions are. Mr. Hemphill stated one position is at the Treatment Plant and one in Planning and Development. Mr. Hartye stated the position in Planning and Development is put on hold due to the slow economy.

4. Consideration of Self Insured Health Plan & Cost of Living /Merit Pay Plan

Mr. Hemphill presented staffs' recommendations of a 2.9% cost of living pay adjustment and an employer contribution of 5.2% to medical insurance plan. The basis for the request is comparison of the CPI (consumer price index) of the South Urban Region for the fourth period Dec. 2008 to Dec. 2009 the CPI rose 2.9% during the period. He also presented a chart comparing MSD with other local municipalities and utilities. The chart shows the proposed raises for 2010, Longevity/Christmas bonuses, and 401K/457 contributions that each utilities offer to their employees, in addition to Cost of Living adjustments. Mr. Haner asked if the other South Carolina Utilities were comparable to MSD and the North Carolina tax structures. Mr. Hemphill stated that MSD as a "special district" is different to all the ones listed but OWASA (in Chapel Hill, North Carolina).

Mr. Hemphill stated that medical inflation was 9%, which is low compared to previous years. MSD's medical claims are flat. While some increases are uncontrollable, we feel that the employees and MSD are doing the right things. Exhibit #3 shows our premium cost structure. The exhibit shows a three tiered program with a top tier of \$500.00 deductible and 100% cost covered (current premium for employee is \$19.98) and bottom tier 80/20 plan with a \$500.00 deductible and \$1,500 out of pocket (current premium for an employee in this plan is \$6.96). Mr. Hartye stated that the premium in exhibit 3 is per pay period and roughly double per month. Mr. Hemphill stated that the cost will go up less than \$2.00 for employee only and less than \$12.00 for family coverage per pay period. Mr. Russell asked if the MSD subsidy is greater for the employee, than adding their spouse or child and or both. Mr. Hemphill stated that yes the current structure is set up for "employee only" at 5% employee and 95% paid by MSD. The split for family coverage is 64% MSD and 36% employee. Mr. Hartye stated that we want to have a more comprehensive evaluation of the three tiered plan in place. Staff will bring this to Personnel Committee at a later date this summer to discuss and weigh in on the terms and percentages of subsidizing medical insurance. Mr. Russell stated that the City of Asheville is developing a blue ribbon task force looking at health insurance programs and inviting similar plan types to meet 3 or 5 times this upcoming summer through the end of the year to brainstorm ideas. He would like for someone from MSD to participate. Mr. Watts stated that the State plan is including tobacco use and body mass index to change their ratios. Mr. Hemphill stated that the state's plan dropped to a 70/30 plan if you were a tobacco user and body mass index had to be a 40 or less and 35 or less next year. This will force them to make change in lifestyles. Mr. Powell stated with our 11 success stories of tobacco cessation the District has saved \$27,000. He also stated that the chronic conditions (high blood pressure, cholesterol, diabetes) are controllable through different exercise program and the wellness program is working well to help control cost. The Districts is inline with inflation, for an aging workforce.

Mr. Root asked if the reserve money has dropped down from previous years and whether this has happened before. Mr. Powell stated in the last two fiscal years, the cost of medical insurance was covered by reserve funds because of no Cost of Living Salary Adjustment. This year the employee medical insurance premium will increase an average of 15%. The use of reserve funds will be discussed at the next Finance Committee meeting.

Recommendation:

Mr. VeHaun moved to consider staffs recommendations of a 2.9% cost of living adjustment and an increase in funding of 5.2% for the medical insurance plan. Mr. Stanley made the motion. Mr. Root seconded that motion. Voice vote was unanimous in favor.

5. Other

There was no new business.

6. Adjourn

With no further business, the meeting was adjourned at 2:47 p.m. No future meeting has been scheduled.

CAPITAL IMPROVEMENT PROGRAM COMMITTEE**Minutes****May 6, 2010****8:30 a.m.**

The Capital Improvement Program Committee of the Metropolitan Sewerage District met on May 6, 2010 at 8:30 a.m. in the Mull Administration Building on Riverside Drive in Woodfin with the following persons present: Max Haner - Committee Chairman; Steve Aceto – Board Chairman; Jerry Vehaun, Joe Martin, Jon Creighton, Roger Edwards, Mike Morgan, Jason Young, Nelson Smith, and Terry Bellamy - CIP Committee members; Jackie Bryson, Al Root and Bill Stanley – Board Members; Tom Hartye – MSD General Manager; Billy Clarke – Roberts & Stevens; Gary McGill – McGill Associates; Ed Bradford, John Kiviniemi, Scott Powell, Ken Stines, Peter Weed, Stan Boyd, Teresa Gilbert and Sharon Walk - MSD.

The following items were considered:

1. Call to Order

Mr. Haner called the meeting to order at 8:40 a.m., thanked the members for coming to the committee meeting and turned the meeting over to Tom Hartye. Mr. Hartye thanked everyone for coming, and turned the meeting over to Ed Bradford, Capital Improvement Program Director for a presentation.

2. Highlights of the Current and Proposed Capital Improvement Program

Mr. Bradford proceeded to give a power point presentation beginning with a summary of the proposed CIP Budget for the coming fiscal year and following years. The total proposed budget for the coming fiscal year is \$22,156,071 which is comprised of Interceptor and Wet Weather rehabilitation of \$2.9 million; General Sewer Rehabilitation of \$5.8 million; Pipe Rated Projects of \$1.6 million; Unclaimed Sewer Rehabilitation projects of \$237,000; Water Reclamation and Pump Station Improvements are estimated at \$7.3 million and Design, ROW and Construction Management Expenses are \$2.7 million. A contingency fund is recommended at \$1.0 million, along with reimbursement projects totaling \$624,500 (primarily for annexation projects in the Black Mountain area) and includes Cost Recovery and Cost Participation funds.

Mr. Bradford explained that the District's primary approach to Collection System Rehabilitation is centered around SSO reduction, and is therefore the primary source of projects, followed by Pipe Rating and structural problems, and lastly Wet Weather pipeline replacement. He stated that several of the Wet Weather projects have been done, but several from the Comprehensive Master Plan are being held in abeyance. He then reviewed several projects currently under construction, in the collection system, including photos and details of construction of the projects. These include the Reems Creek Interceptor which has been completed and was the most significant project recently undertaken with 15,300 feet of pipe and terminates at the Weaverville #1 Pump Station. Mr. Bradford briefly reviewed the construction and restoration on this project, and several other projects in the same area, totaling about 28,000 feet.

He then reviewed several other projects along with photos of construction of each. The Middle Beaverdam Creek Interceptor is located in Woodfin near Merrimon Avenue with about 4,000 feet of 30" pipe and is still under construction. The Town Branch Interceptor is located in the River District just west of downtown in a very old, industrialized area through the rail road track area. Mr. Bradford showed a location map and explained that there were several challenges to this project including old gas lines, old buried track, and railroad ties, which were causing problems with the boring operations. He also explained how the boring works and showed several photos of the progress of the job. He then reviewed several other jobs now being constructed including Forest Hill Drive #1 and #2 which are Pipe Rated projects located near Mission Hospital in Kenilworth; Glenbridge Road and Long Shoals Road PRP projects which were combined for the stimulus program and which are now complete and

total about 5500 feet. We received about \$700,000 for these projects of which about half is principal forgiveness (similar to a grant) and half is a zero-interest (20 year) loan.

Another project is US 70 @ Neil Price in Black Mountain. MSD has accelerated this project for the town as it is a portion of their sidewalk program and their stimulus project with NCDOT. Dingle Creek @ Crowfields is in South Asheville and has been accelerated for the City of Asheville for city storm water improvements being done with stimulus funds.

Mr. Bradford then briefly reviewed the in-house repair program (the IRS process), showing photos of the self contained repair kit and how it is used for lining pipe. He explained that this process has saved a lot of money because of not having to dig up and repair pipes.

He also reviewed the Unclaimed Sewer program, explaining the process of the program and that it was generated at Consolidation to try to address the many unclaimed substandard sewer lines in the area. These sewers were not accepted by any entity, public or private, so MSD did not take them over at consolidation. MSD will take these over for maintenance and rehabilitation if they are demonstrated public health threat, have been cited for SSO's, and each connected homeowner has signed an agreement to convey easements at no cost. MSD is obligated to fund no more than \$200,000 per year on rehabbing these projects. No new projects have been added for the coming fiscal year for this program. He then presented a list of projects that make up the Unclaimed Sewer Rehabilitation program and the various status of these projects. About 16 systems are being maintained by MSD, with two projects currently on the CIP for rehabilitation. Mr. Haner asked about how DENR was alerted when new projects were being considered for takeover. Mr. Edwards stated that DENR was usually involved in the process before MSD and normally initiates the process.

Mr. Bradford then reviewed several upcoming projects in the CIP program including Charland Forest in the Fairview area; Heywood Road Interceptor Ph. 2 located in the South end of the county near Lake Julian and of which a portion has already been constructed; and Lake Julian Interceptor Ph. 3 – the largest collection system project in the CIP for the coming year and is about 8400 feet. MSD has already done significant work on the other side of the lake associated with grade, SSO's and structural condition. Moore Street @ Talmadge is located in West Asheville and consists of about 2100 feet of line. MSD is partnering with the City of Asheville Street and Water Departments which are working to fix the streets and water lines at the same time. Other projects include Old Home Road in Woodfin and US 70 @ Parkway in East Asheville; Martel @ Penley in Woodfin which is being accelerated for the Town of Woodfin to replace sewers prior to new sidewalks being installed along Elk Mountain Road; Rockdale Avenue PRP in the Grovemont area in the eastern area of the county, and finally, Wellington Drive in Woodfin which is the one current unclaimed sewer project for the coming fiscal year.

Mr. Bradford then briefly reviewed the Collection System Master Plan, which was prepared in very close cooperation with MSD's stakeholders and member agencies, and utilized their land use policies and zoning regulations. This was adopted by the MSD Board in November 2008 and states that it would be used as a basis to ensure that extensions are done in an orderly, predictable fashion. Construction is currently underway on one master plan project in the Reem's Creek area and is a fairly large project located near the golf course. The line that initially served the golf was not laid low enough along the creek to serve the rest of the basin. A developer wanted to extend this line and was required to extend it along the creek so as to serve the basin. Most of this work is being funded by the developer, but they are getting some reimbursement which was previously approved by the Board .

Mr. Bradford then reviewed projects pertaining to the Water Reclamation Facility and Pump Stations, including the Weaverville Pump Station Study. He show a map of the pump stations and lines involved, explaining that the lines from the Reems Creek project drains into Weaverville PS #1, which then pumps into Weaverville PS #2 which pumps to the plant via a force main that is aging and has been in service for over 20 years. This study covers the concerns regarding this aging system and the expected growth from the area feeding this system. This study is underway and will be complete later this year. The Intermediate Pump project is a Facilities Plan project which is currently underway. This system is getting old and nearing the end of its life. It utilizes "fluid to pump fluid", which is an inefficient

process in and of itself and poses a contamination risk to the effluent of leaking hydraulic fluid. These pumps are being replaced with variable speed electric pumps at a cost of \$1.7 million. At completion, we anticipate a savings of approximately \$70,000 per year in electric costs.

He then reviewed several upcoming projects at the plant including additional backup generators for the plant. Issues surrounding this include lack of redundancy. With the current capacity of the generator, we have to shut down certain operations, i.e. the whole plant cannot be kept in operation during a power outage, and thereby making it impossible to keep plant discharge within permit limits during extended outages. Another issue is the current failure of the existing generator causing total outage of the plant processes. In order to alleviate these problems, it is proposed that four units @ 600 KW each will allow full treatment plant operation during any power outage and will provide a much higher reliability. The failure of one unit will not cause a complete shutdown of standby power. The estimated for this installation is approximately \$1.37 million, the operation and monitoring is \$15,000 and we proposed to do the monitoring for one year and see how it goes, but not necessarily continuing this further on. Mr. Hartye stated that MSD has been working with Progress Energy for redundancy on their end. He explained that the original generator was put in using grant funds because of the Y2000 scare, and did not anticipate using the generator as much as we do. We get about 7 to 10 outages a year of anywhere from ½ hour to 1 hour at a time. There are more electrical outages in the mountains due to the terrain, even for critical facilities such as the MSD plant. They're not long, but depending on the flow going to the plant, it could be problematic. MSD has met with Progress Energy engineers and have made some headway with getting some redundancy on their side so that we can cut down on these outages. One of the resolutions being discussed is having a parallel automatic transfer switch to fully load our existing generator right before a storm comes. Another resolution is to have a crossover to the Broadway line. There are a similar amount of outages on that line, but they don't happen necessarily at the same time. Therefore, the amount of outages at the plant can be cut by about 90% just by doing this. The cost of the equipment to accomplish this would amount to about \$126,000. The existing generator is 10 years old, and it would be better to supplement it with four smaller ones creating much more redundancy.

Mr. Bradford continued with review of the Final Microscreen Replacement, explaining that this is at the north end of the plant next to the intermediate pump project. There are 18 existing units which have been problematic almost from day one. Five units are currently out of service, nine units have chain and sprocket problems, and six units have wheel problems. All have significant metal corrosion problems and have never really worked well. Two viable technologies were pilot tested side by side three years ago, and based upon the testing and recommendations from the Facilities Plan and Black and Veatch, the Board approved a sole source of the Aqua Disk system in November of 2007. Bidding and procurement was initiated in 2008, but because of economic problems since then, the project has been delayed. Construction is currently proposed for FY 11 – 12 with the project total estimated at \$10.3 million over two years; however this project is currently on hold until the economy has improved, and will remain on hold until such time as we see that the downturn has bottomed out and starts going back up. Mr. Haner stated that we can do this from an economic standpoint as it is not currently causing any compliance issues nor or we seeing any alarming trends on increasing TSS, etc. Mr. Kiviniemi stated that the TSS numbers have gone up somewhat, but still below compliance issues. He stated that we initiated some chemically assisted testing of the clarifier which proved very successful as a means of enhancing removal if needed. Mr. Hartye reiterated that we fully intend to do this project – but it is a matter of timing and not shooting ourselves in the foot by encumbering a \$10 million project and then have the revenues continue to go down. Mr. Bradford added that this project is completely designed and ready to go, so it can be sent out to bid very quickly (2 to 3 weeks) as soon as it's approved to go. He then showed several photos and reviewed the proposed new system and placement within the plant.

Mr. Bradford then reviewed the current Right of Way Clearing efforts – showing several photos of project areas that have been cleared and explaining that approximately 78,000 feet have been cleared since July of 2009.

He explained that several key financial issues surround the CIP program, including, whenever possible - coordinating and partnering with member agencies to save money; utilizing lining, and replacing pipes in the same trench and claiming value of prescriptive easements. Some property owners have objected to our assessments of their property, but it has not been a major problem.

Mr. Bradford stated that the budgeted revenues for the current fiscal year is \$43.1 million. About 2/3 of this budget is project related. There is an inflation component added at 3.54% for future years, but not for FY 11. Estimates for projects are based on current bid pricing and are re-done every year based on bids received for the previous calendar year. Brief discussion followed regarding fund balance and amounts being added to the fund balance because of the stimulus monies obtained and proceeds from revenue bonds. The estimated budget for the next ten years is \$148,000,000 with the bulk of the work (74%) is spent on Collection System Rehabilitation.

Mr. Hartye stated that the collection system is considered to be 8 inch and smaller pipe, which is replaced with a minimum of 8 inch pipe. The interceptors are generally much larger lines – anywhere from 12 to 66 inch pipe.

Mr. Bradford went on to state that as of FY 09, MSD has reinvested over \$249 million back into the system since Consolidation. He went on to review the State Collection System permit, which required us to rehabilitate 250,000 L.F over five years. It used to be 50,000 minimum for each year, but was re-negotiated in 2007. He also explained that this permit has been temporarily extended by S.B. 831 to eight years and 400 KLF because of economics. This bill temporarily extended various existing permits across the state. MSD is now in our third year of an eight year permit cycle, with about 115,000 feet rehabilitated in FY 08 and FY 09.

Ms. Bellamy asked how long a project (pipeline) should last, and what maintenance is required and when, especially regarding the new North Swannanoa line. Mr. Bradford stated that maintenance (cleaning) is done on problematic areas with 10% of the system being cleaned per year as required in the permit. These new lines are designed to be self cleaning, especially with the interceptors as they have much more flow. It is hoped that the line would last 50 to 100 years before requiring replacement. Brief discussion followed regarding average footage of pipe installed over five years, with some years higher and some lower to take into consideration other projects being built. During the next year, the amount of pipe will be lower in order to offset construction of the Final Microscreen and Generator projects at the plant, with future years being higher than average.

Mr. Bradford then briefly covered Reimbursement Projects and explained that because we are a District, we are not required to pay for line modifications due to NCDOT improvements – unless we want to better the line, i.e. increase the size, etc. An example of this is the recent Long Shoals Road project in South Asheville, where MSD replaced the interceptor in conjunction with the NCDOT project.

He went on to state that only three projects remain to be done regarding the Annexation Agreements from consolidation where MSD contributes 35% of the project costs with 65% coming from the municipality. These projects are all located in Black Mountain. He went on to briefly review the Cost Recovery and Cost Participation programs. Mr. Hartye stated that the Cost Recovery program now only applies to affordable housing projects. Currently, no new reimbursement projects have been added for FY 11.

Mr. Bradford then presented a graph showing the reduction in SSO's from 11 years ago at a maximum of 288, down to 23 SSO's in 2009. He then presented a slide of MSD's website and stated that a copy of the proposed CIP budget has been posted on the website for public viewing and comment.

