

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
FEBRUARY 16, 2011**

**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, February 16, 2011. Chairman Aceto presided with the following members present: Bellamy, Bissette, Bryson, Creighton, Haner, Kelly, Root, Russell, Stanley, VeHaun and Watts.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Inc., Joseph Martin with Woodfin Sanitary Water & Sewer District, Esther Manheimer and Cathy Ball with the City of Asheville, Mike Plemmons with CIBO, Ron Butler, developer, Stan Boyd, Ed Bradford, Jim Hemphill, Scott Powell, Peter Weed, John Kiviniemi, Barry Cook, Angel Banks, Ken Stines, Mike Butler, Kevin Johnson, Julie Willingham 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 January 19, 2011 Meeting:**

Mr. Aceto asked if there were any changes to the Minutes of the January 19, 2011 Board Meeting. With no changes, the minutes were approved by acclamation.

**4. Adjustment of Agenda and Public Comment:**

Mr. Aceto suggested moving Item 7 (consideration of proposals concerning MSD revenue sharing for sewer extensions) up in the agenda. With no objections, Mr. Aceto called on Mr. Hartye for a presentation.

Mr. Hartye presented the following proposals: He reported that Option a. is the original Planning Committee proposal from the July 8, 2010 meeting, to give the first 5 years of actual revenue (user charges) up to the cost of the extension. This applies to everyone – public or private. Option b. is the City of Asheville (COA) proposal for member agencies, to receive 50% of actual revenues (user charges) for 10 years with no limit. This applies to member agencies only for annexations or areas not currently served. Option c. is the Hybrid Option that came out of the December 2010 Planning Committee, to give 50% of actual revenue (user charges) for 10 years to member agencies up to the cost of the extension project and 5 years of actual revenue (100%) to private developers up to cost of the extension. Option d. is the CIBO recommendation. MSD to give all but the treatment portion of revenues or potentially 98% of revenues (user charges) for 10 years, and would include commercial and industrial development. This option would not apply to residential developments over 100 houses, which would place a focus on smaller developers, but could create phasing issues and could be subject to legal challenges. Option e. is the new Hybrid option, incorporating some of the CIBO and COA recommendations, to give 50% of actual revenue (user charges) for 10 years up to the cost of extension for public or private extensions. This would apply to all projects except private residential projects over 100 houses. This option would allow greater time to tie on and potential revenue for all developers, but is subject to legal challenge. Option f. is the Keep It Simple Option to give 50% of actual revenue (user charges) for 10 years up to the cost of extension for public or private extensions. This option is limited by the cost of the extension, creates a level playing field, and allows greater time for tie on and potential revenue for all developers. Mr. Hartye stated that after a meeting with Mr. McGill and Mr. Clarke, it is their recommendation that if the Board decides to proceed with revenue sharing that it select options c. (hybrid option) or f. (keep it simple option)

because these options are legally defensible and are more easily administered from a staff standpoint.

Mr. Bissette stated that the Planning Committee starting looking at the proposal last July and recommended option a., but came back in December after input from the public and Members of the Board, and recommended option c. (hybrid option). At that time, representatives from CIBO, COA and the public requested the Board delay its decision to consider additional information. This information went to staff resulting in options e. (new hybrid option) and f. (keep it simple option).

Mr. Bissette stated that the Board talked about failing septic tank emergencies, new affordable housing projects, and extension to the system by others; both member agencies and private developers. Mr. Bissette called the Board's attention to the General Conditions and Requirements of the policy. He stated that if a policy is adopted there are a number of checks and balances, not the least of which, is that the program and its offerings is subject to available funding and any project that is eligible for reimbursement over \$50,000 will require the approval of the MSD Board of Directors. In talking to several Board Members, he suggested that if one of the proposals is passed that it be limited to 3 years and brought back to the Board. Also, after looking at options e. and f. he recommends option f., which has a level playing field, does not favor a particular group and is simple to administer.

Mr. Aceto opened the meeting for public comment. He welcomed Mr. Martin, Ms. Manheimer, Ms. Ball, Mr. Plemmons and Mr. Butler.

Mr. Aceto recognized Mr. Plemmons with CIBO. Mr. Plemmons expressed his appreciation to the Board for allowing additional time to meet with developers to get their input into the process. He stated that option d. seems to cover what they were looking for, especially for the small developer who is having trouble selling out in a tough economy and feels this policy is an economic stimulus for them and will increase MSD's customer base. Mr. Plemmons introduced Mr. Ron Butler.

Mr. Butler stated that the development community has been asking for years for the MSD Board to consider some type of revenue sharing plan and commends the Board for taking it up at this time. He further stated that such a plan would give a strong incentive to developers, especially the small developer, to install sewer lines and encourage them to buy and develop land within the Master Plan service area. He stated that after considering all of the options, his committee feels option f. (keep it simple) would be the best way to create a revenue sharing plan for the building and development community. Mr. Haner asked Mr. Butler what his largest project is. Mr. Butler said his largest project is 133 homes in South Asheville. He stated that coming from an engineering background he always had the attitude that they would go the extra cost of bringing a sewer line to the property or locating a line to tie into, since the development is easier to market, and there is less impact on the environment. He further stated that of all of the subdivisions he has developed over the years, only one small subdivision has septic. Mr. Aceto asked what impact this will have for MSD as far as new connections. Mr. Butler stated that he feels this will have a positive impact, especially on the small developer.

Mr. Martin asked what would happen with revenue sharing on projects that are sub-standard or, is the developer required to warranty the project during the time revenue sharing is going on. Mr. Hartye said yes, that a developer must install a project according to MSD requirements and at that time, MSD accepts the development for ownership and maintenance, a warranty is granted and then people can tie-on the system. This is when revenue sharing begins. Ms. Bellamy stated that the lines being installed are not being paid for by the current ratepayers. The new ratepayers who are tapping on the system have never been billed by MSD, so those who are paying are benefiting from it and it does not take away from the existing ratepayers, therefore they are not impacted.

Mr. Aceto recognized Esther Manheimer and Cathy Ball. Ms. Manheimer expressed her appreciation to the Board for taking the time to consider this issue. Ms. Ball said she appreciated the Board's consideration. Mr. Bissette moved that the Board adopt the unified sewer extension policy, option f. as outlined, that this policy be approved for a period of three (3) years ending December 31, 2014, and at that time, the Board be required to review the policy results and determine whether it should be continued. Mr. Russell seconded the motion.

Mr. Creighton asked what the average house generates per year in revenue. Mr. Hartye said \$300.00. Mr. Haner said he has a real concern with no limit on units for private developers. Mr. Bissette said there is no limit, but the Board will have to approve each project over \$50,000. Mr. Hartye said the limits are on the extension costs. Mr. Haner said without limiting projects to a certain size, MSD is not drawing a line between large and small projects with private developers. He stated that the Board entered into this discussion because it wanted to be of assistance to people who were having economic problems. He further stated that he does not have a problem with MSD assisting with putting people back to work, but by not drawing a line between private projects, MSD is not spending its money wisely and this option should be modified. Mr. Bissette said he thinks commercial projects put people to work as much as residential projects. Mr. Aceto stated that this issue is not about jobs, economic assistance, etc., but rather the ratepayers, care of the sewer system and an increase in MSD's customer base. Mr. Haner said he looks at this from a standpoint of whether this is the best way to use MSD money and it's not so much about increasing revenues as it is about using the ratepayers money in a responsible way.

Mr. Creighton asked if there is still a need for \$350,000 in the budget for revenue sharing. Mr. Bissette said there is no budgetary impact, since the developer or member agency pays for it and a check is not cut until the revenue is collected from new customers. Mr. Hartye explained that only 50% of revenues from new customers will be paid to the developer or member agency. He stated that the \$350,000 was originally there for cost recovery when there was a lot of up front expense, but there is no money up front with revenue sharing, therefore, no need to budget for related expenses. He further stated that the total expense for all currently planned projects public and private, assuming a project is built immediately, would yield \$80,000 a year. MSD would share one-half that amount. If a project is successful, MSD will not only get revenues from user fees, but facility fees as well. Ms. Bellamy cited the Brevard Road annexation area, explaining the City invested \$1.5 million in the sewer system as well as businesses and residential development and carried the debt burden with no revenue to pay for it. She stated that revenue sharing is a way to be reimbursed for a large investment and allows the City to follow those plans outlined by the municipalities in the county.

Mr. Haner asked what exposure MSD has if it draws a line for a particular size development. Mr. Clarke said a significant exposure. He stated that in setting rates, fees and charges, MSD can discriminate based on actual differential cost, or discriminate between industrial and residential customers based on strength of waste. However, MSD cannot discriminate between classes of customers, based on income or size. He further stated that MSD is obligated under its Bond Order to comply with the law and he would not recommend the Board adopt a program that limits reimbursement to private residential development under 100 houses.

With no further discussion, Mr. Aceto called for the question. Voice vote in favor of the motion was 7 Ayes; 5 Nays; Mr. Vehaun, Mr. Haner, Mr. Creighton, Ms. Bryson and Mr. Kelly.

**5. Report of General Manager:**

Mr. Hartye presented a copy of a telephone message from Mr. Robert Brown regarding a back-up at 5 Sunset Drive expressing his appreciation to James Beaver,

Robert Burnett, Lee Plemmons, Pete Cole, Wayne Rice, Jason Price and Chris Johnson. Also, displayed are cards from students at Barnardsville Elementary expressing appreciation to Eric Bryant and the CTV Crew who did a show and tell presentation at the school.

Mr. Hartye announced the Annual Home Show will take place at the Asheville Civic Center, March 17-20<sup>th</sup>. MSD will have a booth there as it has done for the last 10 years.

Mr. Hartye presented an AC-T article on the Riverkeepers efforts to have the Swannanoa River reclassified. Also, AC-T articles on State Budget cuts under consideration and Asheville water rates.

Mr. Hartye reported that the next Board Meeting will be held March 16<sup>th</sup> at 2PM. The next Right of Way Committee Meeting will be held February 23<sup>rd</sup> at 9AM.

**6. Consolidated Motion Agenda:**

**a. Consideration of Bids for Sanitary Sewer Rehabilitation Project – Old Home Road PRP:**

Mr. Hartye reported that the project is for the replacement of an aged vitrified clay sanitary sewer line, located in the Town of Woodfin and is comprised of 2,400 linear feet of 8-inch DIP. He further reported that the following bids were received on February 3, 2011: BC&D Associates with a total bid of \$812,300.00; Patton Construction Group, Inc. with a total bid of \$549,775.00; Buckeye Construction Co., with a total bid of \$472,982.00; T&K Utilities, Inc. with a total bid of \$455,975.00; Disaster Recovery6 with a total bid of \$452,386.00; Carolina Specialties, with a total bid of 422,914.95; Freestone Construction, with a total bid of \$413,132.00; Huntley Construction Company, with a total bid of \$372,946.00; Haywood Grading and Excavating, with a total bid of \$371,736.25; Payne, McGinn & Cummins, with a total bid of \$352,373.00 and Terry Brothers Construction Co., Inc. with a total bid of \$320,931.00. The bid of Haywood Grading and Excavating was invalid since the contractor did not acknowledge receipt of Addendas Nos. 1 and 2; therefore, the bid was rejected. Staff recommends award of this contract to Terry Brothers Construction Co., Inc. in the amount of \$320,931.00, subject to review and approval by District Counsel.

**b. Adoption of Budget Calendar – FY2011-2012:**

Mr. Powell noted the Finance Committee meeting date shown on the recommendation sheet as May 12<sup>th</sup>, should say May 11<sup>th</sup>. He reported that the proposed Budget Calendar is designed for input by all stakeholders into a systematic and deliberate process. Time between Committee and Board meetings has been scheduled to prepare and distribute agenda items, including preparation time for any revisions requested to be presented at a subsequent meeting. Staff recommends approval of the Budget Calendar as presented.

**c. Second Quarter Budget to Actual Review:**

Mr. Powell reported that Domestic User Fees are at budget expectations. Facility and Tap Fees are above budgeted expectations due to the District receiving unanticipated revenues from two developments in excess of \$1.1 million. Interest and Miscellaneous income are below budgeted expectations due to recessionary pressure on the fixed income market. He stated that based on economic data at last year's budget, rates of return were projected to be around 2.5% on the investment portfolio. As of December, the average rate of return was 1.044%. The shortfall in this revenue

line item will be offset by the positive variance of the District's variable rate revenue bonds expenditure. He further stated that due to the District having a \$21 million worth of variable debt, this was budgeted at 2.5% and as of the end of January, the District paid out .29%. O&M expenditures are at 50.82% of budget and include encumbered amounts, which has elevated the budget to actual ratio slightly above 50%. As of the end of December there was approximately \$350,000 of encumbrances that are also reflected in the O&M number. Bond principal and interest actually spent are less than budget due to actual variable interest rates averaging .29% basis points as well as timing of the debt service principal and interest payments. He stated that amounts budgeted for capital equipment and capital projects are rarely expended proportionately throughout the year. Additionally, the amounts include encumbered amounts for the Microscreen project of \$8.9 million.