Mr. Martin asked what the pending cost recovery projects (Waighstill Mountain; Springs of North Asheville) were under reimbursements. Mr. Boyd explained that these have been previously approved by the Board, but are currently under bankruptcy. If they actually do proceed, they may be reimbursed at the amounts stated.

Mr. Haner stated that the amount currently stated in the budget for the generators is significant, and asked if we could incorporate that into the budget and not feel pain because of it. Mr. Powell stated that this has already been incorporated into this years' budget. This will be brought before the Finance Committee for consideration with no further impact to rate structure.

Mr. Hartye stated that this item already has been incorporated into the budget, and at this point, it is usually asked by the member agencies what the rate increase will be. He stated that a 3.5% increase for the next fiscal year will be proposed based on the information available at this point including this project. This gradual increase is a decision made by the member agencies and the Board over the last several years so as not to impact too much at one time. Based on current information, it is estimated that the consumption will begin to come back up. If the usage goes down because of weather, etc. we may decide to postpone the microsreens another year. Mr. Haner asked regarding the timeline of the generator implementation. Mr. McGill stated that if the budget passes it will depend mostly on the delivery time of the equipment. There is no specific schedule, but based on estimated delivery times it could be done by the end of the year, or spring 2011 at the latest. Power equipment is in high demand because of the energy issues all over the country, so delivery is somewhat unpredictable. Mr. Hartye stated that the ability to load test with a new automatic transfer switch and the second hook in line to the Broadway line should be accomplished fairly quickly.

Mr. Martin asked if the Cost Recovery projects now in the budget were approved before the affordable housing addendum as he did not think either of these projects was affordable housing. Mr. Boyd stated yes, they were approved prior to the change in policy.

3. Capital Improvement Program Priorities and Review of Ten-Year CIP Document

Mr. Bradford then briefly reviewed the budget summary categories and amounts for each one: There are 108 projects with details and maps for each one with costs based on bid prices received for each year. The Interceptor and Wet Weather, totaling 16 projects at a total budget of approximately \$2.9 million; General Sewer Rehabilitation, totaling 59 projects at a total budget of approximately \$5.8 million; Pipe Rated Projects totaling 15 projects at a total budget of approximately \$1.6 million; Unclaimed Sewer Rehab with 2 projects at a total budget of \$237,000; Water Reclamation and Pump Station Improvements are estimated at \$7.28 million; Design, ROW and Construction Management Expenses are \$2.7 million. A contingency fund is recommended at \$1.0 million, along with reimbursement projects totaling \$624,500 (with \$424,500 being for annexation projects in the Black Mountain area) and includes Cost Recovery and Cost Participation funds. The total proposed CIP Budget for the coming fiscal year is \$22,156,071 and is the amount for which staff seeks the Committee's endorsement.

Ms. Bellamy asked about the Future Projects under General Rehabilitation amount of \$9,250,000 starting in FY 15-16. Mr. Bradford explained that this money was in essence a placeholder for unidentified projects and the footage associated with them. We have a list of pipes to be done, and this list may change in priority each year. This is for the purposes of projecting out 10 years based on rehabilitation of 50,000 L.F. per year. He went on to state that currently he had about 15 projects on his desk that had not been looked at yet, and that was where these projects come from.

Following no further discussion, Mr. Haner asked for a Motion to endorse proposed CIP Budget for FY 10-11. Mr. Vehaun made a motion to recommend endorsement of the proposed CIP Budget for FY 10-11. Mr. Martin seconded the motion, with voice vote unanimous in favor of the motion.

4. Adjourn

There being no further business, the Committee adjourned at 9:45 a.m.

Finance Committee

May 12, 2010

1. Call to Order:

The Finance Committee of the Metropolitan Sewerage District met in the Boardroom of the Administration Building at 2 p.m, Wednesday, May 12, 2010. Chairman Kelly presided with the following members present: Louis Bisette, Jr., Jackie Bryson, Jon Creighton, Max Haner and Bill Russell.

Others present were: Thomas Hartye, General Manager, Scott Powell, Director of Finance, William Clarke, General Counsel, the following board members Steve Aceto, Al Root, Bill Stanley, and MSD staff.

2. Third Quarter Budget to Actual Review

Mr. Powell gave a review of the Third Quarter Budget to Actual as presented to the Board at their last meeting in April. Mr. Powell stated that domestic user fees are below budgeted expectations due to a decrease in water consumption attributed to a wet summer. Domestic revenues are projected to be \$500,000 less than the amount budget for FY10. He stated that the shortfall will be offset by favorable pricing of CIP projects as well as facility and tap exceeding budgeted expectations by 235%. Mr. Powell further stated the District has experienced better than expected interest cost related to its variable rate debt which should also temperance the shortfall in domestic user fees.

Mr. Russell asked what the philosophy was about the savings realized in the CIP program; where does the money go. Mr. Hartye answered that the savings are used to offset the lower revenues and that they are also carried over to continue projects as planned for future years.

3. FY 2009 Financial Performance Benchmarks

Mr. Powell gave a Power Point presentation covering the University of North Carolina Environmental Finance Center's 2010 Water and Wastewater Rate Dashboard update. New to the rate dashboard was the additional of a performance benchmark tab. The tab provided six financial indicators which addressed operations, liquidity, debt service and condition of physical assets. Mr. Powell stated for comparison purposes staff chose utilities with credit quality of AA or better. Mr. Powell reviewed the benchmarks as they relate to the District performance and the peer group. These benchmarks include Non-Capital Operating Ratio, Operating Ratio, Quick Ratio, Days Cash on Hand, Total Debt Coverage Ratio, and Asset Depreciation. All of the benchmarks show that the District is exceeding the upper tolerance levels as set by the UNC Environmental Finance Center, showing strength in its operations, meeting its debt service requirements and a strong infrastructure system.

4. FY 2011 Preliminary Budget

Mr. Powell continued his Power Point presentation with highlights of the FY 2011 Preliminary Budget. He stated the Operations and Maintenance budget will be \$13.9 million, Capital Equipment Replacement will be \$.8 million, CIP will be \$22.2 million and Debt Service will be \$8.6 million.

For Operations, staffing will remain at FY10 levels, and include a 2.9% COLA along with a 5.2% increase in health care funding, a 32.3% increase in NC retirement funding, a GASB 45 funding of \$232K and a 1.45% increase in Materials, Supplies and Service.

Mr. Aceto asked a question about GASB 45 funding – is this amortized on an equal basis? Mr. Powell replied that this is an annual required contribution, and even if it is not funded, it has to be budgeted and the District sets aside these funds for future costs of retirees.

Mr. Aceto asked if there is an end to this or if it goes on indefinitely. Mr. Powell replied that it will go on indefinitely, unless insurance reforms require changes. Mr. Aceto and Mr. Powell discussed that the funding is amortized over a thirty year period and that some dollars are newly funded in order to meet the GASB requirements.

Mr. Haner asked if the dollar amount funded can be revised based on actual experience. Mr. Powell replied that, yes, when some trend history is available; however, to date there is only two years of data. He further stated an evaluation will be issued this next fiscal year showing how much the rate of return on investments has gone down, which will have an immediate effect and probably cause the GASB 45 to increase slightly. After trend history, the actuaries can review population use and adjust expenditures accordingly.

Mr. Haner asked if there is a rule of thumb that says when the District could begin to use the trend history. Mr. Powell reported the actuaries won't have enough information before five years of data have accumulated. Mr. Haner asked for confirmation that this is not a District decision, to which Mr. Powell replied affirmatively.

Mr. Kelly asked what GASB stands for, to which Mr. Powell answered "Governmental Accounting Standards Board."

Mr. Powell continued his presentation, which included information on Personnel Growth, Health Care Costs, Operations, Capital Equipment Replacement, CIP and major projects, the District's Debt Composition, and Revenue Highlights.

5. MSD Business Plan

The next section of Mr. Powell's presentation covered the MSD Business Plan. This section covers the long term plan (ten years) for expected Project Rates, Revenues, Operating Expenses, and Debt Coverage Ratio. Mr. Powell explained that staff uses its master plan objectives, regulatory requirements, debt service requirements, and cost adjusted by CPI and other indexes to determine a level incremental rate increases in the MSD Business Plan. The Ten Year Plan for CIP and its funding was also reviewed. The Plan showed \$148 million in future projects with funding being at a mixture of 52% pay-as-go and 48% future debt issuances.

6. Rate Information

Mr. Powell communicated national trends in sewer service charges. He stated that NACWA projected annual sewer service cost was estimated to exceed \$400 for FY11 while MSD single-family residence is estimated to be \$309 for the same time period. He also stated that the national average residential sewer bills are typically 25% to 34% greater than water bills. FY11 MSD average residential sewer bill will be 1.8% greater than their comparable water bill. Mr. Powell presented information about the District's rates compared to other utilities, based on a 2008 NACWA Financial Survey for the EPA Region IV-Southeast Region. The Districts overall current charges, projected increases and sewer bill versus water bill percentages are all below national averages. Rate and Fee recommendations are to resume the Tap and Facility Fees parity plan, have a 3.5% Domestic rate increase, and continue the Industrial rate parity plan which will increase 4.15%.

Mr. Kelly asked how much the water authority is raising rates this year. Mr. Powell responded that Asheville is raising rates 5%. Mr. Haner asked if the proposed rate increase was reflected in Mr. Powell's presentation, to which he and Mr. Weed responded that it was reflected. Mr. Kelly asked if the other committee's were OK with the rate increases. Mr. Hartye stated it was discussed in the CIP committee, but not other committees. Mr. Hartye further stated that this increase is consistent with last year's Business Plan and explained how the rate increases impact not only FY2011, but future years of the District's ten year plan. Ms Bryson stated that the method of smaller, consistent increases every year is much better than what was done in years past and helpful to industry. Mr. Hartye agreed.

7. Motion to accept staff recommendation

Mr. Clarke stated that one motion would suffice to cover staff recommendations to accept the Proposed FY2011 Budget and the Schedule of Sewer Rates and Fees FY2011.

Recommendation:

Chairman Kelly moved that the Finance Committee accept staff's recommendations as set forth in the Preliminary Budget FY 2011 Report and the Schedule of Sewer Rates and Fees. Mr. Haner seconded the motion. Raise of hand vote in favor of the motion was unanimous.

There being no further discussion, the meeting adjourned at 2:35 p.m.

CONSOLIDATED MOTION AGENDA

Metropolitan Sewerage District of Buncombe County

Board Action Item - Right-of-Way Committee

COMMITTEE MEETING DATE: 4/28/2010

BOARD MEETING DATE: 5/19/2010

SUBMITTED BY: Tom Hartye, PE, General Manager
 PREPARED BY: Angel Banks, Right of Way Manager
 REVIEWED BY: Ed Bradford, PE, Director of CIP

SUBJECT: Consideration of Compensation Budgets–

Daniel Road Sanitary Sewer Replacement, Project No. 2009078
Patton Avenue @ Parkwood Road, Project No. 2007021

The attached Compensation Budgets are based on current ad valorem tax values and follow the MSD approved formula.

STAFF RECOMMENDATION: Approval of Compensation Budgets.

Ms. Banks explained the locations and gave some background on the projects. The Daniel Road Project is located off of Starnes Cove Road and consists of replacing approximately 800 lf of 6" Clay pipe with 8" DIP. The Patton Avenue @ Parkwood Road Project consists of replacing approximately 1600 lf of 4" and 6" clay pipe with 8" ductile iron pipe. There was no discussion. Mr. Kelly made the motion to accept Staff's recommendation. Ms. Bryson seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.

| COMMITTEE ACTION TAKEN | |
|-------------------------------|---|
| Motion by: Glenn Kelly | To: <input checked="" type="checkbox"/> Approve <input type="checkbox"/> Disapprove |
| Second by: Jackie Bryson | <input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff |
| | <input type="checkbox"/> Other |
| BOARD ACTION TAKEN | |
| Motion by: | To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove |
| Second by: | <input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff |

Daniel Road Sanitary Sewer Replacement

Project Number 2009078

Compensation Budget

19-Apr-10

Pin Number and Name

| 27 Pin | 83 Pin | Acres | Parcel SF | Land Value | LV/SF | PE | PE Assd. Value | 50% PE Assd. Value | TCE SF | TCE Assd. Value | 10% Annl Return | Proj Time (Months) | TCE Rent Value | Total Comp. (Rounded) |
|--------|------------|-------|------------|-------------|--------|-------|----------------|--------------------|----------|-----------------|-----------------|--------------------|----------------|-----------------------|
| | 9618729566 | 0.62 | 27,007.20 | \$26,600.00 | \$0.98 | 82.73 | \$81.08 | \$40.54 | 3,315.04 | \$3,248.74 | \$324.87 | 2 | \$54.15 | \$95 |
| | 9618725467 | 0.24 | 10,454.40 | \$24,500.00 | \$2.34 | 0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | \$0.00 | 2 | \$0.00 | \$0 |
| | 9618724499 | 0.30 | 13,068.00 | \$24,800.00 | \$1.90 | 0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | \$0.00 | 2 | \$0.00 | \$0 |
| | 9618723580 | 0.76 | 33,105.60 | \$27,100.00 | \$0.82 | 0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | \$0.00 | 2 | \$0.00 | \$0 |
| | 9618729658 | 0.18 | 7,840.80 | \$21,700.00 | \$2.77 | 31.17 | \$86.34 | \$43.17 | 1,315.29 | \$3,643.35 | \$364.34 | 2 | \$60.72 | \$104 |
| | 9618726550 | 0.28 | 12,196.80 | \$24,700.00 | \$2.03 | 0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | \$0.00 | 2 | \$0.00 | \$0 |
| | 9618822823 | 3.00 | 130,680.00 | \$57,600.00 | \$0.44 | 0.00 | \$0.00 | \$0.00 | 1,000.20 | \$440.09 | \$44.01 | 2 | \$7.33 | \$7 |

| | |
|---------------------------|----------|
| TOTALS: | \$206 |
| Staff Contingency: | \$5,000 |
| GM's Contingency | \$5,000 |
| Amendment | |
| Total Budget: | \$10,206 |

Patton Avenue @ Parkwood Road

Project Number 2007021

Compensation Budget

19-Apr-10

Pin Number and Name

| 27 Pin | 83 Pin | Acres | Parcel SF | Land Value | LV/SF | PE | PE Assd. Value | 50% PE Assd. Value | TCE SF | TCE Assd. Value | 10% Annl Return | Proj Time (Months) | TCE Rent Value | Total Comp. (Rounded) |
|--------|------------|-------|------------|----------------|---------|----------|----------------|--------------------|-----------|-----------------|-----------------|--------------------|----------------|-----------------------|
| | 9628865598 | 1.80 | 78,408.00 | \$922,800.00 | \$11.77 | 1,259.00 | \$14,818.43 | \$7,409.22 | 1,759.00 | \$20,703.43 | \$2,070.34 | 6 | \$1,035.17 | \$8,444 |
| | 9628863926 | 0.80 | 34,848.00 | \$408,800.00 | \$11.73 | 0.00 | \$0.00 | \$0.00 | 2,692.00 | \$31,577.16 | \$3,157.72 | 6 | \$1,578.86 | \$1,579 |
| | 9628874092 | 0.26 | 11,325.60 | \$30,700.00 | \$2.71 | 0.00 | \$0.00 | \$0.00 | 776.00 | \$2,102.96 | \$210.30 | 6 | \$105.15 | \$105 |
| | 9628866744 | 0.90 | 39,204.00 | \$592,000.00 | \$15.10 | 3,544.00 | \$53,514.40 | \$26,757.20 | 3,721.00 | \$56,187.10 | \$5,618.71 | 6 | \$2,809.36 | \$29,567 |
| | 9628961437 | 11.26 | 490,485.60 | \$2,482,200.00 | \$5.06 | 8,263.00 | \$41,810.78 | \$20,905.39 | 15,247.00 | \$77,149.82 | \$7,714.98 | 6 | \$3,857.49 | \$24,763 |
| | 9628867455 | 1.30 | 56,628.00 | \$773,800.00 | \$13.66 | 2,293.00 | \$31,322.38 | \$15,661.19 | 2,222.00 | \$30,352.52 | \$3,035.25 | 6 | \$1,517.63 | \$17,179 |
| | 9628868251 | 2.23 | 97,138.80 | \$1,042,400.00 | \$10.73 | 1,061.00 | \$11,384.53 | \$5,692.27 | 1,712.00 | \$18,369.76 | \$1,836.98 | 6 | \$918.49 | \$6,611 |

| | |
|---------------------------|-----------------|
| TOTALS: | \$88,247 |
| Staff Contingency: | \$5,000 |
| GM's Contingency | \$5,000 |
| Amendment | |
| Total Budget: | \$98,247 |

Metropolitan Sewerage District of Buncombe County

Board Action Item - Right-of-Way Committee

COMMITTEE MEETING DATE: 4/28/2010

BOARD MEETING DATE: 5/19/2010

SUBMITTED BY: Tom Hartye, PE, General Manager
 PREPARED BY: Angel Banks, Right of Way Manager
 REVIEWED BY: Ed Bradford, PE, Director of CIP

SUBJECT: Consideration of Condemnation – Short Coxe @ Southside Avenue GSR, Project No. 2004025

PIN 9648.10-47-0493 – Commercial site on Biltmore Avenue contains two separate buildings. Proposed sewer alignment runs between the two buildings. Owner will not grant easement due to his plans for connection of the buildings. MSD design engineer will discuss alignment challenges at our meeting.