**d. Second Quarter City of Asheville Billing Report:**

Mr. Powell reported that at the end of each quarter, the City of Asheville staff prepares a summary of all billing and collection activities, which is reconciled to beginning and ending account receivable balances. Page two shows net billing up 5.2% and cash receipts up 7.3%. Receivables are up 9.4% due to the timing of a couple of year-end billing cycles as well as accounts requiring additional time to collect. Staff will continue to monitor future quarters as this could have cash flow effect on the District. He stated that based on analysis of the data presented, all funds are being remitted to MSD in a timely manner. Mr. Russell asked if there are any changes in the Health Insurance in the coming fiscal year. He stated that during the last eight months the City of Asheville's Blue Ribbon Task Force has been looking at its health plan with some significant outcomes. Mr. Hemphill said there are no significant changes expected and expenditures for the medical insurance plan are within 1% of what was predicted. Mr. Powell stated that typically MSD receives its renewal plan at the end of March. If there is a high renewal number, staff will work with the Personnel Committee to adjust the plan if needed. Mr. Russell requested time at the Personnel Committee meeting to discuss what the City is doing in this regard.

**e. Cash Commitment/Investment Report – Month Ended December 31, 2010:**

Mr. Powell reported that Page 2 shows the makeup of the District's Investment Portfolio with no significant change from the prior month or prior fiscal years. Page 3 is the Investment Manager Report as of the month of December. The weighted average maturity of the investment portfolio is 148 days. The yield to maturity is .94% and is exceeding MSD bench marks of the 6 month T-Bill of 0.19% basis points and the NCCMT cash portfolio of 0.12% basis points. He stated that the reason these items are benchmarked is because they are fairly liquid, and based on how often MSD goes into the bond market, it keeps the investment portfolio very short, i.e. a three-year duration. Page 6 is MSD Variable Debt Service report. Both the 2008 A&B Series are performing better than budgeted expectations. As of the end of January, both issues have saved District rate payers, \$3.5 million dollars in debt service since April, 2008.

Mr. Russell moved that the Board adopt the Consolidated Motion Agenda as presented. Ms. Bellamy seconded the motion. With no discussion, roll call vote was as follows: 12 Ayes; 0 Nays.

**7. Consideration of Proposals Concerning MSD Revenue Sharing for Sewer Extensions Constructed by Member Agencies and Private Developers:**

Reported under Item 4.

**8. Old Business:**

None

**9. New Business:**

Mr. Kelly stated that under Chapter 162A of the General Statutes, the MSD Board of Directors is required, following the Census, to make a determination as to whether or not the City of Asheville is entitled to three (3) members on the Board. He further stated that the Bond Order require the District to comply with the law, therefore, he requests the Chairman to take such action as may be necessary to reflect the June, 2010 census. Mr. Clarke stated that the Statute says "The City of Asheville appoints three (3) members to the District Board because it has a population greater than that of all other political subdivisions (other than counties) and unincorporated areas within the District. If the City of Asheville's population did not exceed that of all other political subdivisions and unincorporated areas, Asheville would be entitled to appoint only one member." He further stated that this is something that should be looked at; however, the census numbers for North Carolina are not complete yet, but should be available April 1<sup>st</sup>. Mr. Kelly asked that an opinion from Counsel be placed on the agenda for the April 20<sup>th</sup> meeting of the Board. Mr. Haner asked if there was a trend in the 2000 census that would support Mr. Kelly's concern. Mr. Clarke stated there was increasing population in Buncombe County, outside the City of Asheville and other municipalities, but no significant growth in municipalities like Weaverville and Black Mountain. Mr. Clarke said he would have this information available for the April meeting of the Board.

**10. Adjournment:**

With no further business, Mr. Aceto called for adjournment at 3:07 PM.

---

Jackie W. Bryson, Secretary/Treasurer

<h1 style="margin: 0;">MSD</h1> <h2 style="margin: 0;">Regular Board Meeting</h2>
---

Metropolitan Sewerage District  
of Buncombe County, NC

### AGENDA FOR 2/16/11

✓	Agenda Item	Presenter	Time	
	Call to Order and Roll Call	Aceto	2:00	
	01. Inquiry as to Conflict of Interest	Aceto	2:05	
	02. Approval of Minutes of the January 19, 2011 Board Meeting.	Aceto	2:10	
	03. Discussion and Adjustment of Agenda	Aceto	2:15	
	04. Informal Discussion and Public Comment	Aceto	2:20	
	05. Report of General Manager	Hartye	2:25	
	06. Consolidated Motion Agenda		2:40	
	a. Consideration of Bids for Sanitary Sewer Rehabilitation Project – Old Home Rd. @ Weaverville Highway.	Hartye		
	b. Consideration of FY 2011-12 Budget Calendar	Hartye		
	c. Second Quarter Budget to Actual Review	Hartye		
	d. Second Quarter City of Asheville Billing Report	Hartye		
	e. Cash/Commitment Investment Report Month Ending December 31, 2010.	Hartye		
	07. Consideration of Proposals concerning MSD Revenue Sharing for Sewer Extensions Constructed by Member Agencies and Private Developers.	Aceto	3:00	
	08. Old Business:	Aceto	3:30	
	09. New Business:	Aceto	3:35	
	10. Adjournment (Next Meeting March 16, 2011)	Aceto	3:40	

# **APPROVAL OF MINUTES**



**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
JANUARY 19, 2011**

**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, January 19, 2011. Chairman Aceto presided with the following members present: Bellamy, Bisette, Bryson, Haner, Kelly, Root, Russell, VeHaun and Watts. Mr. Creighton and Mr. Stanley were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Inc., Joseph Martin with Woodfin Sanitary Water & Sewer District, Stan Boyd, Ed Bradford, Jim Hemphill, Scott Powell, Peter Weed, John Kiviniemi, Barry Cook, Angel Banks, Julie Willingham and Sondra Honeycutt, MSD.

**2. Inquiry as to Conflict of Interest:**

Mr. Aceto asked if there were any conflicts of interest with the agenda items. Mr. Bisette stated that he had a conflict with Item b. (The Settings of Black Mountain) of the Consolidated Motion Agenda and asked to be excused from voting on this item. Mr. Bisette was excused from deliberation and voting on this item.

**3. Approval of Minutes of the December 15, 2010 Meeting:**

Mr. Aceto asked if there were any changes to the Minutes of the December 15, 2010 Board Meeting. With no changes, 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 the General Manager:**

Mr. Hartye presented a telephone message from Harry Riva at 53 Cedar Trail expressing his appreciation for work done on his property by Randy Mull, Mike Rice, John Crowe, Marcus Bynum, Carl Ellington and Jason Price.

Also, Mr. Lewis Solomon of 38 Euclid Boulevard wanted to thank MSD, in particular Herman Shelton, for the quick response to a problem even though it was with his plumbing and Lynn Hills of 106 Eastwood Avenue called commending both Grady Brooks and the crew of Randy Mull and Mike Rice on how quickly they responded, and with the work they performed.

Mr. Hartye reported that MSD received a complaint against an employee in response to a situation in Biltmore Forest and that disciplinary action has been taken.

Mr. Hartye reported the District has once again been granted the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award. He expressed his appreciation to Teresa Gilbert and Scott Powell.

Mr. Hartye presented a Mountain Express article on the MSD Cost Sharing Proposal. Ms. Bryson pointed out that the first part of paragraph 9 was incorrect.

As requested by a few Board Members, Mr. Hartye presented a video of MSD System Services employees performing part of their Operations Challenge, prior to the State AWWA-WEA State Convention. Mr. Hartye stated that the demonstration took place at the MSD and it was their best time at 1:22, and was very competitive with the national best time. He reported that a large part of the Operations Challenge, they had never seen before and they still came in second place.

Mr. Hartye reported that the next meeting of the Board will be held February 16<sup>th</sup> at 2 p.m. and the next Right of Way Committee Meeting will be held February 23<sup>rd</sup> at 9 a.m.

**7. Consolidated Motion Agenda:**

**a. Consideration of Annual Meeting Dates:**

Mr. Hartye reported that in addition to the dates presented, the Budget Calendar will be presented at the next meeting, showing Committee meeting dates.

**b. Consideration of Developer Constructed Sewer Systems: Ledford Development; Reems Creek Master Plan Phase II and The Settings of Black Mountain Phase III.**

Mr. Hartye reported that the Ledford Development Sewer Extension project is located at the intersection of New Leicester Highway and Elida Home Road and included the installation of approximately 47 linear feet of 8" gravity sewer to serve a commercial shopping center. Staff recommends acceptance of the developer constructed sewer system and all MSD requirements have been met.

Mr. Hartye reported that the Reems Creek Master Plan Phase II project is located in Reems Creek just outside of Weaverville. He stated that MSD designed, permitted and obtained right of way and construction was administered by the developer Windsor-Aughtry Company, Inc. The on-site sewer system within the development will be submitted at a later date for acceptance of ownership by MSD. He further stated that the estimated cost for Phase II is \$507,496.00. The Board originally approved reimbursement funding in the amount of \$224,349.99 on October 24, 2007. Per the agreement, \$75,383.50 of these funds has been provided to the developer to date. The remaining \$148,966.49 of funding is to be provided upon acceptance of the system. Staff recommends acceptance of the developer constructed sewer system. (All MSD Requirements have been met) and authorization for the General Manager to disperse \$148,966.40 to Windsor-Aughtry Company, Inc. for the remaining cost reimbursement funds on the project.

Mr. Hartye reported that The Settings of Black Mountain Phase III project is located off Lakey Gap Road in the Town of Black Mountain. The project included the installation of approximately 1,372 linear feet of 8" gravity sewer to serve a seventeen (17) unit residential development. Staff recommends acceptance of the developer constructed sewer system. All MSD requirements have been met.

**c. Consideration to Open a Public Funds Money Rate Savings Account with BB&T:**

Mr. Powell reported the District has an opportunity to diversify its banking position while achieving a .16% higher rate of return on short-term funds with a BB&T Public Fund Money Rate Savings Account. He stated the fund is fully collateralized with the State; will yield .50% rate of return, contingent to having \$5 million dollars invested in the account, and the District will have full access to the funds with a minimum of up to six (6) withdrawals a month. Additional withdrawals will cost the District \$2.00 each. He further stated that moving the funds from Bank

of America to the BB&T product will diversify the District's short-term banking position while meeting standards outlined in the District's Investment Policy. Therefore, staff recommends approval of the banking resolution which establishes the aforementioned account. Ms. Bellamy asked if the District removed all of its funds from First Citizens Bank. Mr. Powell said no, the District still has a banking relationship with both First Citizens Bank as well as Home Trust Bank. Mr. Kelly asked if this is being done because it's in the best interest of the District, not because it's in the best interest of any particular bank. Mr. Powell said because it's in the best interest of the District. BB&T had the best vehicle to achieve a higher rate of return on short-term funds. Mr. Russell asked why the District is not moving all \$9.6 million over to BB&T, since it would earn an additional \$8,000 in interest. Mr. Powell stated the reason all of this money was at Bank of America is because of the Stand-by Bond Purchase Agreement. However, if the Board would like to move all \$9.6 million to BB&T this can be done, but the Operating Account in the amount of \$1.3 million would have to stay with Bank of America, since it is a condition of the Agreement. Also, Bank of America provided a .10% basis point reduction in the District's most recent Liquidity Agreement, which netted the District \$54,000 in savings. Mr. Clarke stated the last time the District had a Stand-by Letter of Credit, which is the liquidity facility for the variable rate bonds, a condition of getting the money was that all funds had to stay with Bank of America, but that has changed. He further stated that it is in the District's best interest to maintain a banking relationship with Bank of America since it will have to go back and get another Letter of Credit in a couple of years. Mr. Powell said that will take place in three years. Following a brief discussion, Mr. Aceto reiterated the benefits of opening an account with BB&T while maintaining a relationship with Bank of America.

**d. Cash Commitment/Investment Report – Month Ended November 30, 2010:**

Mr. Powell reported that Page two presents the makeup of the District's Investment Portfolio, with no change from the prior month. Page three is the Investment Manager Report as of the month of December. The weighted average maturity of the investment portfolio is 147 days. The yield to maturity is .91% and is exceeding bench marks of the 6-month T-Bill and NCCMT cash portfolio. Page four is an analysis of Cash Receipts. Monthly domestic sewer revenue is considered reasonable based on timing of cash receipts compared to their respective fiscal periods. Facility and Tap fees percentage is high in relation to previous years due to the conservative nature of budgeting soft revenue sources. Page five is an Analysis of Expenditures. O&M, Debt Service, and Capital Project expenditures are considered reasonable based on historical trends. Page Six is the Variable Debt Service report. Both the 2008 A&B Series bonds are performing better than budgeted expectations. As of December, both issues have saved District customers approximately \$3.4 million dollars in debt service from April, 2008 to December, 2010.

Ms. Bellamy moved that the Board adopt the Consolidated Motion Agenda as presented, with the exception of Item b. (The Settings of Black Mountain). Mr. VeHaun seconded the motion. With no discussion, Mr. Aceto called for the question. Roll call vote was as follows: 10 Ayes; 0 Nays.

Mr. Russell moved that the Board adopt Item b. (The Settings of Black Mountain) of the Consolidated Motion Agenda. Ms. Bellamy seconded the motion. With no discussion, Mr. Aceto called for the question. Roll call vote was as follows: 9 Ayes; 0 Nays. Mr. Bissette was excused from voting.

**8. Old Business:**

None

**9. New Business:**

A discussion was held regarding recognition for Leah Karpen.

**10. Adjournment:**

With no further business, Mr. Aceto called for adjournment at 2:30 p.m.

---

Jackie W. Bryson, Secretary/Treasurer

# **REPORT OF GENERAL MANAGER**

## MEMORANDUM

TO: MSD Board  
FROM: Thomas E. Hartye, P.E., General Manager  
DATE: February 10, 2011  
SUBJECT: Report from the General Manager

- Kudos

- See attached telephone message from Mr. Robert Brown regarding a back-up at 5 Sunset Drive. Thanks to James Beaver, Robert Burnett, Lee Plemmons, Pete Cole, Wayne Rice, Jason Price and Chris Johnson.

- Home Show

The Annual Home Show will take place at the Asheville Civic Center March 17-20<sup>th</sup>. MSD will have a booth there as we have done for the last 10 plus years.

- Reading

- AC-T Article on the Riverkeepers efforts to have the Swannanoa River reclassified.
- AC-T article on State Budget cuts that are under consideration.
- AC-T article on Asheville water rates.

- Board/Committee Meetings

The next Regular Board Meeting will be held March 16<sup>th</sup> at 2 pm. The next Right of Way Committee will be held February 23<sup>rd</sup> at 9am.

## Hartye, Tom

---

**From:** Hemphill, Jim  
**Sent:** Thursday, February 03, 2011 1:47 PM  
**To:** Hartye, Tom  
**Subject:** Kudo's for System Services people

Tom,

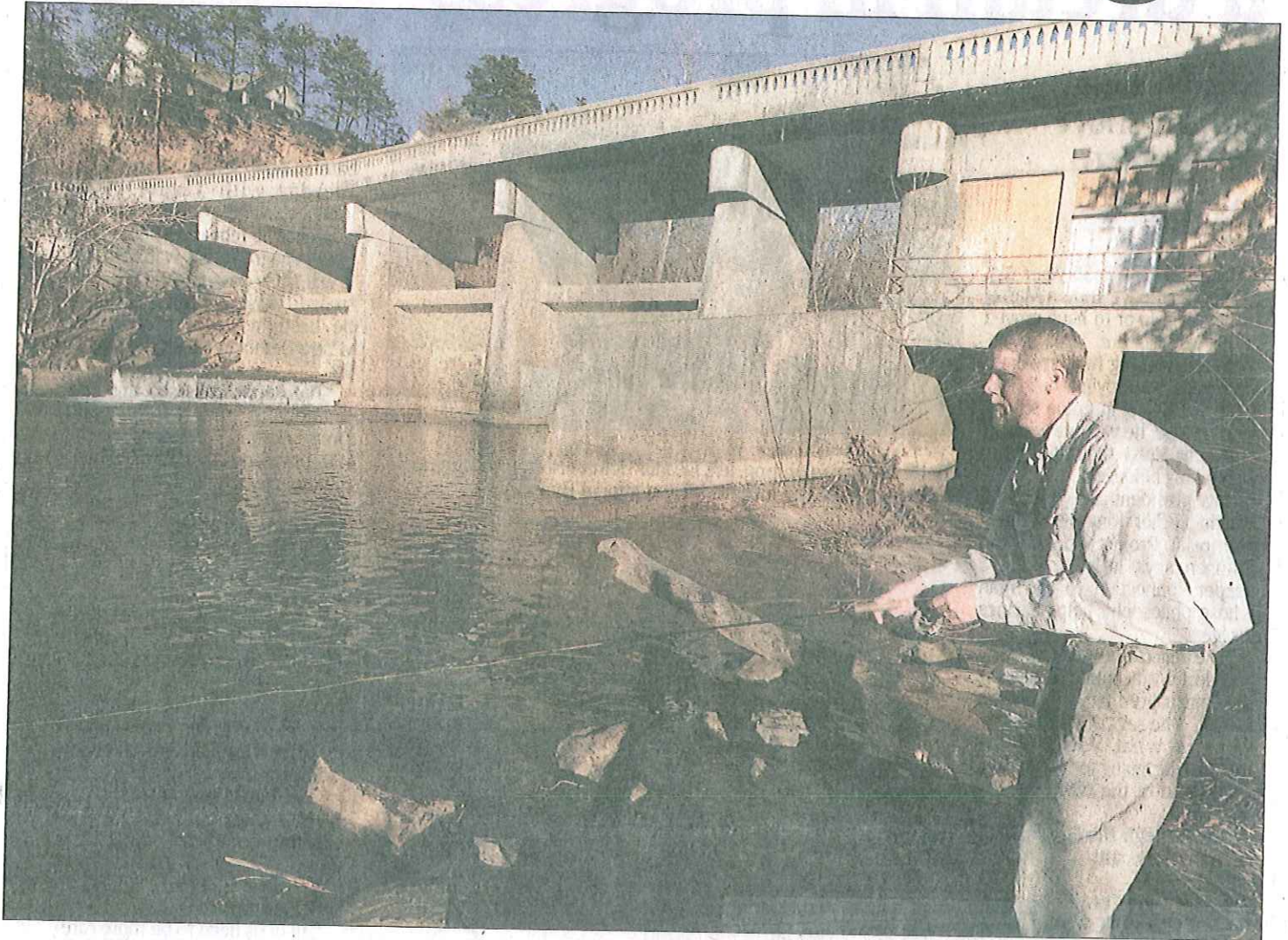
I received a very complimentary phone call from Mr. Robert Brown of 5 Sunset Drive. Mr. Brown had to call us because of a line backup. James Beaver, one of MSD's First Responders, went to the site, evaluated the problem and called in extra people: Robert Burnett, Lee Plemmons, Pete Cole, Wayne Rice, Jason Price and Chris Johnson to fix the problem.

Mr. Brown could not believe the positive attitude displayed by these men as they fixed the problem. He said that nature of the job was very dirty, but they had a smile on their faces and a great attitude. As a former supervisor, he wished his people had 10% of the attitude displayed by the MSD staff.

Mr. Brown finished by saying that great work doesn't get the praise it deserves and he wanted us to know how professional our people behaved.

Jim Hemphill  
HR Director, MSD of Buncombe County  
828-225-8258

# Swannanoa River checked for sewage



JOHN COULAKIS/JCOULAKIS@CITIZEN-TIMES.COM

Josh Garris, a local fly-fishing guide who grew up in east Asheville, fished the Swannanoa River as a child, including this section at Azalea Park Recreation Center. A local group says initial tests show high levels of sewage contamination at two sites used for fishing, swimming and boating.



# Activists want more protections for swimming, fishing in waterway

By Joel Burgess  
JBURGESS@CITIZEN-TIMES.COM

As a boy, the Swannanoa River was Josh Garris' East Asheville playground.

"I grew up fishing it as a kid," said Garris, a 33-year-old fishing guide for Curtis Wright Outfitters in Biltmore Village. "My baby sitter a lot of days during the summer would drop us off at Rec Park and we would just fish down the river."

After getting a driver's license, Garris took to angling at more remote waterways. But he hasn't forgotten the Swannanoa.

That's why he said he was pleased to hear that the often-overlooked river is now getting special treatment.

For the first time, the river is being checked from its start in eastern Buncombe County to its finish in Asheville for sewage leaks and animal waste.

It's a move river enthusiasts hope will ensure safety for the growing number of

people swimming and fishing along the more than 20-mile waterway — and also help qualify the river for greater state protections.

Classified by the N.C. Division of Water Quality as a "Class C" river, enthusiasts would like to see the Swannanoa moved up to a "Class B," meaning it will be regulated as a place commonly used for swimming and similar types of recreation.

"I definitely appreciate what they are trying to do because all that water is there, and we want it to be available for public use as much as possible," Garris said. "And we don't want people getting sick in the process."

## Two 'hot spots'

The Asheville environmental group WNC Alliance on Dec. 16 used volunteers and a \$7,000 equipment grant from outdoor clothes maker Patagonia in the first check of the waterway.

Please see RIVER on A4

## Swannanoa River contamination

Initial testing by volunteers found two areas on the Swannanoa River that could be high in sewage contamination.



## WANT TO HELP?

**What:** WNC Alliance is looking for volunteers to help check for fecal contamination in the Swannanoa. The move could lead to greater state protections for swimming and other activities in the river. No experience is necessary.

**When:** Thursday, Feb. 7, 10, 28 and March 7. Volunteers can come for one or multiple dates.

**Contact:** French Broad Riverkeeper Hartwell Carson at hartwell@wnca.org or 258-8737.

# RIVER: Higher class designation, monitoring sought

Continued from A1

Hartwell Carson, the French Broad Riverkeeper who works with WNC Alliance, said they picked the Swannanoa because of its growing popularity for recreation and the hope that it could get more protection.

"To show that it's being used a lot, all you have to do is go out to Warren Wilson College on any given Saturday," Carson said.

The river's class C designation is the most basic for a waterway and means it gets minimal attention from regulators.

Giving the Swannanoa a "B" classification would mean more testing for pollution and the ability to block new wastewater or other discharges into the river.

Testers checked 40 tributary streams from the river's start in eastern Buncombe County near Ridge Crest to its end at the French Broad River in Asheville.

Fifteen tests showed low levels of contamination from E. coli, a type of bacteria found in human and animal waste.

Those tests showed per 100 milliliters of water around 200 "colony forming units" of the bacteria. Those are bits of the bacteria big enough to form visible spots on a petri dish.

Federal standards say there should be no more than 250 CFUs for a designated swimming beach.

Two other tests showed "hot spots" with 800-3,000 CFUs. "Rarely used" swimming areas should have no more than 600 CFUs, the standards say.

One of the hot spots was at a creek that joins the river near the intersection of U.S. 74 and Swannanoa River Road not far from the Asheville Municipal Golf Course.

The other was at a creek that flows from land behind a Lowe's home improvement store on the corner of Tunnel and Swannanoa River roads.

Testers don't know the source of the contamination at those sites or 15 others that showed slightly elevated levels of E. coli.

They intend to go back this month and in February to try to find the origin of the bacteria and check more sites.

Leaking sewer pipes, failing septic systems, cattle or even untreated "straight-piped" sewage from homes are often to blame.

## Cleaning up

In terms of cleanliness, those results are "pretty good," considering the size of the river, said Ed Williams, N.C. Division of Water Quality specialist.

If second tests confirm the pollution and sources can be found, there is likely a solution, Williams said.

"Typically, you need to do a sample two or three times to make sure. But if it's there, they can fix it," he said.

The Buncombe Metro-

politan Sewerage District has been quick to plug leaks in similar situations, he said.

When there has been a failing septic system or a straight-piping situation, a state grant has been used to upgrade the system.

Local farm subsidies, meanwhile, are available to create watering areas and cattle crossings to keep livestock out of streams.

As for increasing state regulation of the river, Williams said the enthusiasts are on the right track.

A similar attempt has been made for Scotts Creek and its tributaries in Waynesville. The river is a Class C, but efforts by white water rafters and others mean parts are close to being upgraded.

Besides making the river safer, the reclassification can serve as a boost to business, Williams said.

"Rafting, for example, is huge to the economy," he said.