Total Contacts: 7

STAFF RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

Ms. Banks explained the location and situation with the above project. It is also noted that there is a water line between the buildings. It has been discovered that this water line is inactive and the property owner could possibly obtain a building permit to connect the two buildings. Owner has been offered standard compensation of \$26,245.00 and is generally opposed to the project. Since it has been discovered that water line is inactive and owner could possibly connect the two buildings, the project engineer will see if there are any other alignment options for the location of the sewer line.

Ms. Banks stated that staff does expect more condemnations on this project, given discussions with project owners. Ms. Banks then turned the meeting over to Roger Watson, Project Engineer. Mr. Watson presented a map with an overview of the project and explained some of the design challenges. Mr. Watson explained that there was a large box culvert (6' x 11') running through the project. Mr. Bradford pointed out that the culvert is completely buried, with buildings over it along with buildings over the existing sewer line as well. There are multiple utilities and rock to be avoided. Mr. Bradford also stated that MSD has had to perform vacuum excavation on the utilities due to the number of them and that MSD will literally be threading a needle through them. Mr. Watson stated that this process is very expensive but it is less disturbing and will be less expensive in the long run, by virtue of knowing exact locations of these utilities. Mr. Watson also stated that pipe bursting was investigated but was not an option due to the depth.

There was some discussion regarding the location of the project. Mr. Watts asked what the obstacle was with coming south of the subject building. Mr. Watson stated this was an option to be looked into but the property owner still may not agree. Mr. Kelly asked if there were any other utilities in the box culvert. There was some discussion regarding utilities not going through the box culvert. Ms. Banks further added that the culvert can be built over as it is maintained by the individual property owner. Mr. Haner asked if it could be justified that there was a need to replace the line. Ms. Banks and Mr. Bradford both stated yes. There was some discussion as to whether the property owners had actual plans drawn for future building. Mr. VeHaun made the motion to accept Staff's recommendation. Ms. Bryson seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

Metropolitan Sewerage District of Buncombe County Board Action Item - Right-of-Way Committee

COMMITTEE MEETING DATE: 4/28/2010

BOARD MEETING DATE: 5/19/2010

SUBMITTED BY: Tom Hartye, PE, General Manager
PREPARED BY: Angel Banks, Right of Way Manager
REVIEWED BY: Ed Bradford, PE, Director of CIP

**SUBJECT: Consideration of Condemnation–Town Mountain Road 4” Main Rehabilitation,
Project No. 2008182**

PINS 9649-73-3057, 9649-73-3095 & 9649-73-4021– The house on this property was constructed so close to the existing sewer that the replacement line cannot be built in the same trench. The proposed sewer was aligned to parallel the far property line away from the house.

During a meeting held on site the property owner expressed concerns of having the alignment on his property at all. He requested shifting the alignment onto his neighbor’s property, stating his neighbor would not mind. The project engineer, who was also present for this meeting, prepared a preliminary drawing showing the alignment being shifted onto the neighboring property. A subsequent meeting was held on site with the neighboring property owner, and they were not agreeable to shift the proposed alignment of the sewer onto their property.

The subject owner was not pleased with the compensation (\$4992) being offered for the easement areas on his property.

The subject owner was notified that his neighbor was not agreeable for the sewer to be shifted and the alignment would remain on the subject property. Subject owner has since been non-responsive.

Total Contacts: 15

STAFF RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

Ms. Banks explained the above situation. There was no discussion. Mr. Kelly made the motion to accept Staff’s recommendation. Mr. Creighton seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.

| COMMITTEE ACTION TAKEN | |
|-------------------------------|--|
| Motion by: Glenn Kelly | To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove |
| Second by: Jon Creighton | <input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff |
| | <input type="checkbox"/> Other |
| BOARD ACTION TAKEN | |
| Motion by: | To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove |
| Second by: | <input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff |
| | <input type="checkbox"/> Other |

Metropolitan Sewerage District of Buncombe County
BOARD ACTION ITEM - Personnel Committee

COMMITTEE MEETING DATE: May 5, 2010 **BOARD MEETING DATE:** May 19, 2010

SUBMITTED BY: Thomas E. Hartye, General Manager
Jim Hemphill, Director of Human Resources
Scott Powell, Director of Finance

SUBJECT: Consideration of Self Insured Health Plan & Cost of Living/Merit Pay Plan

BACKGROUND: The District obtains consumer price index data, reflecting the “cost of living”, from the Bureau of Labor Statistics for the South Region. The index has shown a 2.9% increase. Staff is recommending an increase in salaries. Our insurance consultants have provided a preliminary estimate of 35% premium increase for stop-loss and aggregate coverage. Increasing our stop loss limit to \$60,000 resulted in a reduced increase in cost of 7.7%. However, medical insurance costs are expected to increase by \$146,000. Employees will pay \$48,067 or 15.0% in increased premiums. Staff has taken action by increasing wellness programs for future positive outcomes in our insurance claims and therefore recommends a 5.2% full funding of projected medical insurance and a 2.9% cost of living salary adjustment. Please see attached memo from Personnel Committee.

FISCAL IMPACT: The 2.9% cost of living increase will have a net impact of \$164,000. The 5.2% increase funding in insurance will be \$80,000.

COMMITTEE RECOMMENDATION:

Recommends that the Board grant staff request for a 2.9% Cost of Living salary adjustment and a employer contribution of an additional 5.2% with employees contribution an additional 15% for the health insurance plan.

Metropolitan Sewerage District of Buncombe County

PERSONNEL COMMITTEE ACTION ITEM

Meeting Date: May 5, 2010

Submitted By: Thomas E. Hartye, P.E., General Manager
James A. Hemphill, Human Resources Director
W. Scott Powell, Director of Finance

Subject: Cost of Living/Merit and Self-Insured Health Plan
for FY 2010-11

Staff Recommendation:

That the MSD Board fund:

- 2.9% Cost of Living salary adjustment
- Employer contribution of an additional 5.2% with employees contributing an additional 15% for the health insurance plan.

Background:

As the Board has requested, the recommendations reflect a composite view of the costs associated with both salary and benefit programs costs.

Each year during the budgetary process the Personnel Committee considers cost of living and merit pay salary adjustments to keep MSD's compensation program competitive with other area employers and to meet the objective of retaining skilled, high-performing employees. Inadequate wages lead to high turnover levels and increased costs from training new employees as well as loss of efficiencies until they are fully proficient.

The Personnel Committee also considers benefits as an integral part of budgeting for a comprehensive compensation package. The Employee Advisory Committee participated in developing the recommendations presented.

CPI Discussion:

The benefit to MSD of keeping professional and motivated employees has been illustrated repeatedly over the recent past with national and state awards for ISO 14001, the AMSA 2003 Environmental Achievement Award and the 2009 NACWA “Excellence in Management” award, among others. The District has attempted to provide employees with competitive wages and benefits as a means of retaining and rewarding high-performing employees.

A summary of the last 10 years’ Consumer Price Index compared with actual and proposed FY 2010-11 cost of living and merit raises is summarized below:

| <u>Consumer Price Index (CPI) for South Urban Region</u> | <u>District Adopted COLA and Merit</u> | |
|--|--|----------------------|
| 2000 – 3.2% | FY 2001-02 | 2.5% 2.5% |
| 2001 – 2.3% | FY 2002-03 | 2.5% 0.0% |
| 2002 – 2.5% | FY 2003-04 | 2.5% 2.5% |
| 2003 – 1.8% | FY 2004-05 | 2.0% 2.0% |
| 2004 – 3.5% | FY 2005-06 | 0.0% 4.0% |
| 2005 – 4.1% | FY 2006-07 | 0.0% 4.1% |
| 2006 – 2.6% | FY 2007-08 | 0.0% 3.6% |
| 2007 - 4.4% | FY 2008-09 | 0.0% 5.0% |
| 2008 - 0.0% | FY 2009-10 | 0.0% 0.0% |
| 2009 – 2.9% | FY 2010-11 | 2.9% 0.0% (proposed) |

Cost of Living: The District obtains cost of living data from the Bureau of Labor Statistics for the South Region. The cost of living increased by 2.9% for “all urban consumers and for wage earners and clerical workers” during the period of December of 2008 to December of 2009.

Local Governments and Utilities: To compare MSD’s proposed COLA wage increase with other area governments and utilities compensation practices, please see the information below.

| Town/ Utility | Raise 2009 | Raise 2010 | Longevity/ Christmas | 401k/ 457 Contribution or Match |
|--------------------------------------|-------------|---------------|---|--|
| <i>Montreat</i> | 2.5% COLA | 2.5% proposed | \$100/yr svc to \$1500 | 5% Contribution, no match required |
| <i>Woodfin</i> | Zero | June decision | 2-tiered system based on service, max 5% after 20 year | 6% Match |
| <i>Weaverville</i> | 3.0% COLA | June decision | \$100+10/yr svc | 6% Match |
| <i>Black Mountain</i> | Zero | 3% proposed | \$100+ \$50/yr to \$1000 | 5% Contribution, no match required |
| <i>Biltmore Forest</i> | Zero | 3% | \$500 | 5% Contribution, no match required |
| <i>Henderson County</i> | Zero | Zero | max 7.5% after 25 years | 2% Contribution, no match required |
| <i>City of Asheville</i> | Zero | Zero | | 5% Contribution, no match required |
| <i>Buncombe County</i> | Zero | Zero | \$25/ yr-7% after 25 yrs | 8% Contribution, no match required |
| <i>CMUD</i> | Zero | 2.0% | Frozen in 93' | 2% contribution |
| <i>Fayetteville Public Works</i> | Zero | Zero | max 7.5% after 20 years | No |
| <i>Spartanburg W&S</i> | 2.5% | 2.5% | Annual day off starting at 5 yrs. | No |
| <i>Greenville Utilities</i> | Zero | Zero | Frozen in 1993 | \$40.00/ pay period |
| <i>Greer Public Works</i> | Zero | 2.5% | Max. 4.0% after 20 yrs. | No |
| <i>Beaufort -Jasper W&S</i> | Zero | 3.0% | Christmas - 1 week salary | \$25.00/ per pay period |
| <i>OWASA</i> | Zero | 2.5% | | |
| <i>Western Carolina</i> | Zero | 3.0% | | |
| MSD | Zero | 2.90% | NONE | 1%=2% Match 2%=4% Match 3%=5% Match |

Health Insurance: The District’s insurance consultants have provided a preliminary estimate of 35% premium increases for stop-loss and aggregate coverage. Increasing our stop loss limit to \$60,000 resulted in a reduced increase in costs, to 7.7%. It is anticipated that this number will be further reduced when we move inside the 60 day “lock-in period.” However, medical insurance costs are expected to increase in FY 2010 by \$146,000. Employees will pay \$48,067 or 15.0% in increased costs. Exhibit 1 reflects projected costs for medical insurance in FY 2011. Exhibit 2 provides an 8-year time line of medical insurance costs and cost sharing.

Based on Staff’s recommendation, of COLA and cost sharing, exhibit 3 details the increase in premiums cost per pay period for the employees.

In a typical year the Board would have fully funded 9.0% “medical inflation” (Price, Waterhouse, Cooper) and any additional costs would be borne by MSD employees.

In response to the need to decrease insurance claims components, MSD’s employees are aggressively exploring alternative approaches to medical treatment “Housecalls” through 3 Streams Medical, and healthier lifestyles: required physicals, smoking cessation, weight watchers, “Know your Numbers” programs, Disease Management through Mission Hospital and 3 Streams Medical.. Other Wellness and Insurance initiatives will be discussed during the Personnel Committee meeting.

The Employee Advisory Committee has met to review possibilities and programs that would have a positive impact on the health, wellness and insurance costs for employees. Employees realize health care costs are continuing to increase, and that they must do their part. After careful deliberation, the EAC endorses the above recommendation based on the information presented. The Division Directors concur with this recommendation.

Therefore, to keep MSD competitive in the relevant Labor Market and within the utility/wastewater industry, the staff requests that the Personnel Committee approve the recommendations.

- 1) A 2.9% Cost of Living Adjustment be authorized
- 2) Increased funding of 5.2%, for the medical insurance plan

Fiscal Impact:

The proposed Operations & Maintenance budget for FY’ 11 reflects the 2.9% (\$150,000) COLA increase and the 5.2% (\$80,000) increase in Board contributions for health insurance.

| COMMITTEE ACTION TAKEN | |
|---------------------------------|--|
| Motion by: | To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove |
| Second by: | <input type="checkbox"/> Table <input type="checkbox"/> Send back to staff |
| <input type="checkbox"/> Other: | |
| | |
| | |

Metropolitan Sewerage District of Buncombe County

BOARD INFORMATIONAL ITEM

Meeting Date: May 19, 2010

Submitted By: Thomas E. Hartye, PE., General Manager

Prepared By: W. Scott Powell, Director of Finance

Subject: Recalibration of U. S. Public Finance Ratings

Background

On May 1st and 3rd, the District received a bond rating recalibration from Moody's Investors Service (Aa3 to Aa2) and Fitch Ratings (AA to AA+). The recalibrations were a direct result of the rating agencies adjusting their global rating scale. In March 2010, both rating agencies issued special reports, which outlined their methodology for the recalibration. Enclosed is the special report from Fitch Ratings on recalibration. Staff has also included the notices of recalibration from both agencies.

Discussion

Credit ratings measure the relative ability of an entity to meet financial commitments. Due to the nature of municipal entities, their respective credit ratings were not comparable to private sector credit ratings. Both Moody's Investors Service and Fitch Rating undertook a recalibration of U. S. municipal ratings to their respective global rating scale.

The recalibration to a global rating scale did not require a review of individual credit factors. As a result, these rating changes are not credit actions, do not reflect an assessment of the intrinsic creditworthiness of the District and are not upgrades. In other words, the District credit rating is being translated from one rating scale to another.

The global scale ratings emphasize expected loss, which includes an assessment of both probability of default and loss in the event of a default while municipal scale ratings historically emphasized distance to distress. The recalibrated municipal ratings will reflect a greater emphasis on default probability at the higher investment grade rating levels such as the District.

Finally, short-term ratings were not impacted by the recalibration as they already are calibrated consistently with short-term ratings on the global scale. The recalibration methodology updates the long-term rating thresholds, which drive, in part, the short-term ratings on various types of instruments.

Staff Recommendation

None. Information only.

Action Taken

| | | | |
|----------------------------|----|---------|-------------------|
| Motion by: | to | Approve | Disapprove |
| Second by: | | Table | Send to Committee |
| Other: | | | |
| Follow-up required: | | | |
| Person responsible: | | | Deadline: |

Special Report

Recalibration of U.S. Public Finance Ratings

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Related Research

- [Fitch Ratings U.S. Public Finance Transition and Default Study 1999-2009, March 25, 2010](#)
- [Fitch Comments on Status of Municipal Ratings Framework Review, March 3, 2009](#)
- [Fitch Defers Final Determination on Municipal Ratings Recalibration, Oct. 7, 2008](#)
- [Exposure Draft: Reassessment of the Municipal Ratings Framework, July 31, 2008](#)

Summary

Fitch Ratings is proceeding with the recalibration of certain of its U.S. public finance credit ratings, initially announced in July 2008 (*see Fitch Research on “Exposure Draft: Reassessment of the Municipal Ratings Framework,” dated July 31, 2008, available on Fitch’s Web site at www.fitchratings.com*). The intent of the recalibration is to ensure a greater degree of comparability across Fitch’s global portfolio of credit ratings. This recalibration will affect ratings in the state and local government tax-supported, water/sewer, public power distribution-only, and public higher education sectors. Other U.S. public finance sectors will not be affected.

- State and local general obligation ratings and those dependent on them (e.g. appropriation-backed debt) will be adjusted upward two notches if the GO rating is currently rated ‘A’ to ‘BBB–’ and one notch upward if the GO is currently rated ‘A+’ or higher.
- Special tax-backed bonds currently rated from ‘BBB–’ to ‘AA+’ will be adjusted up one notch.
- Water/sewer and public power distribution-only credits will be adjusted upward in the same manner as GO ratings.
- Public higher education ratings will be adjusted up one notch where the rating is currently ‘AA–’ to ‘BBB–’; no adjustment will be made on public higher education ratings of ‘AA’ and higher.
- Ratings in the affected sectors that are currently below investment grade will be considered for recalibration on a case-by-case basis.

Recalibration Map

| Current Rating | GO, Water/Sewer, Public Power (Distribution Only) | Rating Post-Recalibration | | |
|------------------------|---|--|--------------|-------------------------|
| | | Appropriation-Backed Debt ^a | Special Tax | Public Higher Education |
| AAA | AAA | N.A. | AAA | AAA |
| AA+ | AAA | AA+ | AAA | AA+ |
| AA | AA+ | AA+ | AA+ | AA |
| AA– | AA | AA | AA | AA |
| A+ | AA– | AA– | AA– | AA– |
| A | AA– | A+ | A+ | A+ |
| A– | A+ | A+ | A | A |
| BBB+ | A | A | A– | A– |
| BBB | A– | A– | BBB+ | BBB+ |
| BBB– | BBB+ | BBB+ | BBB | BBB |
| Below Investment Grade | Case by Case | Case by Case | Case by Case | Case by Case |

^aAssumes current appropriation-backed debt rating is one notch below the corresponding GO.

All state ratings will be recalibrated on April 5. The remaining tax-supported ratings and the water/sewer, public power distribution-only, and public higher education ratings will be recalibrated on April 30.