# REYNOLDS' CLAVETTE A MULTISPORT STANDOUT

SPORTS/C1



Find the  
**PERFECT GYM**  
for you

HEALTH &  
FITNESS/B4



ASHEVILLE

# CITIZEN-TIMES

75 cents

VOICE OF THE MOUNTAINS • CITIZEN-TIMES.COM

Tuesday  
January 25, 2011

# Worst-case cuts will touch lives

Teachers, services will take a big hit

By Jon Ostendorf  
JOSTENDORFF@CITIZEN-TIMES.COM

**ASHEVILLE** — State budget cuts under consideration as North Carolina deals with a projected \$3.7 billion budget shortfall include programs to keep sewage out of rivers, subsidize day care and help feed senior citizens in poverty.

Road maintenance would drop by \$40 million, and about 5,300 teachers would be laid off

under potential cuts submitted by department heads to Gov. Bev Perdue.

Drug and alcohol treatment for prisoners, breast and cervical cancer screenings for women and assistance for disabled adults also are among services on the chopping block.

Perdue asked that all agencies prepare potential budget cuts of 5-15 percent.

Political observers caution

that the public should be wary of the "Washington Monument" strategy, referring to the National Park Service's claim cuts would force shutting down landmark.

"They start with the cuts that are most likely to affect people and have them up in arms," said John Dinan, associate professor of political science at Wake Forest University.

But there is no doubt among lawmakers that North Carolina must make budget cuts at a time of lagging revenue and that the



## NORTH CAROLINA LEGISLATURE

This is the third of three articles on the upcoming General Assembly session.

decisions will be painful for some. The process gets under way as the General Assembly convenes Wednesday.

Below is a look at what department heads submitted to Perdue as options for budget reductions.

### Health

The Department of Health and Human Services would cut spending on substance abuse services. It also would shift more management costs to local departments, which means county governments would pick up the tab.

Please see CUTS on A6

Continued from A1

The agency would stop funding entirely for adult protective services, which is designed to keep the elderly from being abused. The state's Senior Games would be eliminated. Tens of thousands of people participated last year.

North Carolina would stop reimbursing private medical providers for services rendered to migrant and seasonal farm laborers.

Cuts in Smart Start, child care for the poor, and breast and cervical cancer screening also are on the table along with child protective services and the independent living program for disabled adults.

### Environment

The N.C. Department of Environment and Natural Resources would trim between \$9 million and \$28 million by shifting more of the expense of the state aquariums to ticket sales, eliminating open positions and dropping mosquito control, which has been dwindling in recent years.

In the mountains, the department would stop a program it started in 1996 to cut down on the practice of straight-piping sewer and waste water into rivers and streams.

The program exists in 13 Western North Carolina counties, which have long had a problem with straight-piping because of inadequate public infrastructure in remote communities.

Food inspection fees would go up, and staffing at the state Forest Service, which handles forest fires, would go down.

### Education

The Department of Public Instruction could meet a 10 percent cut by laying off 5,652 teachers and nearly three-quarters of its teacher assistants. It also would eliminate spending on staff development, school technology and mentors along with dropout prevention for a savings of \$396 million to \$792 million.

The department was not asked to address a 15 percent reduction.

The community college system recommended a host of job cuts in its executive, business and academic support areas. It also wants to shift some costs to program revenues, which means higher fees for the public.

### Justice system

The Administrative Office of the Courts plans to cut staff and raise fees to generate up to \$31 million. The current \$100 fee in District Court would increase \$25 by next year.

The state Department of Correction suggests eliminating prison time for misdemeanor offenders, which would require General Assembly approval.

The state has 2,600 people serving time for misdemeanors. The reduction, the department said, does not include costs of supervising low-level criminals outside prison.

The Correction Department's other cuts could include jobs, such as a parole commission administrator and dropping substance abuse treatment for 200 minimum-security inmates at two rehabilitation centers.

The N.C. Justice Center says these cuts fall short of the 15 percent mark, meaning the real reductions could be triple what the department has proposed to the governor.

The state Indigent Defense Service assigns attorneys to people who cannot afford them. The agency told the governor it could meet a 15 percent reduction with a cut in funding for attorneys of \$18.3 million but that would mean a \$25.7 million budget shortfall next year.

### Highways, labor and commerce

The N.C. Department of Transportation also didn't bother proposing anything deeper than a 5 percent cut. Its biggest reductions would come with cuts of up to \$41 million in road maintenance and resurfacing.

The state Department of Administration, which oversees construction, purchasing, contract and the state vehicle fleet, would make cuts by closing regional offices and a host of job eliminations, including a deputy director slot.

North Carolina's business development department would use a greater share of specialty license plate funds to keep its Welcome Centers open.

Groups such as veterans, police, colleges, Great Smoky Mountains National Park and the Blue Ridge Parkway would still get their cut from plate sales, a department spokesman said.

The Department of Labor, which oversees elevator and amusement ride safety among other duties, balked at anything more than a 5 percent reduction.

It would use excess inspection funds to cover the cut. The agency told Perdue it has already turned more than \$2 million to the state's general fund and cutting more would "unfairly penalize our agency in regards to other agencies."

Rep. Ray Rapp, D-Mars Hill, said he has examined the proposed cuts to education and fears there is a real possibility of firing thousands of teachers and most of their assistants

from kindergarten to high school.

Lawmakers in recent years cut the budget from \$22 billion to \$18.9 billion by taking the low-hanging



Ray Rapp

fruit, Rapp

said. Now, he said, the cuts will be to the bone.

Rapp said the public should pay close attention to the proposals by government managers because they are good outlines of the potential impact the budget problems will have on state residents. But he agreed with political observers that the "Washington Monument" strategy is showing up to some extent.

Until April 15, when the tax payments are in, it's too early to tell just how deep lawmakers will need to cut, Rapp said.

"Up until then it's highly speculative," he said.

Rep. W. David Guice, R-Brevard, said lawmakers would look at all recommendations on saving money. But, he said, cuts should not hurt the state in the long run for a short-term savings.

"We all have skin in this game," he said. "It doesn't matter if you are Republican or Democrat. We have to make sure we do the right thing. And when I say the right thing, I am talking about looking at consequences not just tomorrow but 10-15 years down the road."



David Guice

# Water rate change eyed

## Council considers industry imbalance

By Mark Barrett  
M.BARRETT@CITIZEN-TIMES.COM

ASHEVILLE — Homeowners are paying more for water than the cost of providing it while large industrial users are paying less, a consultant told City Council Tuesday.

Council members said it is worth considering whether to adjust water rates to reduce the imbalance, but it was far from clear whether there is a consen-

sus to make major changes.

On another matter, council gave tentative approval on 4-3 votes to two changes to city zoning rules that are designed to reduce the chances that a developer could reconfigure a project council has turned down so that it would be subject only to approval by city staff.

Lex Warmath, vice president at Charlotte-based Raftelis Financial Consultants, told council that city water rates more than compensate for the reduced cost per gallon of providing water to the largest users.

"The industrial rate right now

is about 60 percent lower than the average residential rate," Warmath said. "Now, you have to use a lot of water to get that rate, but that's still a huge discount."

Based solely on the cost of providing the water, "You might justify maybe a 25-30 percent discount for the industrial customer," he said.

Asheville residential rates in general are higher than those in other similar cities in and around North Carolina, Warmath said. But he cautioned that

Please see WATER on B5

## WATER: Industry costs are subsidized

Continued from B1

fair comparisons are difficult because homeowners here generally use less water than those in some of the other cities, and because his figures for other cities reflect rates for those who live in the city limits.

Many cities charge considerably more for water delivered outside their boundaries. Asheville is barred from doing that by state law.

The difficulties involved in moving water up and down steep terrain create additional costs for the city water system that other cities do not have to bear, said Steve Shoaf, Water Resources director, before the meeting.

Warmath said Asheville users have what he termed less "elective" water use, meaning water conservation uses here would make less of an impact on consumption than in other places.

Council asked War-

### Council voted in favor of zoning rule changes sparked by controversy over two Kenilworth apartment complexes.

math to bring back more information on the rate issue with an eye toward possibly shifting some of the costs among water users.

Warmath said his projections indicate the city will not have to raise rates for the 2011-12 fiscal year, which starts July 1, in order to cover expected costs. However, increases of 3.5 percent to 5 percent will be needed after that, he said.

Some council members said council should consider rebalancing the portion of costs that residential and industrial customers shoulder.

"It's clear that we're subsidizing industrial use far more than what other cities are doing," Councilman Cecil Bothwell said.

But others said they were leery of putting any more burden on industry.

"Being in an environment where a lot of other costs of living are higher ... maybe this isn't something we want to tinker with," said Councilman Bill Russell.

In other action, council voted in favor of zoning rule changes sparked by controversy over two Kenilworth apartment complexes of 50 units each. Council had voted down a 100-unit complex proposed in the same area by the same developer, but the developer changed the project so that council approval was unnecessary.

A second vote will be necessary on the issue.

Voting in favor of the changes were council members Bothwell, Esther Manheimer, Brownie Newman and Gordon Smith.

Voting "no" were Mayor Terry Bellamy, Councilman Jan Davis and Russell.

# **CONSOLIDATED MOTION AGENDA**

**Metropolitan Sewerage District of Buncombe County**  
**BOARD ACTION ITEM**

**BOARD MEETING DATE:** February 16, 2011

**SUBMITTED BY:** Tom Hartye, P.E. - General Manager

**PREPARED BY:** Ed Bradford, P.E. - Director of CIP  
 Mike Stamey, P.E. - Project Manager

**SUBJECT:** Sanitary Sewer Rehabilitation Project: Old Home Road PRP, MSD  
 Project No. 2004261

**BACKGROUND:** This project is for the replacement of an aged vitrified clay sanitary sewer line. There have been numerous work orders for repairs on this line due to its poor structural condition.

The project was originally generated through MSD's Pipe Rating program, which numerically rates pipe segments based on several structural factors. Line segments with high (meaning bad) ratings are then evaluated by an engineer for possible rehabilitation needs.

This project is located in the Town of Woodfin, and runs generally along Weaverville Road for most of its length. It is comprised of 2,400 linear feet of 8-inch DIP.

The contract was advertised and eleven informal bids were received on Thursday, February 3, 2011 at 2:00 PM as follows:

<u>Contractor</u>	<u>Bid Amount</u>
1) B C & D Associates	\$812,300.00
2) Patton Construction Group, Inc.	\$549,775.00
3) Buckeye Construction Company	\$472,982.00
4) T & K Utilities, Inc.	\$455,975.00
5) Disaster Recovery	\$452,386.00
6) Carolina Specialties	\$422,914.95
7) Freestone Construction	\$413,132.00
8) Huntley Construction Company	\$372,946.00
9) Haywood Grading and Excavating	\$371,736.25 (*)
10) Payne, McGinn & Cummins	\$352,373.00
11) Terry Brothers Construction Co., Inc.	<b>\$320,931.00</b>

(\*) Invalid Bid - Contractor did not acknowledge receipt of Addenda Nos. 1 nor 2; therefore, their bid is rejected.

The apparent low bidder is Terry Brothers Const. Co., Inc. with a bid amount of \$320,931.00. Terry Brothers has extensive experience with previous MSD rehabilitation projects, and their work quality has been excellent to date.

Please refer to the attached documentation for further details.

**FISCAL IMPACT:** The FY10-11 construction budget for this project is \$480,000.00.

**STAFF RECOMMENDATION:** Staff recommends award of this contract to Terry Brothers Construction Co., Inc. in the amount of \$320,931.00, subject to review and approval by District Counsel.

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

**OLD HOME ROAD @ WEAVERVILLE HIGHWAY SEWER REHABILITATION  
PROJECT NO. 2004261**

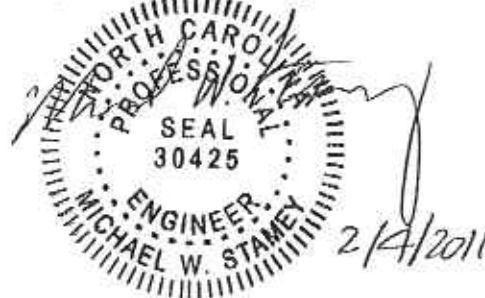
**BID TABULATION  
February 3, 2011**

BIDDER	MBE Form	Bid Forms (Proposal)	Total Bid Amount
B C & D Associates Cullowhee, NC	1	Yes	\$812,300.00
Patton Construction Group Asheville, NC	1	Yes	\$549,775.00
Buckeye Construction Company Canton, NC	1	Yes	\$472,982.00
T & K Utilities Asheville, NC	1	Yes	\$455,975.00
Disaster Recovery Group Arden, NC	1	Yes	\$452,386.00
Carolina Specialties Hendersonville, NC	1	Yes	\$422,914.95
Freestone Construction Hazelwood, NC	1	Yes	\$413,132.00
Huntley Construction Company Asheville, NC	1	Yes	\$372,946.00
Haywood Grading & Excavating (*) Canton, NC	2	Yes	(*) \$371,736.25
Payne, McGinn & Cummins Travelers Rest, SC	1	Yes	\$352,373.00
Terry Brothers Construction Company Leicester, NC	1	Yes	\$320,931.00

**APPARENT LOW BIDDER**

(\*) Contractor did not submit the correct bid schedule, that was included as part of Addendum No. 2 and did not acknowledge receipt of Addenda 1 and 2; therefore their bid is rejected.

Michael W. Stamey, P.E.  
Project Engineer  
Metropolitan Sewerage District of  
Buncombe County, North Carolina



This is to certify that the bids tabulated herein were publicly opened and read aloud at 2:00 p.m. on the 3rd day of February, 2011, in the W.H. Mull Building at the Metropolitan Sewerage District of Buncombe County, Asheville, North Carolina. This was an informal bid and no bid bonds were required.



## Interoffice Memorandum

**TO:** Tom Hartye, General Manager

**FROM:** Ed Bradford, CIP Manager  
Mike Stamey, Project Manager

**DATE:** February 4, 2011

**RE:** Old Home Road @ Weaverville Highway PRP 64001, Sanitary Sewer Replacement - MSD  
Project No. 2004261

The Old Home Road @ Weaverville Highway PRP 64001 Sanitary Sewer Replacement project is located in Woodfin. It consists of 2,400 linear feet of 8-inch DIP sewer. The subject work is necessary due to overflows, backups, and structural failures associated with the existing line segments. In addition maintenance of this line has been particularly difficult due to the high number of other utilities over the line.

Eleven informal bids were received on Thursday, February 3, 2011 at 2:00 PM as follows:

<u>Contractor</u>	<u>Bid Amount</u>
1) B C & D Associates	\$812,300.00
2) Patton Construction Group, Inc.	\$549,775.00
3) Buckeye Construction Company	\$472,982.00
4) T & K Utilities, Inc.	\$455,975.00
5) Disaster Recovery	\$452,386.00
6) Carolina Specialties	\$422,914.95
7) Freestone Construction	\$413,132.00
8) Huntley Construction Company	\$372,946.00
9) Haywood Grading and Excavating	\$371,736.25 (*)
10) Payne, McGinn & Cummins	\$352,373.00
11) Terry Brothers Construction Co., Inc.	<b>\$320,931.00</b>

(\*) Invalid Bid - Contractor did not acknowledge receipt of Addenda No. 1 nor No. 2; therefore their bid is rejected.

The FY10/11 construction budget for this project is \$480,000.00. Terry Brothers Construction Co., Inc. is the apparent low bidder for this contract with a bid amount of \$320,931.00. Terry Brothers Construction Co., Inc. has extensive experience with District rehabilitation projects and has an excellent performance history.

Staff recommends award of this contract to Terry Brothers Construction Co., Inc. contingent upon review and approval by District Counsel.

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA

**CAPITAL IMPROVEMENT PROGRAM**

BUDGET DATA SHEET - FY 2010 - 2011

PROJECT:	Old Home Road - PRP 84001	LOCATION:	Weaverville	REVIEWED BY:
TYPE:	Pipe Rated Projects	DATE OF REPORT:	January-10	
PROJECT NO.	2004281	TOTAL L.F.:	2,390	
PROJECT BUDGET:	\$655,488.00	PROJECT ORIGIN:	Pipe Rating Program	

DESCRIPTION	ESTIMATED PROJECT COST	TOTAL EXPENDS THRU 6/30/09	TOTAL COSTS JULY - DEC 09	EST. COST JAN - JUNE 10	EST. BUDGET FY 10-11
01 - SURVEY / EASEMENT PLATS # PLATS: [ 17 ]	\$7,900.00	\$7,900.00			
02 - LEGAL FEES	\$11,000.00	\$9,840.00		\$160.00	\$1,000.00
03 - ENGINEERING ASSISTANCE					
04 - ACQUISITION SERVICES	\$11,588.00	\$11,588.00			
05 - COMPENSATION	\$125,000.00	\$99,277.00			\$15,723.00
06 - APPRAISAL	\$5,000.00	\$4,000.00			\$1,000.00
07 - CONDEMNATION	\$5,000.00	\$171.00		\$500.00	\$2,300.00
08 - ENVIRONMENTAL SURVEY					
09 - PRELIM. ENG. REP.					
10 - DESIGN / ASBUILT SURVEYS	\$8,000.00	\$5,425.00			\$2,600.00
11 - ENVIRONMENTAL ASSESSMENT					
12 - ARCHAEOLOGICAL					
13 - GEOTECHNICAL					
14 - CONSTRUCTION CONTRACT ADM.					
15 - CONSTRUCTION	\$480,000.00				\$480,000.00
16 - PERMITS					
17 - PUBLIC MEETINGS					
18 - TESTING	\$2,000.00				\$2,000.00
<b>TOTAL AMOUNT</b>	<b>\$655,488.00</b>	<b>\$138,199.00</b>	<b>\$0.00</b>	<b>\$660.00</b>	<b>\$504,623.00</b>

ENGINEER:	MSD	ESTIMATED BUDGETS - FY '09 - '16	
CONTRACTOR:		FY 11-12	\$3,000.00
CONSTRUCTION ADMINISTRATION:	MSD	FY 12-13	\$0.00
INSPECTION:	MSD	FY 13-14	\$0.00
R.O.W. ACQUISITION:	Telco, Inc.	FY 14-15	\$0.00
		FY 15-16	\$0.00
PROJECT NOTES:		FY 16-17	\$0.00
		FY 17-18	\$0.00
		FY 18-19	\$0.00
		FY 19-20	\$0.00



**Old Home Road - PRP 64001**  
**Project No. 2004261**



NOT TO SCALE



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

**Budget Map**

# Metropolitan Sewerage District of Buncombe County

## BOARD ACTION ITEM

**Meeting Date:** February 16, 2011

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

**Prepared By:** W. Scott Powell, CLGFO Director of Finance

**Subject:** Adoption of Budget Calendar – FY2011-2012

### **Background**

The District's budget process must satisfy requirements in the North Carolina General Statutes as well as the 1999 Amended and Restated Bond Order. NC statutes require 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. Thereafter, the budget must be adopted no earlier than 10 days after the budget is first presented to the Board and not later than July 1. The Bond Order calls for the budget to be adopted by the Board on or before June 15.

### **Discussion**

The attached budget calendar is designed to allow for input by all stakeholders into a systematic and deliberate process. Time between committee and board meetings has been scheduled to prepare and distribute agenda items, including preparation time for any revisions requested to be presented at a subsequent meeting.

The Finance Committee meeting to discuss the proposed budget is scheduled for May 12<sup>th</sup> with the expectation that fairly firm estimates of health and other insurance renewal care costs will be available by the middle of April.

This calendar is a guide and committee meetings may be added and/or rescheduled as necessary to accommodate the preliminary budget being presented on May 18<sup>th</sup> and the final budget being adopted on June 15<sup>th</sup>.

### **Fiscal Impact**

None.

### **Staff Recommendation**

Approval of the proposed Budget Calendar.

### **Action Taken**

<b>Motion by:</b>	to	Approve	Disapprove
<b>Second by:</b>		Table	Send to Committee
<b>Other:</b>			
<b>Follow-up required:</b>			
<b>Person responsible:</b>		<b>Deadline:</b>	

# Budget Calendar FY 2012

## APRIL

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

## MAY

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

## JUNE

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

## JULY

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

DATE	TIME	SUBJECT
April 28	2:00 p.m.	<b>Personnel Committee Meeting</b>
		◆ Cost of Living & Merit Pay
		◆ Benefit Allocations
May 5	8:30 a.m.	<b>CIP Committee Meeting</b>
		◆ Update of Ten-Year Capital Improvement Program
		◆ Update Construction Program Financing
		◆ 2011-2012 Construction Fund Budget
May 11	2:00 p.m.	<b>Finance Committee Meeting</b>
		◆ Nine-Month Revenue/Expenditure Report
		◆ Self-Funded Medical & Dental Program
		◆ Proposed FY12 Construction Fund Budget
		◆ Proposed FY12 Operating Budget & Sewer Rates
May 18	2:00 p.m.	<b>Board Meeting</b>
		◆ Preliminary FY12 Budgets & Sewer Rates
June 15	2:00 p.m.	<b>Board Meeting</b>
		◆ Public Hearing
		◆ Adoption of FY12 Budgets & Sewer Rates
July 1		<b>Start of Fiscal Year 2011-2012</b>

# Metropolitan Sewerage District of Buncombe County

## BOARD INFORMATIONAL ITEM

**Meeting Date:** February 16, 2011

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

**Prepared By:** W. Scott Powell, CLGFO, Director of Finance

**Subject:** Second Quarter Budget to Actual Review

### Background

At the end of each quarter, actual revenue and expenditure amounts are compared with the budget to evaluate the District's financial performance. The attached schedule includes year-to-date actual amounts as of December 31, 2010 as well as the adopted budget for FY 10-11.

### Discussion

There are several explanatory notes at the bottom of the page to assist in using this schedule as a management tool. Other considerations are as follows:

- ☐ Domestic and Industrial User Fees are at budget expectations. Staff monitors consumption trends as they have a direct effect on the District's current and future revenue projections.
- ☐ Facility and Tap Fees, also conservatively budgeted, can be significantly higher than budget. The unusually large variance as of the end of the second quarter is due to receiving unanticipated revenue of \$1,140,000 from two developments.
- ☐ Interest and miscellaneous income are below budgeted expectations. This is a direct result of recessionary pressure on the fixed income market.
- ☐ Rental income reflects expected earnings.
- ☐ O&M expenditures are at 50.82% of budget. The expenditures include encumbered amounts, which has elevated the budget to actual ratio slightly above 50%. The aforementioned encumbrances will be spent in the future.
- ☐ Bond principal and interest actually spent is less than 50% of budget. This is due to the timing of the District's debt service payments. The District is required to make a semi-annual interest payment on December 1, 2010 and a principal and semi-annual interest payment on July 1, 2011.
- ☐ Amounts budgeted for capital equipment and capital projects are rarely expended proportionately throughout the year and are expected to be fully spent prior to the end of the year.

### Staff Recommendation

None. Information only.

### Action Taken

<b>Motion by:</b>	to	Approve	Disapprove
<b>Second by:</b>		Table	Send to Committee
<b>Other:</b>			
<b>Follow-up required:</b>			
<b>Person responsible:</b>		<b>Deadline:</b>	

## Board Meeting

February 16, 2011

Subject: Second Quarter Budget to Actual Review

Page -2-

### Budget to Actual Revenue and Expenditure Report

For the six months ended December 31, 2010

UNAUDITED--NON-GAAP

	Budget	Actual to Date	% Budget to Actual
<b>REVENUES</b>			
Domestic User Fees <sup>1</sup>	\$ 23,654,586	\$ 12,404,840	52.44%
Industrial User Fees	1,562,644	798,768	51.12%
Facility Fees <sup>2</sup>	825,000	1,488,320	180.40%
Tap Fees <sup>3</sup>	78,750	94,765	120.34%
Billing and Collection	645,243	317,719	49.24%
Interest and Misc. Income <sup>4</sup>	929,201	248,845	26.78%
Employee Contribution to Health Ins.	368,361	174,694	47.42%
City of Asheville (Enka Bonds) <sup>5</sup>	37,000	-	0.00%
Rental Income	16,560	8,901	53.75%
Use of Available Funds <sup>6</sup>	<u>17,303,055</u>	<u>-</u>	<u>0.00%</u>
Total Revenues <sup>7</sup>	<u>\$ 45,420,400</u>	<u>\$ 15,536,852</u>	34.21%
<b>EXPENDITURES</b>			
Operations and Maintenance <sup>8</sup>	\$ 14,086,560	\$ 7,158,638	50.82%
Bond Principal and Interest <sup>9</sup>	8,577,769	1,537,566	17.93%
Capital Equipment (Other than O&M) <sup>8</sup>	600,000	379,717	63.29%
Capital Projects <sup>8</sup>	21,156,071	16,365,150	73.86%
Contingency	<u>1,000,000</u>	<u>-</u>	<u>0.00%</u>
Total Expenditures	<u>\$ 45,420,400</u>	<u>\$ 25,441,072</u>	56.01%

#### Notes:

<sup>1</sup> Revenues are on the cash basis

<sup>2</sup> Increase due to unanticipated revenue from two developments

<sup>3</sup> Increase in number of Taps requiring Bore Fees

<sup>4</sup> Interest Rates have fallen below budgeted expectations

<sup>5</sup> Payment to be received in May

<sup>6</sup> Pay-as-go funds to be used for CIP

<sup>7</sup> Budget-to-Actual Ratio does not include use of available funds

<sup>8</sup> Includes encumbered amounts as well as actual insurance expenditures