The recalibration of certain public finance ratings should not be interpreted as an improvement in the credit quality of those securities. Rather, they are adjustments to denote a comparable level of credit risk as ratings in other sectors. To be sure, as noted herein, public finance issuers continue to face a range of significant economic, fiscal, and credit challenges. Fitch will continue to monitor all of its public finance ratings and make changes to ratings as Fitch's forward-looking views of credit risk evolve.

Background

Credit ratings provide Fitch's opinion on the relative ability of an entity to meet financial commitments. Fitch uses the same rating scale for all of its international scale ratings, thereby enabling market participants to compare Fitch's perspectives on credit risk across sectors and regions. However, Fitch notes that, in practice, individual ratings in different sectors and regions may demonstrate varying levels of transition, default, and recovery, depending on the historical period considered or the impact of systemic or idiosyncratic factors on a given rated entity. Nonetheless, the aspiration is for Fitch's ratings to demonstrate broadly comparable levels of default patterns over long periods.

By definition, a credit rating is a forward-looking opinion of relative credit risk. A common approach for measuring the performance of ratings over time is through transition and default studies, which measure migration and default patterns over various historical periods. Fitch has cautioned against the simple extrapolation of past performance of ratings into the future. In other words, a sector or issuer that has demonstrated a no- or low-default history or even limited negative ratings migration is not immune from the possibility of prospective worsening in credit risk just based on that past performance, nor is it guaranteed a given rating level going forward based solely on past performance. However, such studies can be instructive in considering the distribution of ratings and comparability of ratings across Fitch's rated portfolio.

Recalibrations may occasionally occur in the rating process in furthering the goal of enhanced comparability. For example, Fitch first reviewed its municipal ratings in 2000 following a default study it performed the prior year (*see Fitch Research on "Municipal Default Risk," dated Sept. 15, 1999, available on Fitch's Web site at www.fitchratings.com*), which indicated very low default rates for certain types of municipal obligations. This review resulted in an upward adjustment of about 25% of Fitch's GO ratings and one-half of its water/sewer revenue bond ratings.

In 2008, Fitch undertook a new review of its municipal ratings framework, the findings of which were published in the July 2008 exposure draft. In this report, Fitch announced that, in light of U.S. public finance's continued very low default history and to achieve comparability with its ratings in other sectors, it was considering revising upward by one-to-two notches its tax-supported and water/sewer ratings. That process was suspended in the fall of 2008 in the midst of the financial crisis.

Subsequent Events

Since the exposure draft was published, some of the challenges facing U.S. public finance issuers, such as reduced tax revenues, depressed housing prices, and retiree benefit funding demands have become more pronounced, while new problems, such as declines in commercial real estate and chronically high unemployment rates, have emerged to further pressure state and local government finances. In fact, Fitch's public finance ratings saw more downgrades in 2009 than any previous year (*see Fitch Research on "Fitch Ratings U.S. Public Finance Transition and Default Study 1999–2009," dated March 25, 2010, available on Fitch's Web site at*

www.fitchratings.com). The lag effects of property value declines, high unemployment rates, and the phasing out of federal stimulus funding will likely continue to exert credit pressure on a large number of municipal entities.

However, Fitch believes that public finance issuers such as state and local governments and certain essential service municipal enterprises have inherent strengths that allow them to maintain fiscal balance, including authority to raise taxes and fees, strong powers to enforce revenue collection, flexibility to cut expenses, and discretion to use accumulated reserves. The rating distribution of U.S. tax-supported and essential service municipal enterprise bonds remains among the highest within the Fitch-rated universe.

Tax-Supported and Essential Service Enterprise Ratings vs. Corporate Ratings

(%)

| | AAA | AA | A | BBB | BB | B and Below |
|---|-----|------|------|------|------|-------------|
| Tax-Supported and Essential Service Enterprise ^a | 6.2 | 46.5 | 39.7 | 6.8 | 0.4 | 0.4 |
| U.S. Corporate Finance Ratings ^b | 1.7 | 20.8 | 30.5 | 30.0 | 12.2 | 4.8 |

^a Includes GO, COP and lease, special tax, and water/sewer. ^b Includes financial institutions and industrials.

As reflected in its rating transitions, Fitch believes that while municipal credit risk may be elevated from very low levels in 2008, defaults are expected to be isolated occurrences. After reviewing the various municipal sectors (tax supported, water/sewer, public power, nonprofit healthcare, higher education, and transportation) and comparing them to each other, as well as to certain investment-grade corporate credits, Fitch believes that a recalibration of its municipal ratings, albeit with some adjustments from those initially proposed, is still needed to achieve comparability with other credit sectors.

Rating Recalibration by Sector

State and Local Tax-Supported

GO and Dependent Ratings — One to Two Notches Up

Fitch will go forward with its initial plans to revise upward its state and local GO ratings, as well as those ratings linked to the GO, such as COPs, lease revenue bonds, and state credit enhancement programs. Similar to what was initially planned, these ratings will be revised by two notches if the GOs are rated 'BBB-' to 'A' and one notch if the GOs are rated 'A+' to 'AA+'.

Special Tax-Backed Bonds — One Notch Up

Fitch has observed greater than expected pledged revenue volatility for special tax-backed bonds over the last 18 months, even in those secured by broad-based sales taxes in large, diverse economic areas. This has resulted in notable deterioration of debt service coverage in many of these securities. While Fitch still believes that economic characteristics provide important inputs into both GO and special tax bonds, special tax declines affect the latter much more directly and severely given the inability to compensate for poor performance of the pledged revenues. Therefore, they will be adjusted upward by only one notch at all investment-grade rating levels ('AA+' to 'BBB-'), rather than one notch at the higher levels and two notches at the lower levels, as originally planned. Included in this subsector are broad-based taxes such as sales and income taxes, as well as narrow ones such as hotel occupancy taxes, tax allocation bonds, tax increment financings, special assessment bonds, and payments in-lieu-of taxes (PILOTs).

Essential Service Municipal Enterprises

Water/Sewer Bonds — One to Two Notches Up

Fitch has observed relatively minor revenue pressures on essential service municipal enterprise systems. Their essentiality and monopoly status give them an unusually high degree of flexibility to adjust rates and enforce collections. Furthermore, rates are generally low to moderate relative to both income levels and the costs of other municipal services. Therefore, they are being recalibrated in the same manner as GO bonds. Where there is a senior subordinated bond structure that is rated differently, the recalibration of the subordinate lien will follow that of the senior (e.g. a senior subordinated structure rated 'A+' and 'A' will be recalibrated by one notch to 'AA-' and 'A+').

Public Power (Distribution Only) — One to Two Notches Up

Fitch will recalibrate public power systems that distribute but do not generate power (distribution-only systems) in the same manner as water/sewer systems. Since distribution-only systems act as sole providers of an essential service and, for the most part, are self regulated, they also have flexibility to adjust rates when necessary. Systems that have responsibility for managing their own resource needs, either by self-generating power directly or through contractual arrangements with joint action agencies or generation and transmission cooperatives, are currently rated in a comparable manner with investor-owned utilities and other corporate credits; thus, they are not included in the recalibration.

Public Higher Education — Zero to One Notch Up

Fitch believes a one notch recalibration is appropriate for investment-grade public higher education bonds rated 'AA-' to 'BBB-'. Public higher education bonds already rated 'AA' or higher will not be recalibrated, as Fitch believes state support is less meaningful for those institutions given the size and diversity of their resources. Support of varying degrees by state governments to their public colleges and universities affords these institutions a degree of long-term credit stability generally not shared by their largely tuition-driven private institution counterparts. Still, public higher education institutions face operating pressures similar to private universities that cannot be fully offset by their relationship with their home state, and their level of future state funding is uncertain, particularly given the budget stress facing many states and the near-term discontinuation of federal stimulus funding. While public higher education may be sheltered to some degree from competitive forces and unexpected enrollment declines, the insulation from credit risk is not as strong as for water/sewer or public power distribution systems.

Sectors Not Affected

Public power generating systems, nonprofit healthcare, private higher education, tax-exempt housing, airports, ports, toll roads, grant anticipation revenue vehicles (GARVEEs), state revolving funds (SRFs), bond banks, economic development bond funds, and other municipal enterprises are not being recalibrated, as Fitch's review has led to the conclusion that these ratings are already comparable with those of other sectors.

Short-Term Ratings

Fitch's short-term ratings map to a range of long-term ratings (*see table, page 5*). Fitch will maintain the same mapping of its long- and short-term ratings after recalibration; hence, recalibrations of long-term ratings will drive revisions in some short-term ratings, most notably bond anticipation notes (BANs) and variable-rate demand notes (VRDNs). According to Fitch's long- and short-term mapping, certain long-term rating levels may map to two possible short-term ratings; for example, an 'A+' long-term rating may map to either 'F1' or 'F1+'. Where the recalibrated long-term rating maps to one of two short-term rating outcomes, the lower short-term rating will generally be maintained.

In certain cases, Fitch’s short-term ratings may diverge from the standard mapping, either up or down, where analytically appropriate.

Long- and Short-Term Rating Correspondence

| Long-Term Rating | Short-Term Rating |
|------------------|-------------------|
| AAA | F1+ |
| AA+ | F1+ |
| AA | F1+ |
| AA- | F1+ |
| A+ | F1+ or F1 |
| A | F1 |
| A- | F1 or F2 |
| BBB+ | F2 |
| BBB | F2 or F3 |
| BBB- | F2 or F3 |

Dual-Party Pay Ratings

Ratings on certain dual-party pay structures, which are derived from the higher of the unenhanced long-term rating on the municipal bond and the long-term rating on the letter of credit provider, will be recalibrated if the unenhanced rating on the municipal bond is recalibrated and a higher rating is thereby called for based on Fitch’s criteria for dual-party pay ratings.

Moral Obligations

Ratings of certain moral obligation supported credits, which are derived from the rating of the primary security and the moral obligation provider, will be recalibrated if the rating on the primary security or moral obligation provider is recalibrated up and a higher rating is thereby called for based on Fitch’s criteria for moral obligations.

Tender Option Bonds

Long-term ratings on tender option bonds (TOBs), which are derived from the long-term rating of the bond within the TOB trust, will be recalibrated if the rating on the municipal bond within the TOB trust is recalibrated and a higher rating is thereby called for based on Fitch’s criteria for TOBs.

Additional Details

- Recalibrations of investment-grade ratings will be implemented formulaically, without individual reviews of the affected credits.
- Recalibrations of below-investment-grade rated bonds will be considered on a case-by-case basis, as the variety and fluid nature of the risks affecting below-investment-grade municipal bonds make use of a formulaic revision inappropriate. Some below-investment-grade ratings may not be adjusted at all. Recalibration of below-investment-grade ratings will be implemented on the same date as all other ratings in that sector.
- Rating changes made as a result of the new framework will be referred to as “revision ratings,” not “upgrades.”
- Any Rating Watches currently in place will be carried over post-recalibration.
- Rating Outlooks will also be carried over post-recalibration, with a few exceptions. For GOs, water/sewer systems, and public power distribution-only systems that are rated ‘A’ with a Positive Rating Outlook and ‘A+’ with a Negative Rating Outlook, the ratings will be recalibrated to ‘AA-’ with a Stable Rating Outlook. For dependent credits rated one notch below their corresponding GO that are rated ‘A-’ with a Positive Rating Outlook and ‘A’ with a Negative Rating Outlook, the ratings will be recalibrated to ‘A+’ with a Stable Rating Outlook. For GOs, special tax bonds, water/sewer systems, and public power distribution-only systems that are rated ‘AA+’ with a Positive Rating Outlook and ‘AAA’ with a Negative Rating Outlook, the ratings will be recalibrated to ‘AAA’ with a Stable Rating Outlook. For dependent credits rated one notch below their corresponding GO that are rated ‘AA’ with a Positive Rating Outlook and ‘AA+’ with a Negative Rating Outlook, the

ratings will be recalibrated to ‘AA+’ with a Stable Rating Outlook. For public higher education credits rated ‘AA–’ with a Positive Rating Outlook and ‘AA’ with a Negative Rating Outlook, the recalibrated rating will be ‘AA’ with a Stable Rating Outlook. These exceptions are so the ordinal rankings of these credits are not reversed as a result of the recalibration.

- Recalibrations for states, as well as the District of Columbia, New York City, and Commonwealth of Puerto Rico, will be implemented on April 5. Recalibrations in all the other affected sectors will be implemented on April 30. Between now and the date that recalibration is implemented, all rating actions will reference both the current rating and what the rating will be after recalibration in accompanying Rating Action Commentaries (RACs) and reports.

Ratings Distribution After Recalibration

The rating distribution of the tax-supported, water/sewer, public power distribution systems, and public higher education sectors will shift upward slightly after they have been recalibrated. There will be a compression of credits in the ‘AAA’ and ‘AA’ categories and fewer credits rated in the ‘A’ and ‘BBB’ categories.

Tax-Supported and Essential Service Enterprise Ratings: Current vs. Expected Rating Distribution

(%)

| | AAA | AA | A | BBB | Below Investment Grade |
|---------------------------------|-----|----|----|-----|------------------------|
| Current Ratings | 6 | 46 | 40 | 7 | 1 |
| Post Recalibration ^a | 15 | 67 | 15 | 2 | 1 |

^aEstimated.

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U.S. Local Government Ratings

(GA, NC, SC, VA)¹

Moody's Recalibrates U.S. Municipal Scale Underlying and Enhanced Ratings to the Global Scale

5/1/2010

¹ List may contain issues from states recalibrated in Weeks 1 and 2

| State | Issuer Name | Obligor Name | Sale Description | Security Type | Municipal Underlying | Municipal Underlying Watch Status | GSR Underlying | GSR Underlying Watch Status |
|-------|---|---|---|---------------|----------------------|-----------------------------------|----------------|-----------------------------|
| NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | Sewerage System Revenue Bonds, Series 2001 | Revenue | Aa3 | Not On Watch | Aa2 | Not On Watch |
| NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | Sewerage System Revenue Refunding Bonds, Series 2003 | Revenue | Aa3 | Not On Watch | Aa2 | Not On Watch |
| NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | Sewerage System Refunding Bonds, Series 2008B | Revenue | Aa3 | Not On Watch | Aa2 | Not On Watch |
| NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | Sewerage System Refunding Bonds, Series 2008A | Revenue | Aa3 | Not On Watch | Aa2 | Not On Watch |
| NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | Sewer Revenue | Revenue | Aa3 | Not On Watch | Aa2 | Not On Watch |
| NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | Sewer Revenue | Revenue | Aa3 | Not On Watch | Aa2 | Not On Watch |
| NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | Sewerage System Revenue Refunding Bonds, Series 2009B | Revenue | Aa3 | Not On Watch | Aa2 | Not On Watch |
| NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | BUNCOMBE COUNTY METROPOLITAN SEWER DISTRICT, NC | Sewerage System Revenue Bonds, Series 2009A | Revenue | Aa3 | Not On Watch | Aa2 | Not On Watch |

Recalibrated Bonds



Buncombe County Metropolitan Sewerage District (NC)

| <u>Bond Name</u> | <u>Previous Underlying Long Term Rating</u> | <u>Recalibrated Underlying Long Term Rating</u> |
|--|---|---|
| - Buncombe County Metropolitan Sewerage District (NC) swr sys rev bonds ser 1999 (insured: Assured Guaranty Municipal Corp.) | AA / RO:Sta | AA+ / RO:Sta |
| - Buncombe County Metropolitan Sewerage District (NC) swr sys rev bonds ser 2001 (insured: MBIA Insurance Corp.) | AA / RO:Sta | AA+ / RO:Sta |
| - Buncombe County Metropolitan Sewerage District (NC) swr sys rev bonds ser 2004 (insured: Syncora Guarantee Inc.) | AA / RO:Sta | AA+ / RO:Sta |
| - Buncombe County Metropolitan Sewerage District (NC) swr sys rev bonds ser 2009A | AA / RO:Sta | AA+ / RO:Sta |
| - Buncombe County Metropolitan Sewerage District (NC) swr sys rev rfdg bonds ser 2008A | AA / RO:Sta | AA+ / RO:Sta |
| - Buncombe County Metropolitan Sewerage District (NC) swr sys rev rfdg bonds ser 2008B | AA / RO:Sta | AA+ / RO:Sta |
| - Buncombe County Metropolitan Sewerage District (NC) swr sys rev rfdg bonds ser 2009B | AA / RO:Sta | AA+ / RO:Sta |

Metropolitan Sewerage District of Buncombe County

BOARD INFORMATIONAL ITEM

Meeting Date: May 19, 2010

Submitted By: Thomas E. Hartye, PE., General Manager

Prepared By: W. Scott Powell, Director of Finance

Subject: Third Quarter City of Asheville Billing Report – FY 2009-2010

Background

At the end of each quarter, the City of Asheville Staff prepares a summary of all billing and collections activity for MSD, which is reconciled to beginning and ending receivables balance. This is designed to monitor billing and collection rates and trends to maximize the accuracy of financial projections for the current fiscal year and budgeted revenues for the upcoming year. The City of Asheville represents approximately 80% of domestic sewer revenues so data is periodically reviewed for trends and anomalies impacting MSD financial management decisions.