<sup>9</sup> Below 50% because 100% of principal payments due on July 1, 2011 for the entire FY11

# Metropolitan Sewerage District of Buncombe County

## BOARD INFORMATIONAL ITEM

**Meeting Date:** February 16, 2011

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

**Prepared By:** W. Scott Powell, CLGFO, Director of Finance

**Subject:** Second Quarter City of Asheville Billing Report

### **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 five quarters. A comparison of the second quarter of FY 11 with the same time period in FY 10 reveals the following:

- ◆ Net billings are up 5.2% from the previous period last year. Since the billing data includes the board approved 3.5% rate increase for the current fiscal year, this corresponds to the consumption data, which shows an increase of nearly 1.7%.
- ◆ Cash received during the year is up 7.3%, which is attributed to collection patterns as well as the timing of one cash receipt in the prior year.
- ◆ 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**

<b>Motion by:</b>	to	Approve	Disapprove
<b>Second by:</b>		Table	Send to Committee
<b>Other:</b>			
<b>Follow-up required:</b>			
<b>Person responsible:</b>		<b>Deadline:</b>	



**City of Asheville Quarterly Billing Report**

Billing Report Summary:	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter		
	FY10	FY10	FY10	FY 11	FY 11	FY 11	FY 11		
<b>Beginning Receivables</b>	\$ 1,037,070	\$ 1,060,163	\$ 995,011	\$ 1,259,460	\$ 1,170,116	\$ -	\$ -		
Activity:									
Billings	4,764,892	4,527,740	4,857,303	5,113,204	5,075,857	-	-	<b>Net Billings Thru</b>	
Bad Debt Collected	654	10,146	2,531	163	84	-	-	<b>Second Qtr. FY 11</b>	\$ 9,815,303
Bad Debt Remitted	(381)	-	(1,105)	-	-	-	-	<b>Net Billings Thru</b>	
Payments	(4,308,430)	(4,256,663)	(4,290,337)	(4,716,535)	(4,569,064)	-	-	<b>Second Qtr. FY 10</b>	9,333,901
Payments Collected but not yet remitted	(330,942)	(245,025)	(263,631)	(259,049)	(370,018)	-	-		\$ 481,402
Adjustments	(102,699)	(101,350)	3,267	(227,127)	(146,631)	-	-	<b>% Increase</b>	5.2%
Total Activity	23,093	(65,152)	308,028	(89,344)	(9,772)	-	-	<b>Net Payments Thru</b>	
Bad Debt Write-off			(43,579)					<b>Second Qtr. FY 11</b>	\$ 9,914,419
<b>Ending Receivables</b>	\$ 1,060,163	\$ 995,011	\$ 1,259,460	\$ 1,170,116	\$ 1,160,344	\$ -	\$ -	<b>Net Payments Thru</b>	
								<b>Second Qtr. FY 10</b>	9,242,681
									\$ 671,738
								<b>% Increase</b>	7.3%
<b>Current Receivables &lt;30 Days</b>	\$ 860,611	\$ 758,339	\$ 1,111,649	\$ 949,397	\$ 943,678	\$ -	\$ -		
<b>Aged Receivables</b>								<b>A/R End of Second</b>	
30 to 60 Days	\$ 91,223	\$ 120,278	\$ 68,027	\$ 118,533	\$ 89,080	\$ -	\$ -	<b>Qtr. FY 11</b>	\$ 1,160,344
Over 60 Days	108,329	116,394	79,783	102,186	127,586	-	-	<b>A/R End of Second</b>	
Total Over 30 Days	\$ 199,552	\$ 236,672	\$ 147,811	\$ 220,719	\$ 216,666	\$ -	\$ -	<b>Qtr. FY 10</b>	1,060,163
									\$ 100,181
								<b>% Increase</b>	9.4%
<b>Aging Percentages</b>									
Less than 30 Days	81.18%	76.21%	88.26%	81.14%	81.33%	0.00%	0.00%		
30 to 60 Days	8.60%	12.09%	5.40%	10.13%	7.68%	0.00%	0.00%		
Over 60 Days	10.22%	11.70%	6.33%	8.73%	11.00%	0.00%	0.00%		
Total	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%		

# Metropolitan Sewerage District of Buncombe County

## BOARD INFORMATIONAL ITEM

**Meeting Date:** February 16, 2011

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

**Prepared By:** W. Scott Powell, Director of Finance

**Subject:** Cash Commitment/Investment Report-Month Ended December 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 December 31, 2010 were \$47,639,923. The detailed listing of accounts is available upon request. The average rate of return for all investments is 1.044%. 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 December 31, 2010 does not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of December 31, 2010 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is \$11,228,459.

<b>Total Cash &amp; Investments as of 12/31/2010</b>	47,639,923
<b>Less:</b>	
Budgeted Commitments (Required to pay remaining FY11 budgeted expenditures from unrestricted cash)	
Construction Funds	(15,305,327)
Operations & Maintenance Fund	(7,524,045)
	(22,829,372)
Bond Restricted Funds	
Bond Service (Funds held by trustee):	
Funds in Principal & Interest Accounts	(1,066,922)
Debt Service Reserve	(2,628,097)
Remaining Principal & Interest Due	(6,402,258)
	(10,097,277)
District Reserve Funds	
Fleet Replacement	(603,665)
WWTP Replacement	(860,626)
Maintenance Reserve	(813,665)
	(2,277,956)
Post-Retirement Benefit	(558,552)
Self-Funded Employee Medical	(648,305)
<b>Designated for Capital Outlay</b>	<b>11,228,459</b>

### **Staff Recommendation**

None. Information Only.

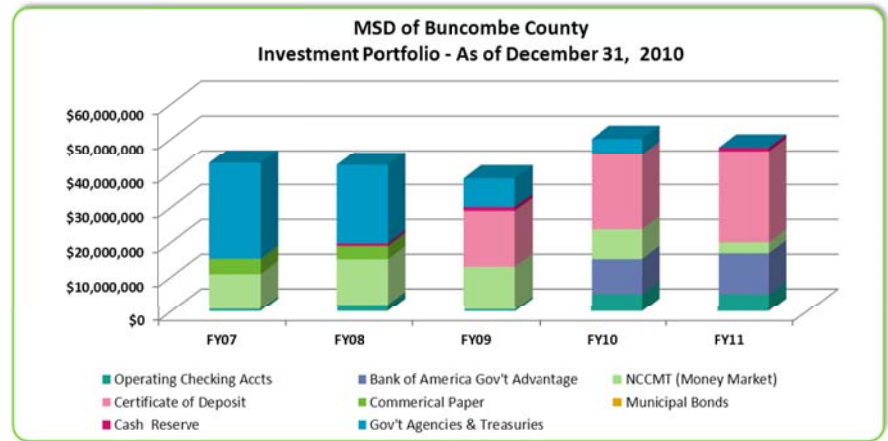
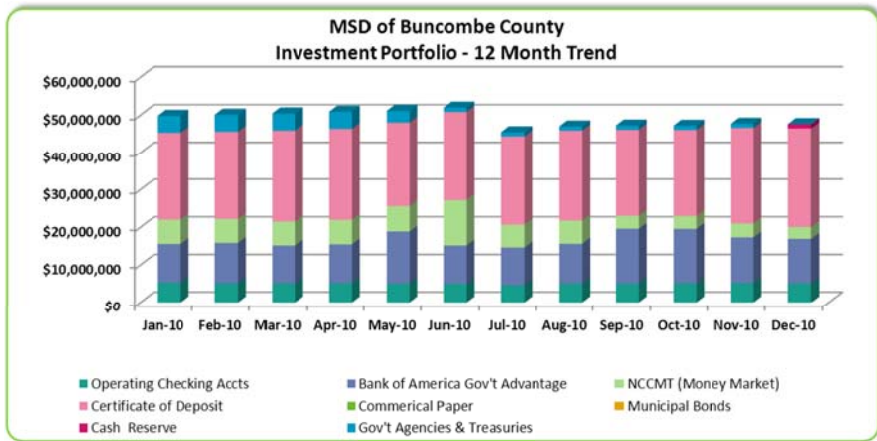
### **Action Taken**

<b>Motion by:</b>	to	Approve	Disapprove
<b>Second by:</b>		Table	Send to Committee
<b>Other:</b>			
<b>Follow-up required:</b>			
<b>Person responsible:</b>			<b>Deadline:</b>

### 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
<b>Held with Bond Trustee</b>	\$ -		\$ 2,560,019				\$ 1,135,000	\$ -	\$ 3,695,019
<b>Held by MSD</b>	5,078,024	11,858,209	587,975	26,420,696	-	-		-	43,944,904
	<u>\$ 5,078,024</u>	<u>\$ 11,858,209</u>	<u>\$ 3,147,994</u>	<u>\$26,420,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,135,000</u>	<u>\$ -</u>	<u>\$ 47,639,923</u>

<u>Investment Policy Asset Allocation</u>	<u>Maximum Percent</u>	<u>Actual Percent</u>	
U.S. Government Treasuries,			
Agencies and Instrumentalities	100.00%	0.00%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20.00%	0.00%	
Certificates of Deposit	100.00%	55.46%	The District 's YTM of 1.05% is exceeding the YTM benchmarks of the 6 month T-Bill and NCCMT Cash Portfolio.
Commercial Paper	20.00%	0.00%	
North Carolina Capital Management Trust	100.00%	6.61%	
Checking Accounts	100.00%	35.55%	All funds invest in CD's, operating checking accounts, BOA government advantage are fully collateralized with the State Treasurer.



**Board Meeting**

February 16, 2011

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

Page -3-

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

**Summary of Asset Transactions**

	<b>Original</b>		<b>Interest</b>
	<b>Cost</b>	<b>Market</b>	<b>Receivable</b>
Beginning Balance	\$ 39,757,627	\$ 39,757,627	\$ 107,982
Capital Contributed (Withdrawn)	(1,170,335)	(1,170,335)	-
Realized Income	12,676	12,676	(7,652)
Unrealized/Accrued Income	-	-	22,638
Ending Balance	<u>\$ 38,599,968</u>	<u>\$ 38,599,968</u>	<u>\$ 122,968</u>

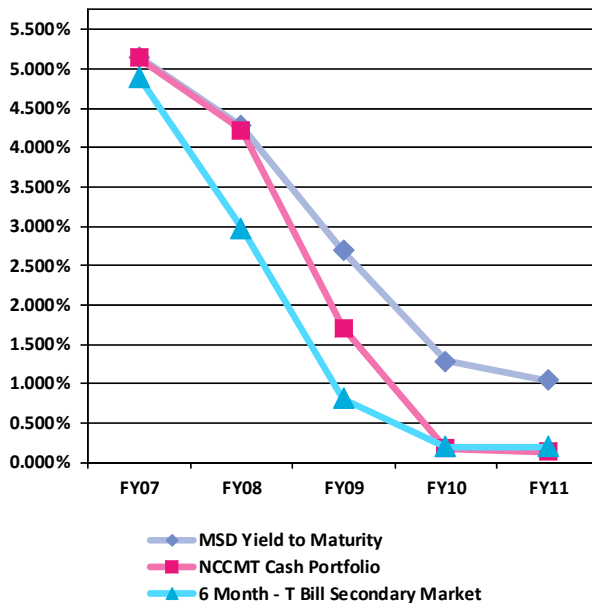
**Value and Income by Maturity**

	<b>Original Cost</b>		<b>Income</b>	
Cash Equivalents <91 Days	\$	12,179,272	\$	8,728
Securities/CD's 91 to 365 Days		26,420,696	\$	18,934
Securities/CD's > 1 Year		-	\$	-
	<u>\$</u>	<u>38,599,968</u>	<u>\$</u>	<u>27,662</u>

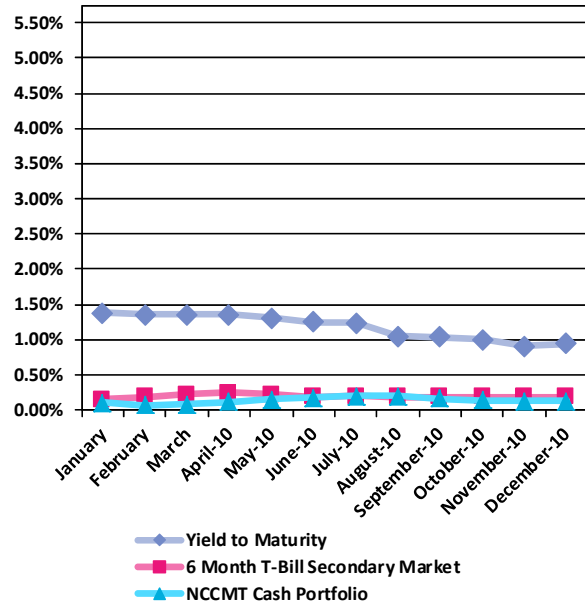
**Month End Portfolio Information**

Weighted Average Maturity	148 Days
Yield to Maturity	0.94%
6 Month T-Bill Secondary Market	0.19%
NCCMT Cash Portfolio	0.12%