Discussion

The attached report summarizes billing activity for the last six quarters. A comparison of the first three quarters of FY 10 with the same time period in FY 09 reveals the following:

- ◆ Net billings are up .9% from the previous period last year. Since the billing data includes the board approved 3.75% rate increase for the current fiscal year, this corresponds to the consumption data, which shows a decrease of nearly 2.85%. Staff believes the decrease is attributed to a reduction in residential consumption due to an unseasonable wet summer as well as seeing signs of recessionary constraints on commercial usage. Staff will continue to monitor consumption data as this has a direct effect on the District's current and future budgets.
- ◆ Cash received during the fiscal year is down 1.1%, which is attributed to collection patterns.
- ◆ The aging percentages show signs of outstanding accounts requiring additional time to collect. Staff will continue to monitor future quarters as this could have a cash flow effect on the District.
- ◆ The comparability of increased rates of billings, receivables, and payments indicates a good likelihood of all funds being remitted to MSD in a timely manner.

Staff Recommendation

None. Information only.

Action Taken

| | | | |
|----------------------------|----|---------|-------------------|
| Motion by: | to | Approve | Disapprove |
| Second by: | | Table | Send to Committee |
| Other: | | | |
| Follow-up required: | | | |
| Person responsible: | | | Deadline: |

City of Asheville Quarterly Billing Report

Meeting Date: May 19, 2010
Subject: Third Quarter City of Asheville Billing Report
 Page 2

| Billing Report Summary: | First Quarter FY09 | Second Quarter FY09 | Third Quarter FY09 | Fourth Quarter FY09 | First Quarter FY 10 | Second Quarter FY 10 | Third Quarter FY 10 | Fourth Quarter FY 10 | |
|---|-----------------------|------------------------|-----------------------|------------------------|------------------------|-------------------------|------------------------|-------------------------|---|
| Beginning Receivables | \$ 1,135,787 | \$ 1,077,751 | \$ 954,284 | \$ 885,554 | \$ 968,944 | \$ 1,037,070 | \$ 1,060,163 | \$ - | |
| Activity: | | | | | | | | | |
| Billings | 4,834,187 | 4,669,866 | 4,489,849 | 4,379,119 | 4,736,685 | 4,764,892 | 4,527,740 | - | Net Billings First Three Qtrs. FY 10 |
| Bad Debt Collected | (347) | 489 | 14,019 | 4,445 | 504 | 654 | 10,146 | - | Net Billings First Three Qtrs. FY 09 |
| Bad Debt Remitted | (539) | (456) | (13,967) | (4,445) | (230) | (381) | - | - | % Increase |
| Payments | (4,256,369) | (4,305,319) | (3,898,322) | (4,053,672) | (4,367,993) | (4,308,430) | (4,256,663) | - | |
| Payments Collected but not yet remitted | (583,813) | (334,309) | (503,279) | (160,278) | (235,863) | (330,942) | (245,025) | - | Net Payments First Three Qtrs. FY 10 |
| Adjustments | (51,156) | (153,739) | (157,028) | (47,207) | (64,977) | (102,699) | (101,350) | - | Net Payments First Three Qtrs. FY 09 |
| Total Activity | (58,036) | (123,467) | (68,729) | 117,962 | 68,126 | 23,093 | (65,152) | 0 | 13,882,212 |
| Bad Debt Write-off | | | | (34,572) | | | | | \$ (147,989) |
| Ending Receivables | \$ 1,077,751 | \$ 954,284 | \$ 885,554 | \$ 968,944 | \$ 1,037,070 | \$ 1,060,163 | \$ 995,011 | \$ - | % Decrease |
| Current Receivables <30 Days | \$ 931,544 | \$ 805,615 | \$ 747,949 | \$ 864,429 | \$ 873,738 | \$ 860,611 | \$ 758,339 | \$ - | A/R End of Third Qtr. FY 10 |
| Aged Receivables | | | | | | | | | A/R End of Third Qtr. FY 09 |
| 30 to 60 Days | \$ 70,643 | \$ 70,832 | \$ 76,878 | \$ 63,014 | \$ 77,142 | \$ 91,223 | \$ 120,278 | \$ - | 885,554 |
| Over 60 Days | 75,565 | 77,837 | 60,727 | 41,501 | 86,189 | 108,329 | 116,394 | - | \$ 109,457 |
| Total Over 30 Days | \$ 146,208 | \$ 148,669 | \$ 137,605 | \$ 104,515 | \$ 163,331 | \$ 199,552 | \$ 236,672 | \$ - | % Increase |
| Aging Percentages | | | | | | | | | 12.4% |
| Less than 30 Days | 86.43% | 84.42% | 84.46% | 89.21% | 84.25% | 81.18% | 76.21% | | |
| 30 to 60 Days | 6.55% | 7.42% | 8.68% | 6.50% | 7.44% | 8.60% | 12.09% | | |
| Over 60 Days | 7.01% | 8.16% | 6.86% | 4.28% | 8.31% | 10.22% | 11.70% | | |
| Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 0.00% | |

Metropolitan Sewerage District of Buncombe County BOARD INFORMATIONAL ITEM

Meeting Date: May 19, 2010
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, Director of Finance
Subject: Cash Commitment/Investment Report-Month Ended March 31, 2010

Background

Each month, staff presents to the Board an investment report for all monies in bank accounts and specific investment instruments. The total investments as of March 31, 2010 were \$50,457,210. The detailed listing of accounts is available upon request. The average rate of return for all investments is 1.537%. These investments comply with North Carolina General Statutes, Board written investment policies and the District's Bond Order.

The attached investment report represents cash and cash equivalents as of March 31, 2010 does not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of March 31, 2010 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is \$20,209,562.

| | |
|---|-------------------|
| Total Cash & Investments as of 3/31/2010 | 50,457,210 |
| Less: | |
| Budgeted Commitments (Required to pay remaining FY10 budgeted expenditures from unrestricted cash) | |
| Construction Funds | (13,927,071) |
| Operations & Maintenance Fund | (4,453,237) |
| | (18,380,308) |
| Bond Restricted Funds | |
| Bond Service (Funds held by trustee): | |
| Funds in Principal & Interest Accounts | (63,324) |
| Debt Service Reserve | (2,570,617) |
| Remaining Principal & Interest Due | (5,950,367) |
| | (8,584,308) |
| District Reserve Funds | |
| Fleet Replacement | (621,546) |
| WWTP Replacement | (882,166) |
| Maintenance Reserve | (806,159) |
| | (2,309,871) |
| Post-Retirement Benefit | (384,918) |
| Self-Funded Employee Medical | (588,243) |
| Designated for Capital Outlay | 20,209,562 |

Staff Recommendation

None. Information Only.

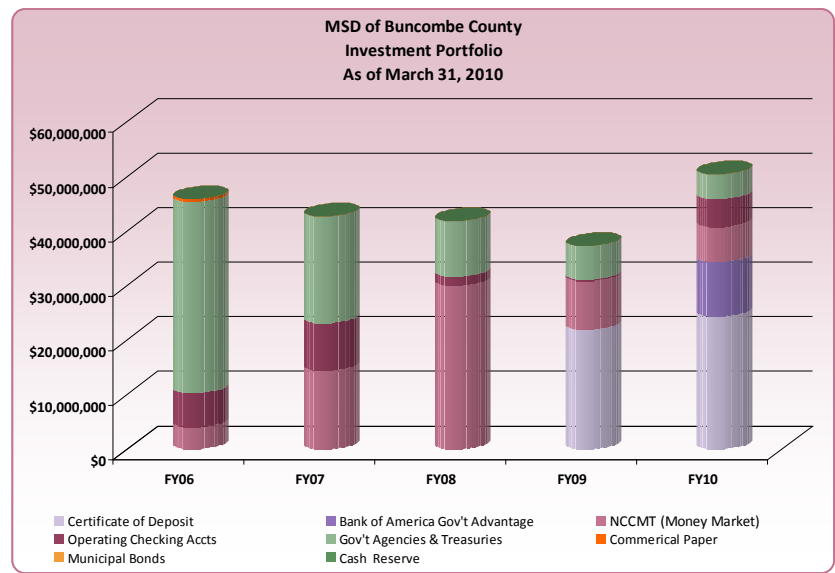
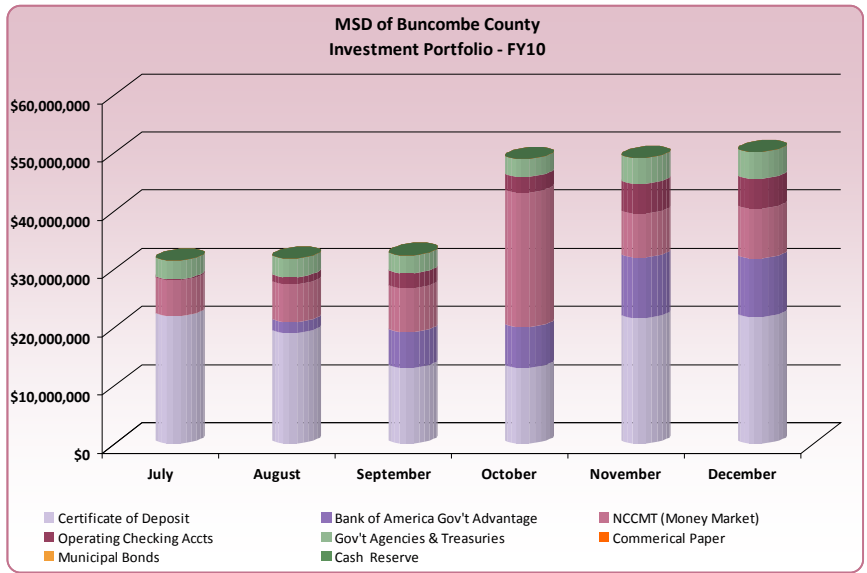
Action Taken

| | | | |
|----------------------------|----|---------|-------------------|
| Motion by: | to | Approve | Disapprove |
| Second by: | | Table | Send to Committee |
| Other: | | | |
| Follow-up required: | | | |
| Person responsible: | | | Deadline: |

Metropolitan Sewerage District of Buncombe County Investment Portfolio

| | Cash in Operating Checking Accounts | Bank of America Gov't Advantage | NCCMT (Money Market) | Certificate of Deposit | Commercial Paper | Municipal Bonds | Cash Reserve | Gov't Agencies & Treasuries | Total |
|-------------------------------|--|------------------------------------|-------------------------|---------------------------|---------------------|--------------------|-----------------|--------------------------------|---------------|
| Held with Bond Trustee | \$ - | | \$ 109,468 | | | | \$ - | \$ 2,524,473 | \$ 2,633,941 |
| Held by MSD | 5,140,162 | 10,005,786 | 6,250,708 | 24,414,733 | - | - | | 2,011,880 | 47,823,269 |
| | \$ 5,140,162 | \$ 10,005,786 | \$ 6,360,176 | \$ 24,414,733 | \$ - | \$ - | \$ - | \$ 4,536,353 | \$ 50,457,210 |

| Investment Policy Asset Allocation | Maximum Percent | Actual Percent |
|---|-----------------|----------------|
| U.S. Government Treasuries, Agencies and Instrumentalities | 100.00% | 8.99% |
| Bankers' Acceptances | 20.00% | 0.00% |
| Certificates of Deposit | 100.00% | 48.39% |
| Commercial Paper | 20.00% | 0.00% |
| North Carolina Capital Management | 100.00% | 12.61% |
| Checking Accounts | 100.00% | 30.02% |



Board Meeting

May 19, 2010

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2010

Page -3-

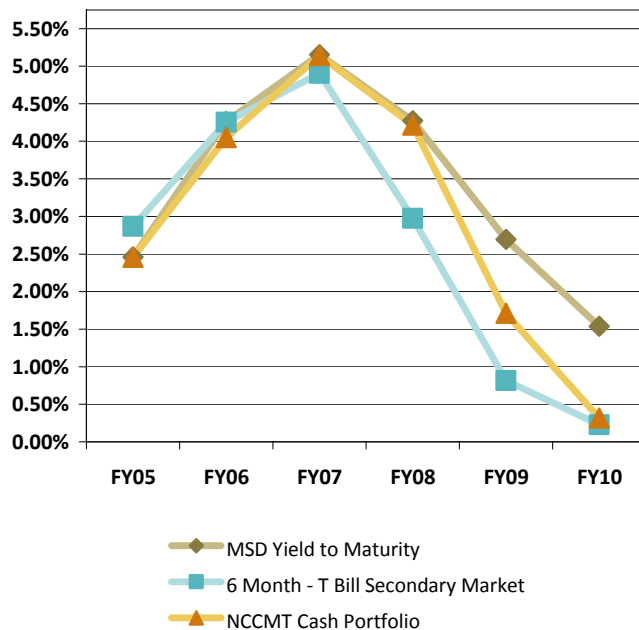
**METROPOLITAN SEWERAGE DISTRICT
INVESTMENT MANAGERS' REPORT
AT MARCH 31, 2010**

| Summary of Asset Transactions | | | |
|--------------------------------------|--------------------------|----------------------|--------------------------------|
| | Original Cost | Market | Interest Receivable |
| Beginning Balance | \$ 41,963,942 | \$ 41,981,442 | \$ 165,707 |
| Capital Contributed (Withdrawn) | 231,065 | 231,065 | |
| Realized Income | 50,224 | 50,224 | |
| Unrealized/Accrued Income | - | (5,620) | (4,477) |
| Ending Balance | <u>\$ 42,245,231</u> | <u>\$ 42,257,111</u> | <u>\$ 161,230</u> |

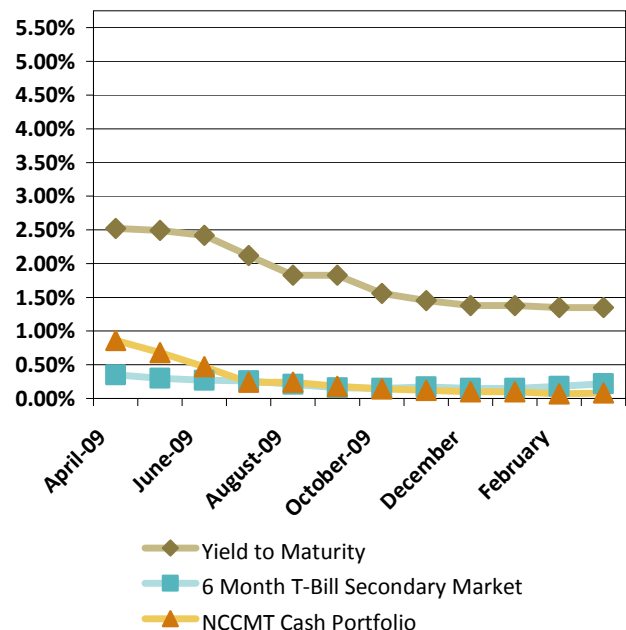
| Value and Income by Maturity | | |
|-------------------------------------|----------------------|------------------|
| | Original Cost | Income |
| Cash Equivalents <91 Days | \$ 15,830,498 | \$ 15,037 |
| Securities/CD's 91 to 365 Days | 24,414,733 | \$ 23,190 |
| Securities/CD's > 1 Year | 2,000,000 | \$ 1,900 |
| | <u>\$ 42,245,231</u> | <u>\$ 40,127</u> |

| Month End Portfolio Information | |
|--|----------|
| Weighted Average Maturity | 111 Days |
| Yield to Maturity | 1.35% |
| 6 Month T-Bill Secondary Market | 0.22% |
| NCCMT Cash Portfolio | 0.08% |