**Metropolitan Sewerage District  
Annual Yield Comparison**



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



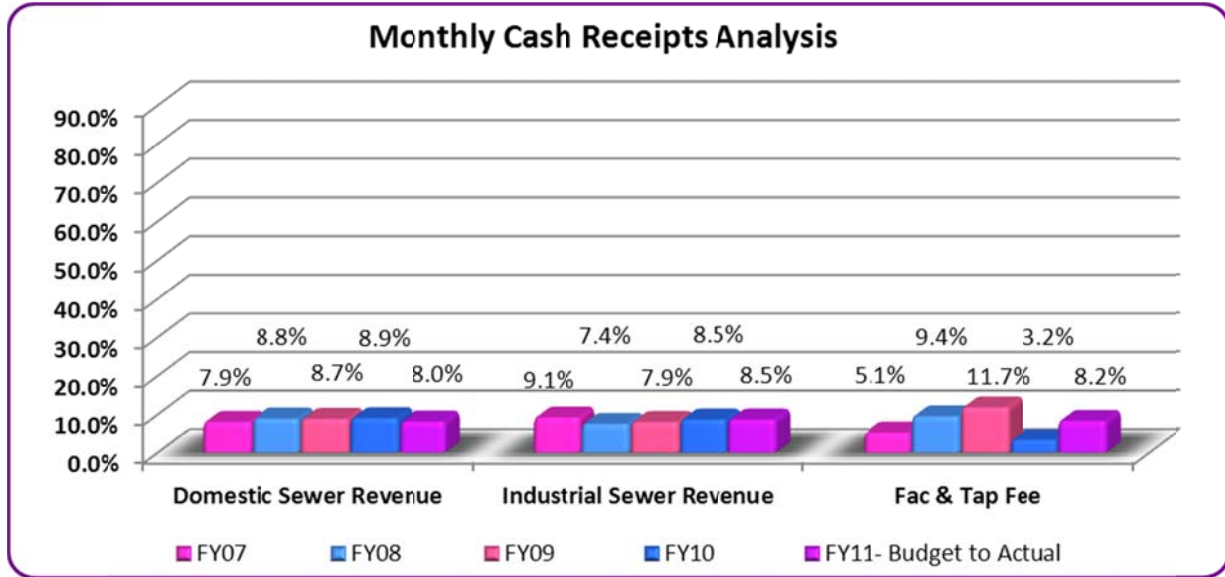
**Board Meeting**

February 16, 2011

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

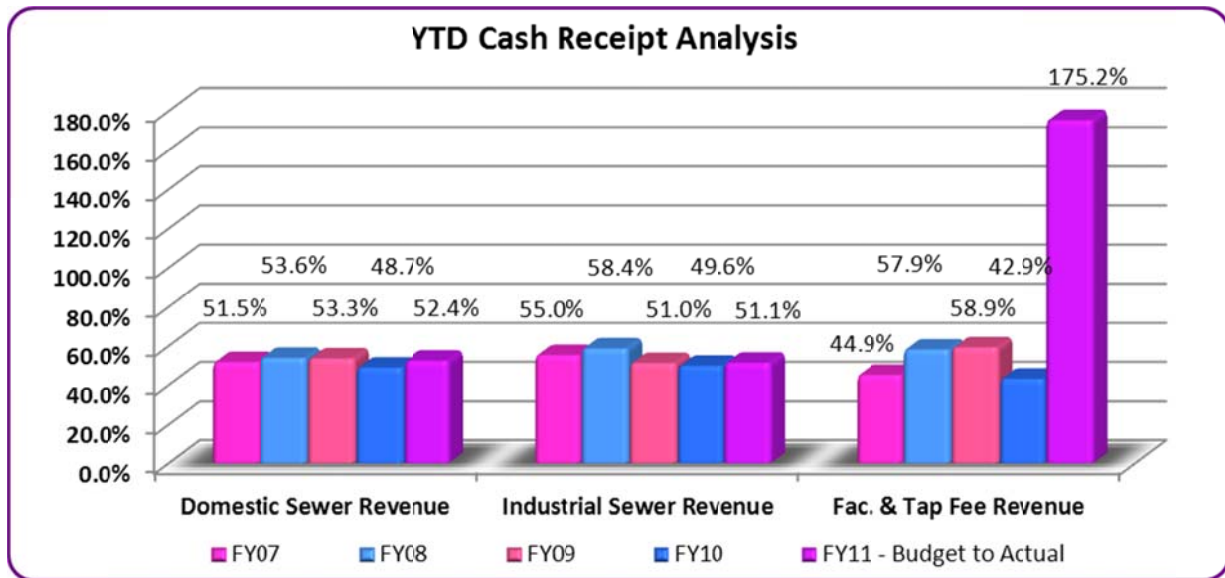
Page -4-

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



**Monthly Cash Receipts Analysis:**

- ★ Monthly domestic sewer revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods.
- ★ Monthly industrial sewer revenue is considered reasonable based on historical trends.
- ★ Due to the unpredictable nature of facility and tap fee revenue, staff considers facility and tap fee revenue reasonable.



**YTD Actual Revenue Analysis:**

- ★ YTD domestic sewer revenue is considered reasonable based on historical trends.
- ★ YTD industrial sewer revenue is considered reasonable based on historical trends.
- ★ YTD facility and tap fee is higher due to one unexpected cash receipt.