**Metropolitan Sewerage District
Annual Yield Comparison**



**Metropolitan Sewerage District
Yield Comparison - March 31, 2010**



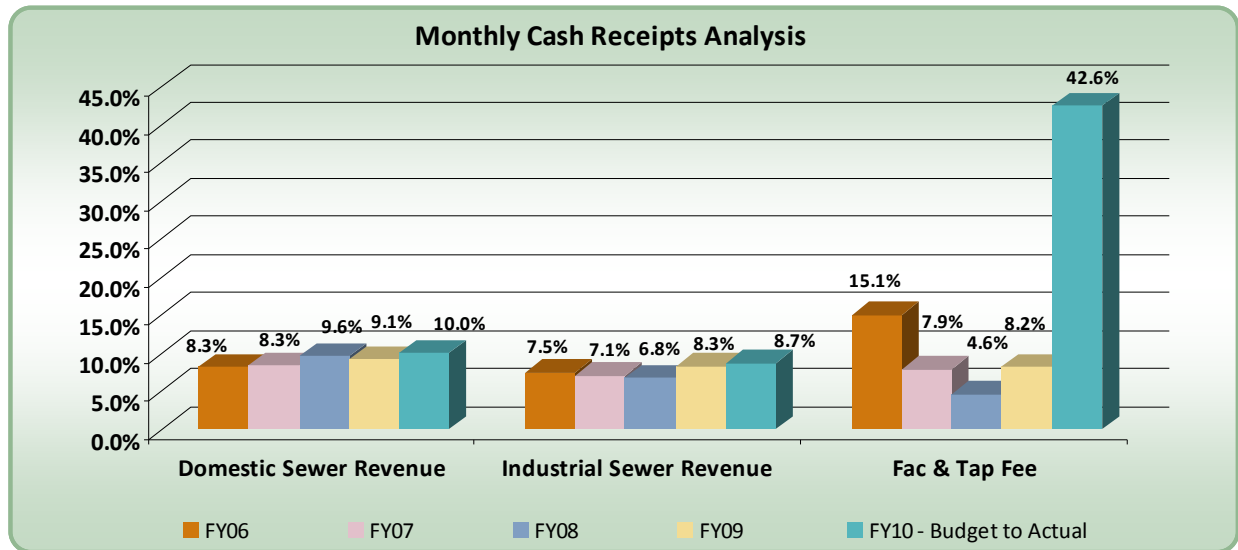
Board Meeting

May 19, 2010

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2010

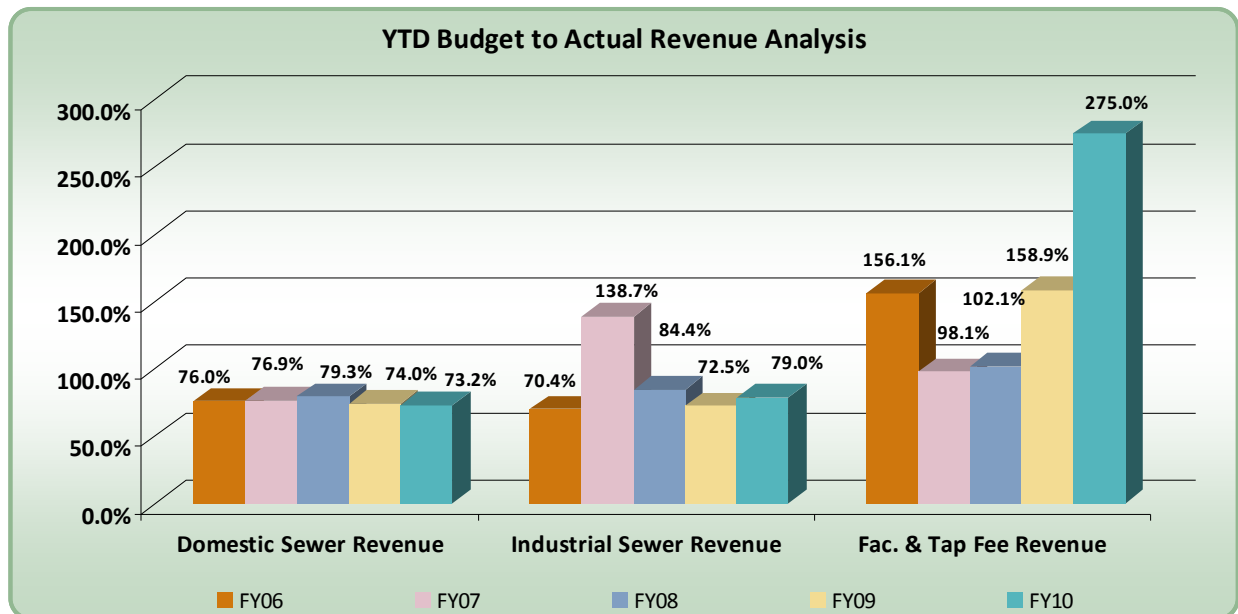
Page -4-

**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF CASH RECEIPTS
AS OF MARCH 31, 2010**



Monthly Cash Receipts Analysis:

- Monthly Domestic Sewer Revenue is higher due to timing of one cash receipt in the prior year.
- Monthly Industrial Sewer Revenue is considered reasonable based on historical trends.
- Due to the unpredictable nature of facility and tap fee revenue, staff budgets this revenue stream conservatively. Based on that, facility and tap fee revenue is considered reasonable.



YTD Budget to Actual Revenue Analysis:

- YTD Domestic Sewer Revenue is lower due to a wet summer as well as continuing recessionary pressures.
- YTD Industrial Sewer Revenue is considered reasonable based on historical trends.
- Due to the unpredictable nature of facility and tap fee revenue, staff budgets this revenue stream conservatively. Based on that facility and tap fee revenue is considered reasonable.

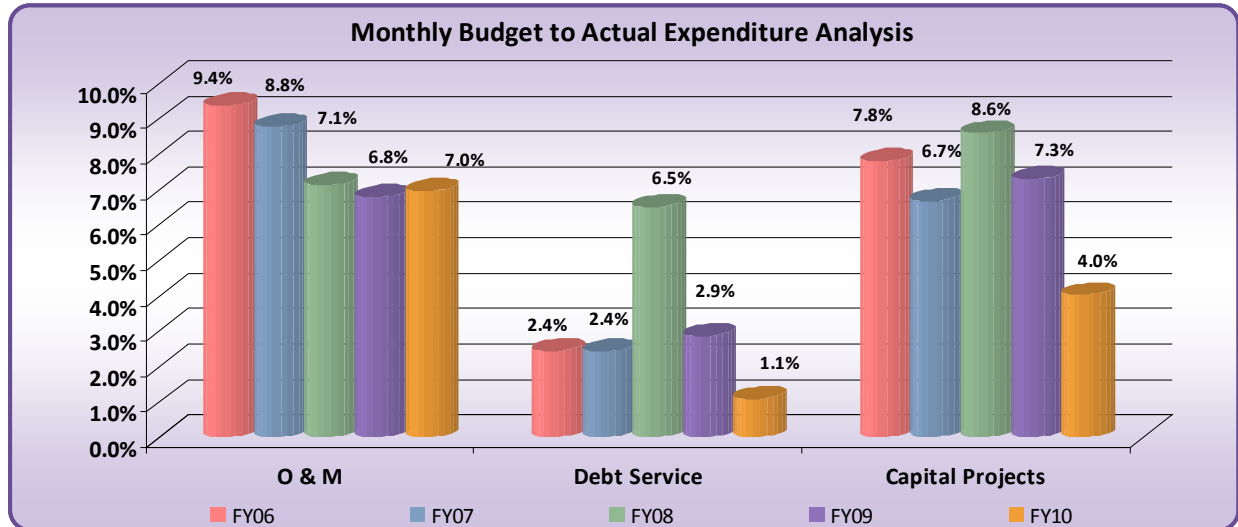
Board Meeting

May 19, 2010

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2010

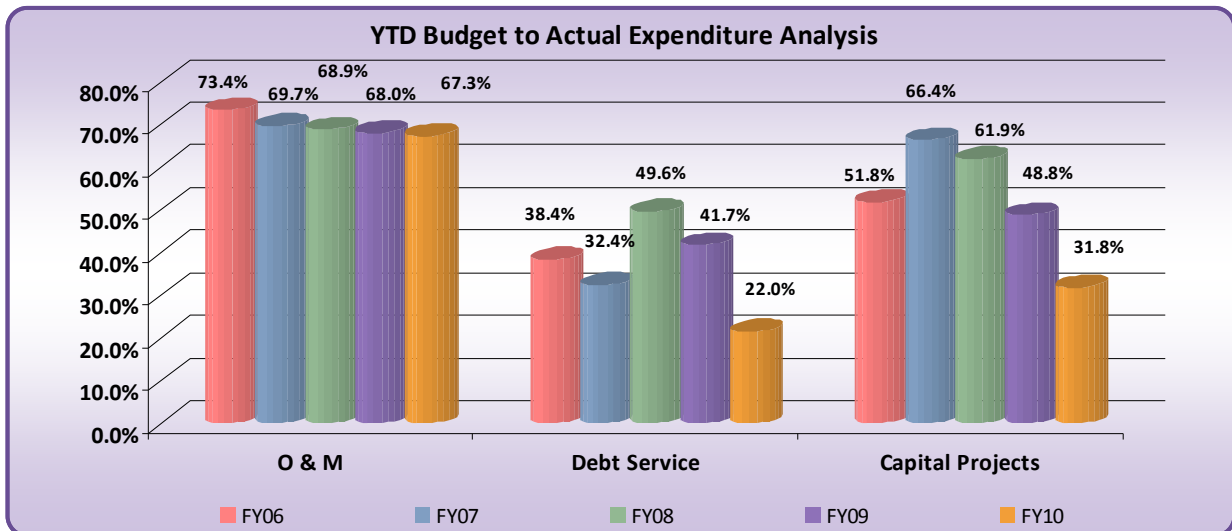
Page -5-

**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF EXPENDITURES
AS OF MARCH 31, 2010**



Monthly Budget to Actual Expenditure Analysis:

- ✦ Monthly O&M expenditures are considered reasonable based on historical trends.
- ✦ Due to the nature of the variable rate bond market, monthly expenditures can vary year to year. Based on current variable interest rates, monthly debt service expenditures are considered reasonable.
- ✦ Due to nature and timing of capital projects, monthly expenditures can vary from year to year. Based on the current outstanding capital projects, monthly capital project expenditures are considered reasonable.



YTD Budget to Actual Expenditure Analysis:

- ✦ YTD O&M expenditures are considered reasonable based on historical trends.
- ✦ Due to the nature of the variable rate bond market, YTD expenditures can vary year to year. Based on current variable interest rates, YTD debt service expenditures are considered reasonable.
- ✦ Due to nature and timing of capital projects, YTD expenditures can vary from year to year. Based on the current outstanding capital projects, YTD capital project expenditures are considered reasonable.

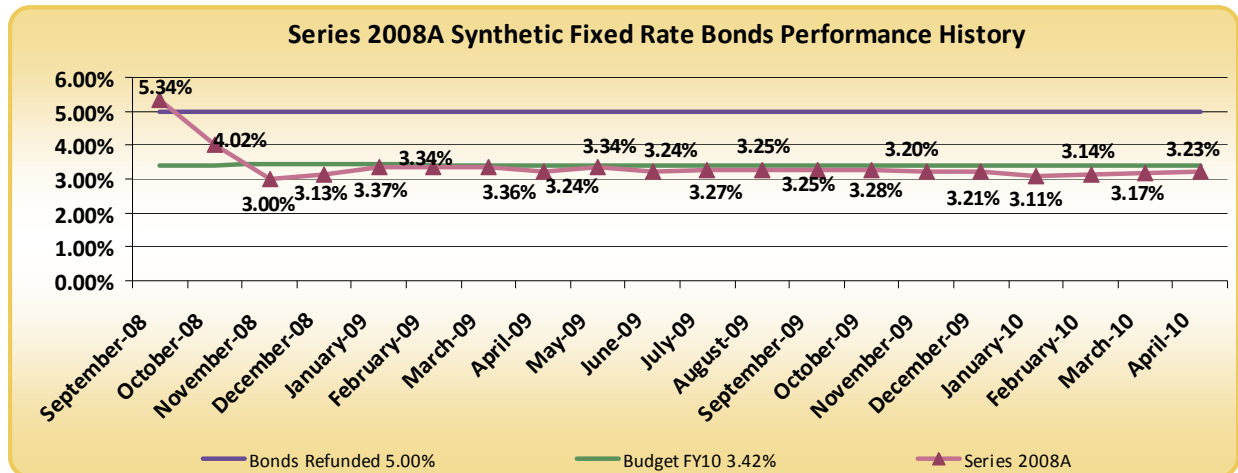
Board Meeting

May 19, 2010

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2010

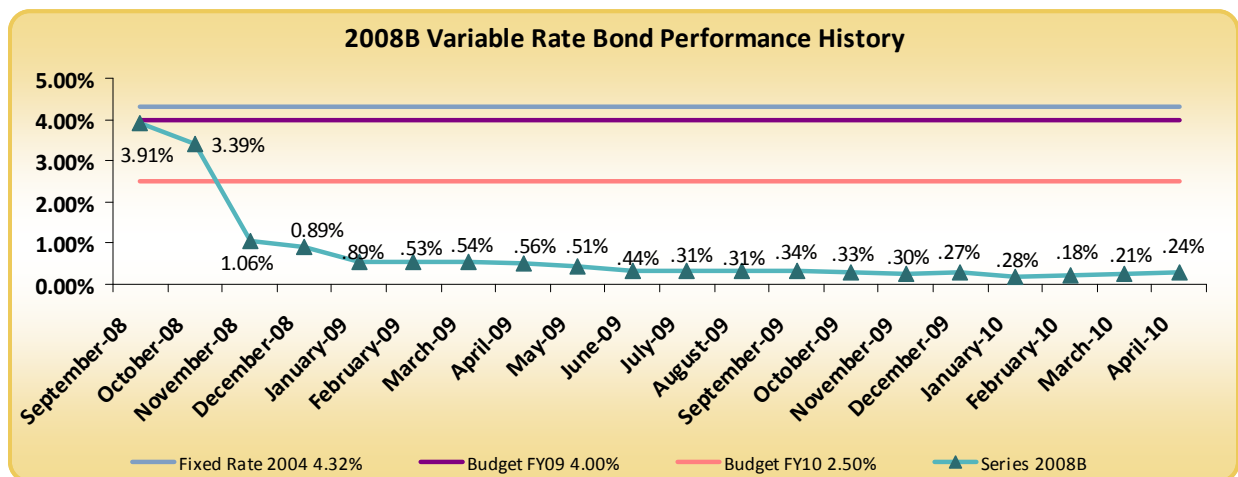
Page -6-

**METROPOLITAN SEWERAGE DISTRICT
Variable Debt Service Report
As of March 31, 2010**



Series 2008A:

- ◆ Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$1,025,584 as compared to 4/1 fixed rate of 4.83%.
- ◆ Assuming that the rate on the Series 2008A Bonds continues at the current all-in rate of 4.1675%, MSD will achieve cash savings of \$3,503,702 over the life of the bonds.
- ◆ MSD would pay \$2,700,000 to terminate the existing Bank of America Swap Agreement.



Series 2008B:

- ◆ Savings to date on the 2008B Variable Rate Bonds is \$1,456,949 as compared to 5/1 fixed rate of 4.32%.
- ◆ Since May 1, 2008, the Series 2008B Bonds average variable rate has been 0.93%.
- ◆ MSD will achieve \$7,530,000 in cash savings over the life of the bonds at the current average variable rate.

PRELIMINARY BUDGET
2010 - 2011

Metropolitan Sewerage District of Buncombe County BOARD ACTION ITEM

Meeting Date: May 19, 2010
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, Director of Finance
Subject: Proposed FY2011 Budget

Background

The District Budget process must comply with North Carolina General Statutes and the MSD Revenue Bond Order. The Bond order requires that the District adopt its final budget on or before June 15 of each year. The North Carolina General Statutes required that an annual balanced budget ordinance, based upon expected revenues, along with a budget message, to be presented to the governing board no later than June 1 of each year.

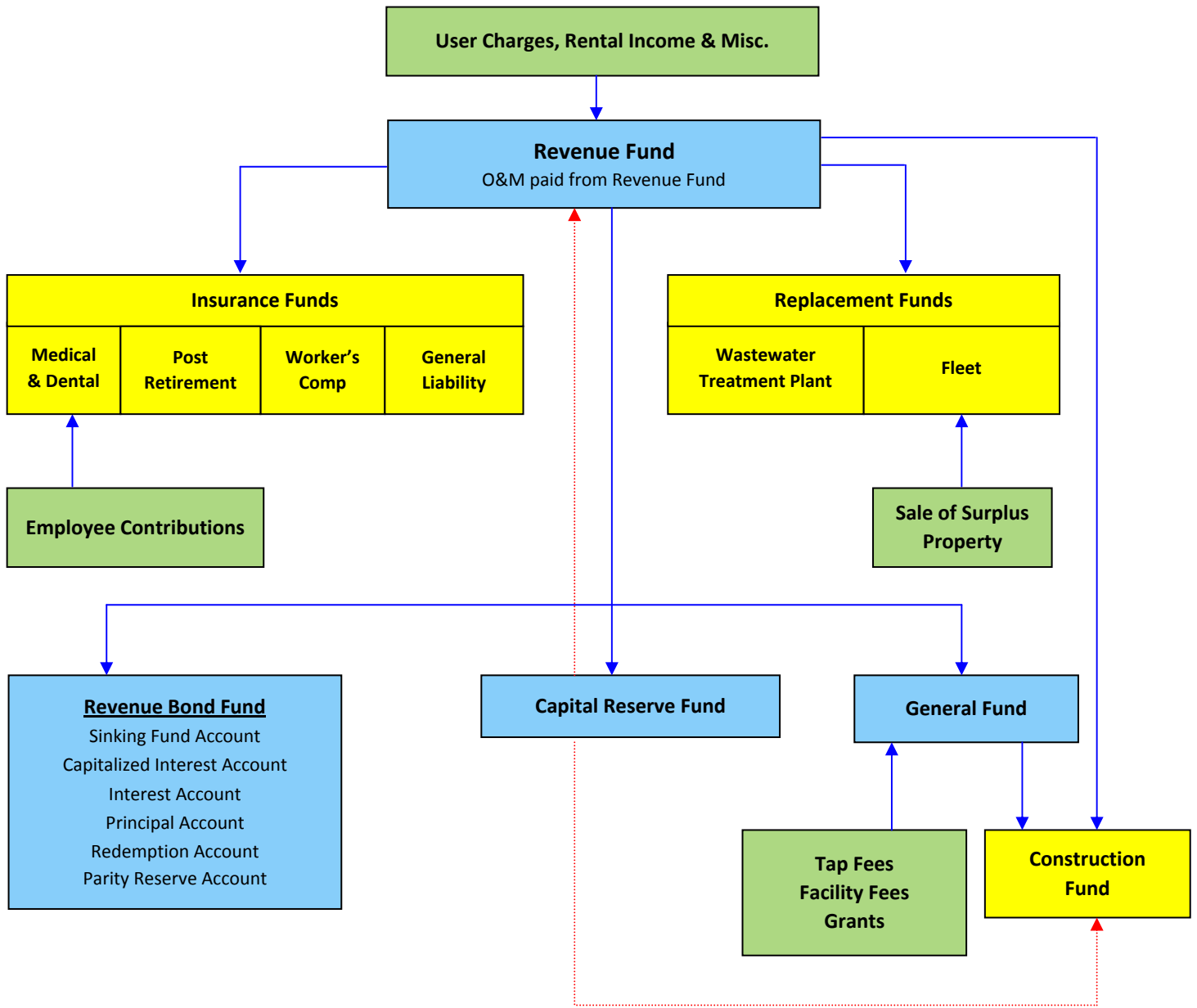
Staff/Committee Recommendation

The Finance Committee recommends to the Board the attached proposed FY 2011 Budget and Schedule Rates and Fees be considered today and adopted at the June 9, 2010 board meeting.

Action Taken

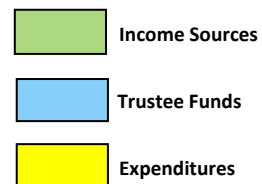
| | | | |
|----------------------------|----|---------|-------------------|
| Motion by: | to | Approve | Disapprove |
| Second by: | | Table | Send to Committee |
| Other: | | | |
| Follow-up required: | | | |
| Person responsible: | | | Deadline: |

Flow of Funds – Bond Order



Priority of expenditures per Bond Order

1. Current Expenditures
2. Debt Service
3. Capital Reserve
4. Any Lawful Purpose



————— Flow of Funding

..... Flow of Funding if required for emergency repairs or maintenance

**RESOLUTION ADOPTING PRELIMINARY BUDGET AND SEWER USE CHARGES
FOR THE
METROPOLITAN SEWERAGE DISTRICT
OF BUNCOMBE COUNTY, NORTH CAROLINA
FOR THE FISCAL YEAR JULY 1, 2010 THRU JUNE 30, 2011**

WHEREAS, the Board of Directors has reviewed the Operations and Maintenance, Bond, Reserves, and Construction Expenditures of the District and the sources of revenue and allocations (uses) of expenditures for the 2010-2011 fiscal year; and

NOW, THEREFORE, BE IT RESOLVED:

1. The following amounts are hereby appropriated in the Revenue Fund for the Operations and Maintenance of the District and for transfers to the debt service and general funds for the fiscal year beginning July 1, 2010 and ending June 30, 2011:

| | |
|--|---------------------|
| Operating and Maintenance Expenses | \$11,094,890 |
| Transfer to insurance accounts | 2,625,256 |
| Transfer to Fleet Replacement Reserve | 200,000 |
| Transfer to Wastewater Treatment Plant Reserve | <u>50,000</u> |
| Subtotal O&M | 13,970,146 |
| Transfer to Debt Service Fund | 8,577,769 |
| Transfer to General Fund | <u>7,100,000</u> |
| | <u>\$29,647,915</u> |

It is estimated that the following revenues will be available in the Revenue Fund for the fiscal year beginning July 1, 2010 and ending June 30, 2011:

| | |
|---|---------------------|
| Domestic User Fees | \$23,654,586 |
| Industrial User Fees | 1,562,644 |
| Billing and Collection Fees | 645,243 |
| Investment Interest | 483,374 |
| Reimbursement for Debt Service from COA | 37,000 |
| Rental Income | 16,560 |
| Appropriated Net Assets | <u>3,248,508</u> |
| | <u>\$29,647,915</u> |

2. The following amounts are hereby appropriated in the General Fund for the transfers to the construction fund for the fiscal year beginning July 1, 2010 and ending June 30, 2011:

| | |
|----------------------------|----------------------|
| Transfer into construction | <u>\$ 14,671,570</u> |
|----------------------------|----------------------|

It is estimated that the following revenues will be available in the General Fund for the fiscal year beginning July 1, 2010 and ending June 30, 2011:

| | |
|-------------------------------|----------------------|
| Facility and Tap Fees | \$ 903,750 |
| Investment Income | 195,324 |
| Transferred from Revenue Fund | 7,100,000 |
| Appropriated Net Assets | <u>6,472,496</u> |
| | <u>\$ 14,671,570</u> |

3. The following amounts are hereby appropriated in the Construction Fund for Capital Improvement Plan expenditures for the fiscal year beginning July 1, 2010 and ending June 30, 2011.

| | |
|-------------------------------|----------------------|
| Capital Improvements Projects | <u>\$ 22,156,071</u> |
|-------------------------------|----------------------|

It is estimated that the following revenues will be available to the Construction Fund for the Fiscal year beginning July 1, 2010 and ending June 30, 2011.

| | |
|----------------------------|----------------------|
| Investment Income | \$ 75,000 |
| Transfer from General Fund | 14,671,570 |
| Appropriated Net Assets | <u>7,409,501</u> |
| | <u>\$ 22,156,071</u> |

4. The following amounts are presented as the financial plan for the Internal Service Funds used to provide insurance services. Estimated operating expenditures for the fiscal year beginning July 1, 2010 and ending June 30, 2011 are:

| | |
|------------------------|--------------------|
| Operating expenditures | <u>\$2,991,670</u> |
|------------------------|--------------------|

It is estimated that the following revenues will be available in the Insurance Fund for the fiscal year beginning July 1, 2010 and ending June 30, 2011:

| | |
|------------------------------------|--------------------|
| Transfer in from the Revenue Fund | \$2,625,256 |
| Investment income | 23,950 |
| Employee health insurance premiums | 368,361 |
| Contributions to Net Assets | <u>(25,897)</u> |
| | <u>\$2,991,670</u> |

5. The following amounts are presented as the Financial Plan in the Fleet Replacement Fund for the Internal Service Fund serving as capital equipment expenditures for the fiscal year beginning July 1, 2010 and ending June 30, 2011 are estimated as follows::

| | |
|-------------------|-------------------|
| Capital equipment | <u>\$ 400,000</u> |
|-------------------|-------------------|

It is estimated that the following revenues will be available in the Fleet Replacement Fund for the fiscal year beginning July 1, 2010 and ending June 30, 2011:

| | |
|-----------------------------------|-------------------|
| Transfer in from the Revenue Fund | \$ 200,000 |
| Sale of surplus property | 60,000 |
| Investment income | 10,500 |
| Appropriated Net Assets | <u>129,500</u> |
| | <u>\$ 400,000</u> |

6. The following amounts are presented as the Financial Plan in the Wastewater Treatment Plant Replacement Fund for the internal service fund designated as expenditures for the fiscal year beginning July 1, 2010 and ending June 30, 2011 are estimated as follows:

| | |
|-------------------|-------------------|
| Capital equipment | <u>\$ 200,000</u> |
|-------------------|-------------------|

It is estimated that the following revenues will be available in the Wastewater Treatment Plant Replacement Fund for the fiscal year beginning July 1, 2010 and ending June 30, 2011:

| | |
|-----------------------------------|-------------------|
| Transfer in from the Revenue Fund | \$ 50,000 |
| Investment income | 13,153 |
| Appropriated Net Assets | <u>136,847</u> |
| | <u>\$ 200,000</u> |

7. The following amounts are hereby appropriated in the Debt Service Fund for principal and interest payments for the fiscal year beginning July 1, 2010 and ending June 30, 2011:

| | |
|--------------|---------------------|
| Debt Service | <u>\$ 8,577,769</u> |
|--------------|---------------------|

It is estimated that the following revenues will be available in the Debt Service Fund for the fiscal year beginning July 1, 2010 and ending June 30, 2011:

| | |
|-----------------------------------|---------------------|
| Transfer in from the Revenue Fund | \$ 8,577,769 |
| Investment Income | 500 |
| Contribution to Net Assets | <u>(500)</u> |
| | <u>\$ 8,577,769</u> |

8. That the Board of the Metropolitan Sewerage District does hereby approve an increase in the Budgets to the amount necessary to reflect any contributions to the Debt Service Reserve Fund or Capital Reserve Fund as determined by the Bond Trustee to be necessary to comply with covenants in the Bond Order.
9. The General Manager is hereby authorized to transfer appropriations as contained herein under the following conditions:
- a. He may transfer amounts without limitation between departments in a fund.
 - b. He may transfer any amounts within debt service and reserve funds designated as excess by the Trustee into another fund.
10. That the attached schedule of fees and charges be adopted as effective July 1, 2010.
11. That this resolution shall be entered in the minutes of the District and within five (5) days after its adoption, copies thereof are ordered to be filed with the Finance and Budget Officer and Secretary of the Board as required by G.S. 159-13 (d).

Adopted this 19th day of May 2010.

Steven T. Aceto, Chairman
Metropolitan Sewerage District of
Buncombe County, North Carolina

Attest:

Jackie Bryson
Secretary/Treasurer

Schedule of Rates & Fees – FY 2011

| | CURRENT FY 10 RATE | PROPOSED FY11 RATE |
|--|-----------------------|-----------------------|
| Rate increase | 3.75% | 3.50% |
| Average Monthly Sewer Charge (Without Billing Charges) | \$ 23.81 | \$ 24.66 |
| Average Monthly Sewer Charge (With 1/2 Billing Charges-COA example) | \$ 24.84 | \$ 25.72 |
| Collection Treatment Charge | | |
| Residential & Commercial Volume Charges (per CCF) Inside | \$ 3.64 | \$ 3.77 |
| Industrial Volume Charges (per CCF) Inside | \$ 2.270 | \$ 2.515 |
| Industrial Surcharge for BOD (per lb., BOD >180 mg/l) Inside | \$ 0.378 | \$ 0.363 |
| Industrial Surcharge for TSS (per lb., TSS >180 mg/l) Inside | \$ 0.281 | \$ 0.276 |
| Residential & Commercial Volume Charges (per CCF) Outside | \$ 3.65 | \$ 3.78 |
| Industrial Volume Charges (per CCF) Outside | \$ 2.280 | \$ 2.525 |
| Industrial Surcharge for BOD (per lb., BOD >180 mg/l) Outside | \$ 0.378 | \$ 0.363 |
| Industrial Surcharge for TSS (per lb., TSS >180 mg/l) Outside | \$ 0.281 | \$ 0.276 |
| Base Meter/Maintenance Charge & Billing Fee | | |
| 5/8" | \$ 5.61 | \$ 5.81 |
| 3/4" | \$ 8.17 | \$ 8.46 |
| 1" | \$ 14.47 | \$ 14.98 |
| 1 1/2" | \$ 33.17 | \$ 34.33 |
| 2" | \$ 58.68 | \$ 60.73 |
| 3" | \$ 130.12 | \$ 134.67 |
| 4" | \$ 232.17 | \$ 240.30 |
| 6" | \$ 523.01 | \$ 541.32 |
| 8" | \$ 928.69 | \$ 961.19 |
| 10" | \$ 1,454.26 | \$ 1,505.16 |
| Billing Fee (per bill) | \$ 2.05 | \$ 2.11 |
| Sewer Facility Fees | | |
| Residential | | |
| Per Unit (non-mobile home) | \$ 1,900 | \$ 2,200 |
| Mobile Home | \$ 1,320 | \$ 1,530 |
| Affordable Housing | \$ 490 | \$ 580 |
| Nonresidential (modifiable per economic development waiver) | | |
| 5/8" | \$ 1,900 | \$ 2,200 |
| 3/4" | \$ 2,200 | \$ 2,500 |
| 1" | \$ 4,200 | \$ 4,900 |
| 1 1/2" | \$ 8,600 | \$ 10,000 |
| 2" | \$ 15,200 | \$ 17,600 |
| 3" | \$ 34,200 | \$ 39,600 |
| 4" | \$ 66,500 | \$ 77,000 |
| 6" | \$ 158,200 | \$ 191,800 |
| 8" | \$ 180,500 | \$ 209,000 |
| Additions < 1,400 GPD | \$ 660 | \$ 765 |

Note: Facility fees being raised to actual allocated cost at March 2006 over 5 years.

Schedule of Rates & Fees – FY 2011 (continued)

| | CURRENT FY 10 RATE | PROPOSED FY11 RATE |
|--|-----------------------|-----------------------|
| Sewer Tap Fees | | |
| Tap installed by MSD | \$ 600 | \$ 600 |
| Additional Charge for Pavement Disturbance | \$ 2,200 | \$ 2,200 |
| Additional Charge for Boring | N/A | N/A |
| Refund if Boring avoids pavement disturbance | \$ (1,300) | \$ (1,300) |
| Inspection Fee for Developer-Installed Tap | \$ 140 | \$ 140 |
| Manhole Installation/Replacement | | |
| Cost per foot | \$ 250 | \$ 250 |
| Pavement replacement (if required) | \$ 1,800 | \$ 1,800 |
| Other Fees | | |
| Allocation Fee | \$ 170 | \$ 170 |
| Non-Discharge Permit | \$ 200 | \$ 200 |
| Plan Review Fee | \$ 400 | \$ 450 |
| Plan re-review Fee | \$ 350 | \$ 350 |
| Final Inspection | \$ 350 | \$ 350 |
| Pump Station Acceptance Fee | Note 1 | Note 1 |
| Note 1-- See policy for details of computation of O&M and equipment replacement costs for upcoming 20 years; | | |
| 50% discount for affordable housing | | |
| Bulk Charges | | |
| Volume Charge for Septic Haulers (per 1000 Gal.) | \$ 45.00 | \$ 45.00 |
| Biochemical Oxygen Demand > 170 mg/l (per lb.) | \$ 0.378 | \$ 0.363 |
| Total Suspended Solids >170 mg/l (per lb.) | \$ 0.281 | \$ 0.278 |
| Returned Check Charge | | |
| Returned Check (per event) | \$ 25.00 | \$ 25.00 |
| Dishonored Draft (per event) | \$ 25.00 | \$ 25.00 |
| Copy and Printing Fees (each) | | |
| 8x11 first print of standard GIS inquiry | \$ 1.00 | \$ 1.00 |
| 8x14 first print of standard GIS inquiry | \$ 1.00 | \$ 1.00 |
| 11x17 first print of standard GIS inquiry | \$ 2.00 | \$ 2.00 |
| 24x36 first print of standard GIS inquiry | \$ 7.00 | \$ 7.00 |
| 34x44 first print of standard GIS inquiry | \$ 12.00 | \$ 12.00 |
| 36x48 first print of standard GIS inquiry | \$ 14.00 | \$ 14.00 |
| 8x11, 8x14 and 11x17 copies after first print | N/A | N/A |
| 8x11 or 8x14 copies after first print | \$ 0.11 | \$ 0.11 |
| 11x17 copies after first print | \$ 0.20 | \$ 0.20 |
| 24x36 copies after first print | \$ 0.94 | \$ 0.94 |
| 34x44 copies after first print | \$ 1.76 | \$ 1.76 |
| 36x48 copies after first print | \$ 2.03 | \$ 2.03 |
| Foam Core mounting per sq. foot | \$ 3.00 | \$ 3.00 |
| Data CD | \$ 30.00 | \$ 30.00 |
| Shipping for CD | \$ 5.00 | \$ 5.00 |

CAPITAL IMPROVEMENT PROGRAM

STATUS REPORT SUMMARY

May 10, 2010

| PROJECT | CONTRACTOR | AWARD DATE | NOTICE TO PROCEED | *COMPLETION DATE | *CONTRACT AMOUNT | *COMPLETION STATUS (WORK) | COMMENTS |
|--|------------------------|------------|-------------------|------------------|------------------|---------------------------|---|
| DELANO ROAD - 4 INCH MAINLINE | Terry Brothers | 4/21/2010 | 4/28/2010 | 7/27/2010 | \$113,582.00 | 0% | Informal Construction has begun and a lot of rock has been encountered. |
| EASTWOOD AVENUE @ OLD U.S. 70 | T & K Utilities | 9/16/2009 | 12/2/2009 | 5/31/2010 | \$165,330.00 | 98% | Informal Project is complete, awaiting final inspection. |
| FOREST HILL DRIVE #1 (PRP 11006) | T & K Utilities | 2/17/2010 | 3/29/2010 | 7/27/2010 | \$147,653.00 | 0% | Formal Contractor has mobilized on site. |
| FOREST HILL DRIVE #2 (PRP 11005) | T & K Utilities | 2/17/2010 | 3/29/2010 | 7/27/2010 | \$68,590.00 | 0% | Formal No work has begun yet. |
| MARTEL LANE @ PENLEY AVENUE | TBA | TBA | TBA | TBA | TBA | 0% | Informal Bid opening scheduled for May 20th. |
| MIDDLE BEAVERDAM CREEK INTERCEPTOR | Moore & Son | 7/15/2009 | 8/31/2009 | 2/27/2010 | \$777,154.41 | 80% | Formal 30-inch and 18-inch mainline construction is complete. 12-inch mainline construction along Merrimon Avenue is slow due to rock excavation. |
| MORRIS STREET @ TALMADGE STREET | TBA | TBA | TBA | TBA | TBA | 0% | Formal Bid opening scheduled for May 20th. |
| REEMS CREEK MASTER PLAN EXTENSION PHASE II | Dillard Excavating Co. | N/A | N/A | 7/3/2010 | \$198,621.99 | 20% | Construction by developer. MSD cost participation is \$198,621.99. Mainline construction is in progress. |
| RIVERSIDE DRIVE @ WESTOVER DRIVE | Terry Brothers | 4/21/2010 | 4/28/2010 | 7/27/2010 | \$92,121.00 | 0% | Informal No work has begun yet. |
| TOWN BRANCH INTERCEPTOR | BC&D Associates | 8/19/2009 | 9/21/2009 | 2/18/2010 | \$726,875.00 | 28% | Formal Contractor has progressed 155 feet in the second bore (still digging by hand). Bore will transition to tunnel liner plates after approval from RR is received. |
| U.S. HIGHWAY 70 @ NEIL PRICE AVENUE, PHASES I AND II B | Buckeye Construction | 12/16/2009 | 1/18/2010 | 7/16/2010 | \$247,582.70 | 85% | Formal Mainline construction is complete. Grouting contractor scheduled for next week. |
| WRF - INTERMEDIATE PUMPING REPLACEMENT | Hickory Construction | 7/15/2009 | 8/19/2009 | 8/19/2010 | \$1,690,788.00 | 30% | Formal Construction for primary feed has begun. Demolition of re-circulation pumps ongoing. Performance testing at plant complete for control panels. |

*Updated to reflect approved Change Orders and Time Extensions

Planning and Development Projects
Status Report May 19, 2010

| Status | Project Name | Project Number | Work Location | Units | LF | Pre-Construction Conference Date | Comments |
|--------|--------------------------------|----------------|----------------|-------|-------|----------------------------------|---------------------------------------|
| | Gene Bradley Subdivision | 2004022 | Fletcher | 9 | 420 | 3/3/2005 | Complete-Waiting on final documents |
| | Davidson Road Sewer Extension | 2004154 | Asheville | 3 | 109 | 12/15/2004 | Complete-Waiting on final documents |
| | Riverbend Urban Village | 2004206 | Asheville | 260 | 1250 | 8/29/2006 | Complete-Waiting on final documents |
| | N. Bear Creek Road Subdivision | 2005137 | Asheville | 20 | 127 | 7/11/2006 | Complete - Waiting on final documents |
| | Willowcreek Village Ph.3 | 2003110 | Asheville | 26 | 597 | 4/21/2006 | Complete - Waiting on final documents |
| | Rock Hill Road Subdivision | 2005153 | Asheville | 2 | 277 | 8/7/2006 | Complete - Waiting on final documents |
| | Ken Higgins | 1999153 | Asheville | - | 240 | 6/15/2007 | Complete - Waiting on final documents |
| | Byrd Street Condos | 2007085 | Asheville | 14 | 300 | 7/31/2007 | Complete - Waiting on final documents |
| | MWB Sewer Extension | 2008046 | Asheville | Comm. | 285 | 5/12/2008 | Complete - Waiting on final documents |
| | The Cottages on Liberty Green | 2007297 | Asheville | 7 | 124 | 5/30/2008 | Complete - Waiting on final documents |
| | Haw Creek Tract | 2006267 | Asheville | 49 | 1,817 | 10/16/2007 | Complete - Waiting on final documents |
| | Haywood Village | 2007172 | Asheville | 55 | 749 | 7/15/2008 | Complete - Waiting on final documents |
| | Oak Crest Place | 2004056 | West Asheville | 27 | 791 | 12/3/2004 | Complete - Waiting on final documents |
| | Buncombe County Animal Shelter | 2007216 | Asheville | Comm. | 78 | 5/1/2008 | Complete - Waiting on final documents |
| | Lodging at Farm (Gottfried) | 2008169 | Candler | 20 | 45 | 6/2/2009 | Complete - Waiting on final documents |
| | Camp Dorothy Walls - Ph. 1 | 2007294 | Black Mtn. | Comm. | 593 | 6/16/2009 | Complete - Waiting on final documents |
| | Momentum Health Adventure | 2008097 | Asheville | Comm. | 184 | 8/19/2009 | Complete - Waiting on final documents |
| | Forest Manor Complex | 2088050 | Asheville | Comm. | 96 | 12/4/2008 | Complete - Waiting on final documents |
| | Honeysuckle Breeze | 2007246 | Asheville | 5 | 70 | 9/22/2009 | Complete - Waiting on final documents |
| | North Point Baptist Church | 2008105 | Weaverville | Comm. | 723 | 5/20/2009 | Complete - Waiting on final documents |
| | Ridgefield Business Park | 2004188 | Asheville | 18 | 758 | 2/16/2005 | Complete-Waiting on final documents |
| | | | Subtotal | 515 | 9,633 | | |

Planning and Development Projects
Status Report May 19, 2010

| Status | Project Name | Project Number | Work Location | Units | LF | Pre-Construction Conference Date | Comments |
|--------|-------------------------------------|----------------|----------------|-------|--------|----------------------------------|---|
| | Crayton Creek Green | 2006282 | Asheville | 10 | 482 | 3/15/2007 | New developer & Engineer, ready for final |
| | Grove Park Cove Subdivision | 2004101 | Asheville | 14 | 1122 | 6/28/2006 | Pre-con held ready for construction |
| | The Settings (6 Acre Outparcel) | 2004192 | Black Mountain | 21 | 623 | 3/15/2006 | Ready for final inspection |
| | McGinnis Sewer Extension | 2004225 | Asheville | 9 | 48 | 5/19/2005 | In redesign. |
| | Falcon Ridge | 2004240 | Asheville | 38 | 3,279 | 10/11/2006 | Ready for final inspection |
| | Waightstill Mountain PH-8 | 2006277 | Arden | 66 | 3,387 | 7/26/2007 | testing / in foreclosure |
| | Artisan Park | 1998125 | West Asheville | 133 | 4,529 | 4/26/2001 | Changed Engineer - work to restart soon |
| | Brookside Road Relocation | 2008189 | Black Mtn | n/A | 346 | 1/14/2009 | Pre-con held, ready for construction |
| | Scenic View | 2006194 | Asheville | 48 | 534 | 11/15/2006 | Ready for final inspection |
| | Ingles | 2007214 | Black Mtn. | Comm. | 594 | 3/4/2008 | Ready for final inspection |
| | Bartram's Walk | 2007065 | Asheville | 100 | 10,077 | 7/28/2008 | testing |
| | Morgan Property | 2008007 | Candler | 10 | 1,721 | 8/11/2008 | Pre-con held, ready for construction |
| | Village at Bradley Branch - Ph. III | 2008076 | Asheville | 44 | 783 | 8/8/2008 | Ready for final inspection |
| | Versant Phase I | 2007008 | Woodfin | 64 | 12,837 | 2/14/2007 | Ready for final inspection |
| | Canoe Landing | 2007137 | Woodfin | 4 | 303 | 5/12/2008 | Ready for construction |
| | Central Valley | 2006166 | Black Mtn | 12 | 472 | 8/8/2007 | Punchlist pending |
| | Kenilworth Cottages | 2008031 | Asheville | 11 | 177 | 5/12/2008 | Ready for construction |
| | CVS-Acton Circle | 2005163 | Asheville | 4 | 557 | 5/3/2006 | Ready for final inspection |
| | Hamburg Mountain Phase 3 | 2004086 | Weaverville | 13 | 844 | 11/10/2005 | Ready for final inspection |
| | UNCA New Science Building | 2005039 | Asheville | 5 | 538 | 10/28/2005 | Ready for final inspection |
| | Bostic Place Sewer Relocation | 2005102 | Asheville | 3 | 88 | 8/25/2005 | Ready for final inspection |
| | Kyfields | 2003100 | Weaverville | 35 | 1,118 | 5/10/2004 | Ready for final inspection |
| | Brotherton (Habitat) | 2009079 | West Asheville | 23 | 735 | 1/24/2003 | New engineer & developer under constr. |
| | Teems Road Subdivision | 2007143 | Asheville | 40 | 1,308 | 5/27/2008 | Ready for construction |
| | Thom's Estate | 2006309 | Asheville | 40 | 3,422 | 1/24/2008 | testing |
| | Thom's Estate - Phase II | 2008071 | Asheville | 40 | 3,701 | 6/10/2008 | testing |
| | Skyland Apartments | 2007117 | Arden | 63 | 96 | 4/23/2008 | Installing |
| | Berrington Village Apartments | 2008164 | Asheville | 308 | 4,690 | 5/5/2009 | Installing |
| | Cottonwood Townhomes | 2009110 | Black Mtn. | 8 | 580 | 10/20/2009 | Installing |
| | Mission Hospitals (Victoria Road) | 2009022 | Asheville | Comm. | 532 | 2/12/2010 | Installing |
| | Lutheridge - Phase I | 2009112 | Arden | Comm. | 330 | 3/16/2010 | Ready for final inspection |
| | The Villages at Crest Mountain | 2009049 | Asheville | 63 | 1,364 | 9/9/2009 | Pre-con held, ready for construction |
| | Carolina Hand Surgery | 2009063 | Asheville | Comm. | 298 | 10/7/2009 | Testing |
| | Graylyn Hills | 2008108 | Asheville | 4 | 176 | 2/12/2010 | Pre-con held, ready for construction |
| | Family Dollar - U.S. 70 | 2009113 | Swannanoa | Comm. | 40 | 4/29/2010 | Pre-con held, ready for construction |
| | CVS- Weaverville Hwy | 2006301 | Woodfin | Comm. | 59 | 8/18/2009 | Testing |
| | Camp Dorothy Walls - Ph. 2 | 2007294 | Black Mtn. | Comm. | 593 | 6/16/2009 | Pre-con held, ready for construction |
| | The Settings at Blk Mtn. - Ph. 3 | 2006297 | Black Mtn. | 45 | 3,906 | 4/22/2010 | Installing |
| | | | Subtotal | 1988 | 82,535 | | |
| | | | Total Units: | 2,503 | | | |
| | | | Total LF: | | 92,168 | | |

***Right of Way Section
3rd Quarter Summary
Open Projects***

| <i>Project</i> | <i>Total ROW Budget</i> | <i>Total Expends to Date</i> | <i>Comment</i> |
|---|------------------------------------|---|--|
| Crockett Road PRP | \$17,109 | \$26,878 | Access 100% complete with 157% of Total Budget expended to date. One condemnation filed with judgment pending. Appraisal reflects higher market values than tax values. Additionally, existing trench could not be used due to structures, thereby encumbering new area. |
| Cub Road Sewer Replacement | \$18,472 | \$9,354 | Project 100% complete with 51% of Total Budget expended and no condemnations. |
| Dingle Creek Interceptor (formerly Ph II) | \$64,657 | \$48,004 | Access 100% complete with 74% of Total Budget expended to date. One condemnation filed with judgment pending. |
| Elk Park Drive PRP 35001 | \$33,886 | \$1,116 | Access 5% complete with 3% of Total Budget expended to date. |
| Forest Hill Drive #2 PRP | \$85,404 | \$70,376 | Access 100% complete with 82% of Total Budget expended to date. Two condemnations filed with judgments pending. |
| Forest Ridge Road GSR | \$16,045 | \$6,045 | Project 100% complete with 38% of Total Budget expended and no condemnations. |
| Long Shoals Road PRP | \$340,584 | \$213,591 | Access 100% complete with 63% of Total Budget expended to date. Three condemnations filed; one settled prior to trial and two are pending judgments. |
| Lower Smith Mill Creek Rehabilitation | \$295,324 | \$265,443 | Access 100% complete with 90% of Total Budget expended to date. Ten condemnations filed; two have been dismissed, three settled prior to trial and five are pending judgments. |
| Merrimon Avenue @ Stratford Road GSR | \$55,854 | \$44,030 | Access 100% complete with 79% of Total Budget expended to date. One condemnation filed with judgment pending. |
| Morris Street @ Talmadge Rehabilitation | \$11,660 | \$1,660 | Project 100% complete with 14% of Total Budget expended and no condemnations. |
| North Griffing Boulevard 4" Main | \$17,250 | \$7,423 | Project 100% complete with 43% of Total Budget expended and no condemnations.. |
| Old Home @ Weaverville Highway PRP | \$100,394 | \$99,277 | Access 100% complete with 99% of Total Budget expended to date. Market values much greater than tax values in this corridor and appraised damages were high. One condemnation filed with judgment pending. |

| <i>Project</i> | <i>Total ROW Budget</i> | <i>Total Expends to Date</i> | <i>Comment</i> |
|---|-------------------------|------------------------------|--|
| Reems Creek Master Plan Extension | \$84,130 | \$61,320 | Access 92% complete with 73% of Total Budget expended and no condemnations. Original alignment was revised due to trout buffer restrictions and permitting requirements, deleting four of the original parcels, adding three new parcels and modifying one easement already acquired. Still awaiting easement from developer who initiated project. |
| Riverside Drive/Westover Drive | \$19,322 | \$13,895 | Access 100% complete with 72% of Total Budget expended to date. Two condemnations filed with judgments pending. (Angel note that payment to NSRR for \$8820 fee + \$1,000 insurance was included in compensation through engineering process, prior to ROW process.) |
| Ruth Street Sewer Rehabilitation | \$13,820 | | Access 50% complete with no compensation expended to date. |
| Short Coxe @ Southside GSR | \$165,652 | | Consultant mailed intro letters to owners 4/27/09. On 5/4/09 engineer contacted consultant stating he was making design adjustments that would affect project alignment. ROW notified 6/26/09 that it would be several more weeks before construction conflicts were resolved. Negotiations were stopped until design revised. Revised plats received 12/1/09. Revised agreements received 12/15/09. Negotiations resume January 2010. |
| Sycamore Terrace PRP | \$17,817 | \$8,119 | Project 100% complete with 46% of Total Budget expended and no condemnations.. |
| Town Mountain Road 4" Main Rehabilitation | \$14,992 | | Negotiations in process. |
| US 70 @ Neil Price Avenue Phase II | \$17,890 | \$9,133 | Project 100% complete with 51% of Total Budget expended and no condemnations. |

STATE OF NORTH CAROLINA

COUNTY OF BUNCOMBE

GREENWAY AGREEMENT

THIS AGREEMENT, made and entered into this the ___ day of _____, 2010, by and between METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA, a body corporate and politic, established pursuant to Article V of Chapter 162A of the North Carolina General Statutes, hereinafter referred to as “MSD”, and County of Buncombe, a municipal corporation chartered under the laws of the State of North Carolina, hereinafter referred to as “COUNTY”;

WITNESSETH:

WHEREAS, MSD is the owner and holder of certain easements for sewer lines located in Buncombe County, hereinafter referred to as the “Sewer Easements”;

WHEREAS, COUNTY has developed and is implementing a Greenway Master Plan;

WHEREAS, COUNTY and MSD desire to enter into an agreement which would allow COUNTY to use the Sewer Easements in connection with its Greenway Master Plan;

It is Now Therefore Agreed as follows:

1. MSD hereby agrees to allow COUNTY to use the Sewer Easements in connection with the Greenway Master Plan according to the terms and conditions set forth herein.
2. COUNTY will identify portions of the Sewer Easements to be used in the Greenway Master Plan. Once the easement portions are identified, COUNTY will discuss the use of the Sewer Easements with MSD. Assuming MSD approves the right to use the easement portions designated by COUNTY, COUNTY will negotiate with the property owner(s) to obtain written consent or

permission for the use of the Easements. MSD reserves the right to approve the form and content of such consent or permission.

3. COUNTY will pay all costs of creating the greenways, including any necessary modifications to the MSD sewer system.
4. Prior to constructing the greenway or greenways, COUNTY will prepare plans and specifications for the construction and will submit the plans and specifications to MSD for approval.
5. COUNTY will construct the greenway in such a manner that it will not interfere with MSD's ability to access the sewer lines for operation, maintenance, repair or replacement, if necessary. Prohibited uses of the Sewer Easements by COUNTY include, but are not limited to, the following: the erection of a shed, building, structure or other obstruction within the Sewer Easements; the planting of trees within the Sewer Easements; the placing of additional fill in the permanent easements which would threaten the integrity of the line and placement of other utility lines within the permanent easements.
6. In the event it becomes necessary for MSD to access its sewer line, and in the course of so doing, remove the pavement or other surface, MSD will only be responsible for replacing dirt and regrassing if necessary. COUNTY will be responsible for repair and or replacement of the pavement or other surface placed on the greenway.
7. COUNTY agrees to defend, indemnify and hold harmless MSD from any claims or injury to person or property arising out of the construction or use of the greenway. In the event a claim is made against MSD, MSD shall, within 20 days of receipt of such claim, transmit the claim in writing to COUNTY. If MSD is not promptly assured in writing by COUNTY that it will defend, indemnify and hold harmless MSD, MSD reserves the right to provide it's own defense to such

claim and to recover attorney's fees and expenses reasonably incurred in the defense of such claim.

8. MSD retains the right to close the greenway, or portions thereof, as necessary, to operate, maintain, repair and replace, if necessary, the sewer system or any part thereof. For planned maintenance activities, MSD will give COUNTY a minimum of 48 hours notice of such maintenance, but reserves the right to proceed without notice in case of emergency.
9. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of MSD and COUNTY.

IN WITNESS WHEREOF, MSD and COUNTY have executed this Agreement as of the day and year first above written.

**METROPOLITAN SEWERAGE DISTRICT
OF BUNCOMBE COUNTY, NORTH CAROLINA**

By:

Chairman of the Board

ATTEST:

Secretary

(CORPORATE SEAL)

COUNTY OF BUNCOMBE

By:

Chairman, County Commissioners

ATTEST:

County Clerk

(CORPORATE SEAL)

STATE OF NORTH CAROLINA
COUNTY OF _____

I, a Notary Public for said State and County, certify that _____ personally came before me this day and acknowledged that ___he is _____ Secretary of **METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA**, a Public Body and Body Politic and Corporate, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Chairman of the Board, sealed with its corporate seal, and attested by h____ as its Secretary.

WITNESS my hand and official stamp or seal, this ____ day of _____, 2010.

NOTARY PUBLIC

My Commission Expires:

(NOTARIAL SEAL)

STATE OF NORTH CAROLINA
COUNTY OF _____

I, a Notary Public for said State and County, certify that _____ personally came before me this day and acknowledged that ___he is Clerk of the Board of Commissioners of **COUNTY OF BUNCOMBE**, a municipal corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Chairman of the Board, sealed with its corporate seal, and attested by h____ as its Clerk.

WITNESS my hand and official stamp or seal, this ____ day of _____, 2010.

NOTARY PUBLIC

My Commission Expires:

(NOTARIAL SEAL)