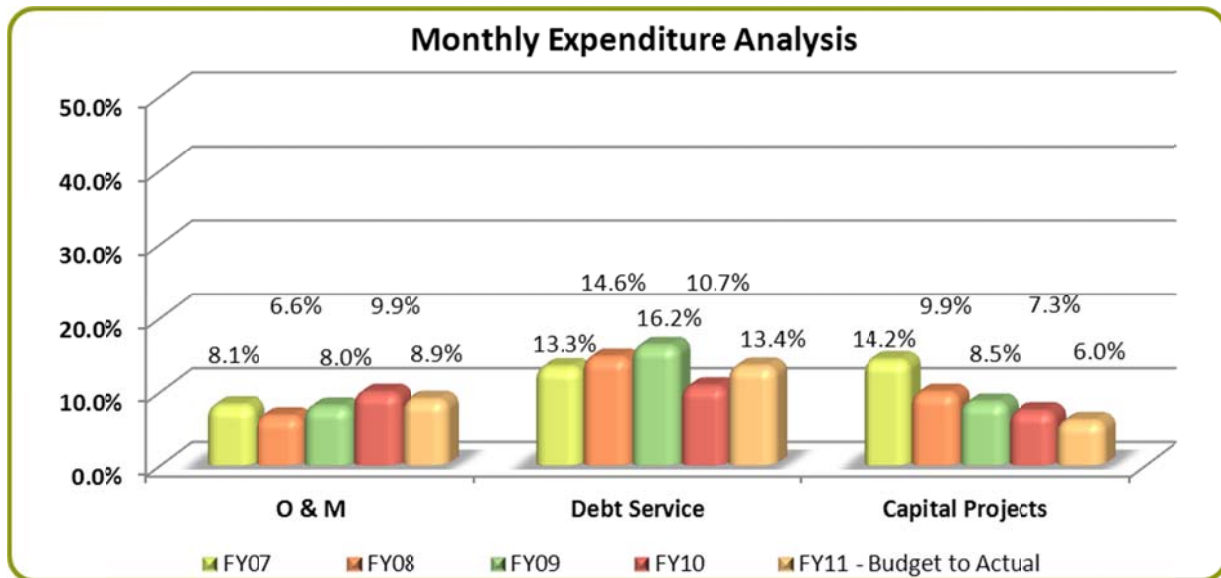
**Board Meeting**

February 16, 2011

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

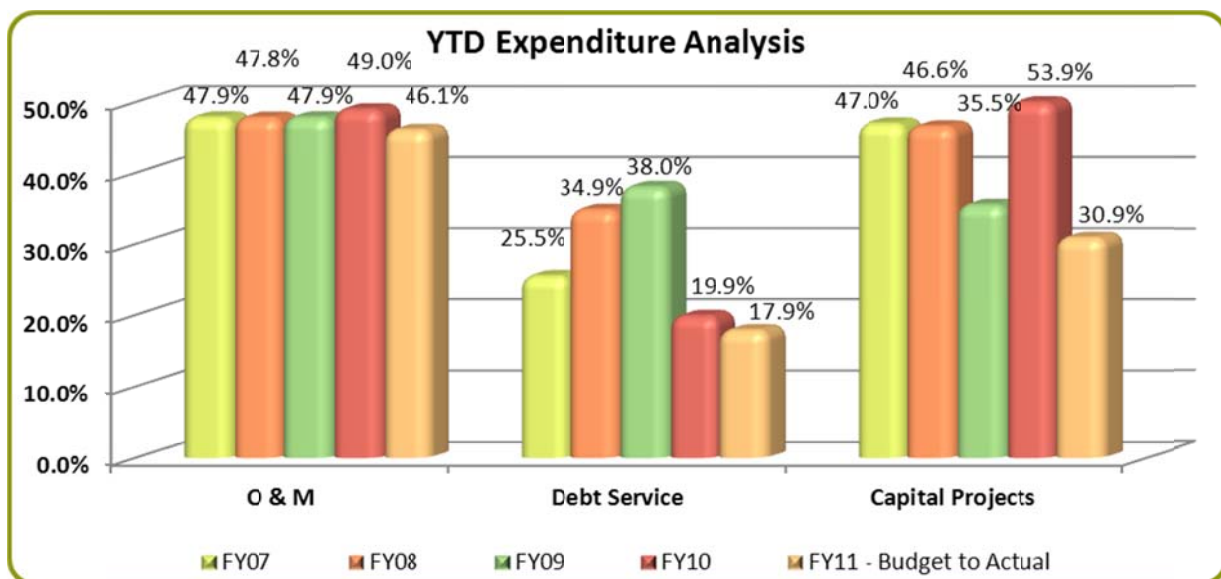
Page -5-

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



**Monthly 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 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.

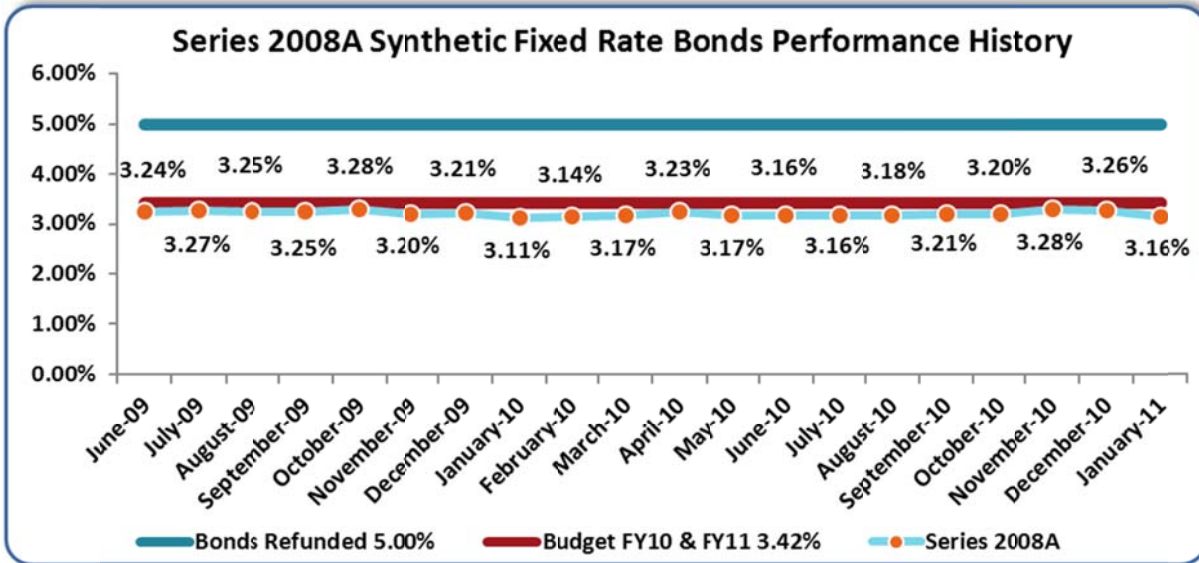
**Board Meeting**

February 16, 2011

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

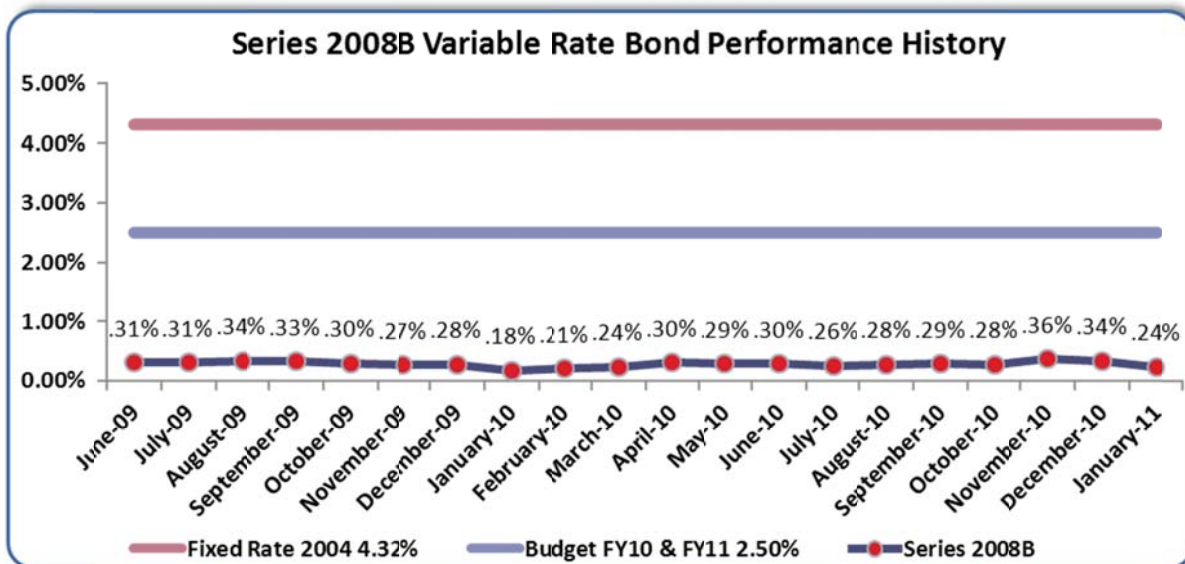
Page -6-

**METROPOLITAN SEWERAGE DISTRICT  
Variable Debt Service Report  
As of January 31, 2011**



**Series 2008A:**

- ✦ Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$1,430,559 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 \$3,300,000 to terminate the existing Bank of America Swap Agreement.



**Series 2008B:**

- ✦ Savings to date on the 2008B Variable Rate Bonds is \$2,074,039 as compared to 5/1 fixed rate of 4.32%.
- ✦ Since May 1, 2008, the Series 2008B Bonds average variable rate has been 0.79%.
- ✦ MSD will achieve \$8,435,000 in cash savings over the life of the bonds at the current average variable rate.

## Metropolitan Sewerage District of Buncombe County

### Board Agenda Item – Planning Committee

**COMMITTEE MEETING DATE:** December 2nd, 2010    **BOARD MEETING DATE:** 2/16/11

**SUBMITTED BY:** Tom Hartye, General Manager

**SUBJECT:** Proposals concerning MSD revenue sharing for sewer extensions constructed by Member Agencies and Private Developers.

#### **BACKGROUND:**

Attached is a table with the pros and cons of different options for revenue sharing of user charges for review by the Board. A hybrid option (Item C.) was endorsed by the Planning Committee at the December 2<sup>nd</sup> meeting. Additionally, CIBO has made some recommendations which are attached and dated 1/19/11. These recommendations are included (Item D.) along with a new hybrid (Item E.), which incorporates some of what CIBO has recommended. The Keep it Simple Option Item F. is put forward to simplify the administration of the program along with being more legally defensible. The Planning Committee has not officially considered Items E or F.

Attached is a draft policy showing the changes made to make it conform to Item F. Keep it Simple Option.

Also attached are tables with information regarding both past and future planned projects for our Member Agencies along with some past cost recovery information from private developers. This information was presented at the December Planning committee Meeting.

MSD will agree to do the design and ROW acquisition for public agency run sewer extensions as well as for Master Plan Interceptors run by private entities. MSD would not provide Design and ROW services for forced annexation projects run by member agencies or for collector sewer projects run by private entities. MSD costs for ROW and design would be billed to the respective entity for all collector sewers.

MSD to provide Construction Management services for all projects at no cost.

***Revenue sharing includes user charges over the period specified but does not include facility fees.***

**FISCAL IMPACT:** User charge revenue sharing proposals should not lead to an increase in rates.

**COMMITTEE RECOMMENDATION:** Recommends moving forward with the Hybrid Option (Item C.) from its December Planning Committee meeting. The Planning Committee has not officially considered Items E or F.

**STAFF RECOMMENDATION:** Staff, General Counsel, and the Engineer of Record recommend that if the Board would like to share user charge revenue for sewer extensions that either Option C. or Option F be chosen.



## Revenue Sharing for Sewer Extensions Made by Others

Proposal/Terms	Pros	Cons
<b>A. Planning Committee Proposal (7/8/10)</b>	No money up front	
<b>MSD to give first 5 years of actual revenue (user charges) up to cost of extension</b>  <b>This applies to Everyone – public or private.</b>	Level playing field for public vs. private	
	5 year term easier to track – due to	
	less projects in queue.	
	Gives greater weight to failing septic systems – public health emergency	Annexed areas typically do not tie on quickly – approx. 50% in 5 years
	limited by cost of extension	
<b>B. COA proposal for Member Agencies(10/20/10):</b>	No money up front	Not limited by cost of extension
<b>MSD to give 50% of actual revenue (user charges) for 10 years, no limit.</b>  <b>This applies to Member agency only for annexations or areas not currently served.</b>		
	Gives favor to public agency over private	Gives favor to public agency over private
	Allows greater time for tie on and potential revenue for agency	Greater number of projects to track simultaneously
<b>C. Hybrid Option: (December Planning Committee)</b>	No money up front	
<b>MSD to give 50% of actual revenue (user charges) for 10 years to Member Agency up to cost of extension project.</b>	limited by cost of extension	
	Accounts for difference in timing of connections and revenue stream	
<b>MSD to give 5 years of actual revenue(100%) to private developers up to cost of extension</b>		Does not account for current slow market for private development

## Revenue Sharing for Sewer Extensions Made by Others

Proposal/Term	Pros	Cons
<b>D. CIBO Recommendations</b>	No money up front	
<b>MSD to give all but treatment portion or 98% of revenues user charges) for 10 years.</b> <b>Commercial and Industrial to be included</b>  <b>This would not apply to residential developments over 100 houses.</b>	limited by cost of extension	Billing cost is 5%, treatment plant as a whole 42%
	“Private Development” includes commercial and industrial already	Disproportionate with public agency offering.
	Focus on smaller developers	Phasing issues
		Subject to legal challenge.
<b>E. NEW Hybrid option</b>	No money up front	
<b>MSD to give 50% of actual revenue (user charges) for 10 years up to cost of extension for public or private extensions.</b>  <b>This applies to all projects except private residential projects over 100 houses.</b>	limited by cost of extension	
	Mostly level playing field	Subject to legal challenge
	Allows greater time for tie on and potential revenue for all developers	Greater number of projects to track simultaneously
<b>F. Keep it Simple Option</b>	No money up front	limited by cost of extension
<b>MSD to give 50% of actual revenue (user charges) for 10 years up to cost of extension for public or private extensions.</b>	limited by cost of extension	
	Level playing field	Greater number of projects to track simultaneously
	Allows greater time for tie on and potential revenue for all developers	



P.O. BOX 3215, ASHEVILLE, N.C. 28802  
828-254-2426  
828-254-CIBO

Date: 1/19/11

To: Steve Aceto, Chairman MSD Board

From: Michael Plemmons, CIBO Executive Director

Thanks to you and the MSD Board of Directors for giving our committee the time to review proposed developer revenue sharing. The following are suggestions for this process and our committee believes that the adoption of these items will greatly increase the future customer base of MSD.

(1) For residential developers, the revenue sharing program should apply to residential developments consisting of 100 homes or less. This will certainly make the MSD option, rather than septic tanks, more enticing to small and medium residential homebuilders. Larger developments should be considered on a case by case basis.

(2) The revenue sharing should not be at 100% for 5 years but rather MSD should be allowed to collect the cost for the actual treatment and processing of the additional sewerage coming into the treatment facility. The CIBO committee wanted to ensure that the base MSD costs for processing were covered. For example, if your treatment cost to handle sewerage is estimated to be 10% of the total, the developer would have a 90% reimbursement and MSD would keep 10%.

(3) Our committee favors a 10 year reimbursement period. In this economic environment, the committee did not feel that 5 years was enough time to sell some developments out. If the MSD Board agrees with the 10 years rather than the 5 years and the economy improves with home sales becoming more aggressive, the MSD Board could then shorten the reimbursement period.

(4) The \$350,000 annual budget for reimbursement appears to be adequate at this time but the figure needs to be evaluated at least every 24 months or earlier should the need arise.

(5) Our committee also would like the MSD Board to review the potential for commercial and industrial reimbursements to be included as well. The committee felt that potentially this assistance could boost economic development efforts and add more customers while further benefiting and accomplishing the MSD masterplan buildout.

We applaud the Board and staff of MSD for your past efforts and your forward thinking. Your dedication will result in more customers for the District. We look forward to meeting with your Planning Committee or Board of Directors soon.

cc: Lou Bisette, Chairman MSD Planning Committee  
Tom Hartye, MSD General Manager  
CIBO Committee Members

## Unified Sewer Extension Reimbursement Policy

This program and all of its offerings are subject to available funding. Any Project that is eligible for reimbursements over \$50,000 will require approval of the MSD Board of Directors. ~~The annual budget cap of \$350,000 will not be exceeded without Board approval.~~ To be eligible all extensions to the MSD system will be in accordance with the MSD Master Plan and Member Agency planning documents.

### A. Reimbursement for Upgrading Existing MSD Sewer Line:

Reimbursement for rehabilitation of existing sewer lines and pump stations applies where the developer has to rehabilitate or replace an existing MSD sewer to accommodate the proposed development. The District's participation is based on an evaluation by the District with point assignment for various criteria. The District's share usually ranges from 0% to 75% of the construction costs for the sewer rehabilitation.

### B. Additional capacity reimbursements:

The Additional Capacity Reimbursement Policy applies where a larger size sewer line extension is required by the District for other future users. The purpose is to provide capacity for future customers that will eventually drain into the new line being constructed. The District will reimburse the Developer the differential costs between the minimum size pipe necessary for the development and the larger size required.

### C. Cost Recovery Reimbursements for Sewer Line Extensions by Others:

1. Documented Failing Septic Tank Emergencies - Will be subject to requirements set forth below and eligible for the equivalent of 10 years of estimated revenues once the extension is complete and accepted by the MSD Board.
2. New Affordable Housing Projects - Will be subject to the requirements set forth below and eligible for the equivalent of 5 years of estimated revenues up to \$50,000 maximum per project. Disbursements will be made once the extension is complete and accepted by the MSD Board.
3. Extension to System by Others - Will be subject to the requirements set forth below and eligible for 50% of actual revenues for 10 years to be disbursed semi-annually. ~~This will apply only to projects over \$50,000 of estimated revenue whose systems have been approved by the MSD Board.~~

### D. Developer to Developer Reimbursement - The current policy also offers a program where MSD will require future developers to reimburse the original developer who extended the sewer if they tie on to this extension within 10 years. The reimbursement amount is based upon relative flows. This would continue but does not have a financial impact to the District.

## General Conditions and Requirements

1. Those who seek reimbursements pursuant to District Policy shall notify the General Manager after final design plans have been approved and estimated revenues developed but prior to receiving a permit to construct a sewer extension.
2. This program and all of its offerings are subject to available funding. Any Project that is eligible for reimbursements over \$50,000 will require approval of the MSD Board of Directors.
3. All cost recovery and revenue sharing program offerings are to be limited by the lesser of the revenues generated during the designated time period or the cost of the eligible extension. The eligible extension for certified Affordable Housing projects will be all public sewer lines to be taken over by the District. The eligible extension for projects done by others is that off-site part of the extension that is between the existing District sewer line and the development property.
4. All estimates of potential revenue shall be determined by MSD staff.
5. All estimates of line size differential costs shall be determined by District Staff.
6. Reimbursement should be subject to completion of construction and final inspection and acceptance of the system and easements therefore by the District
7. Determination of how available funds will be allocated among reimbursement projects in a given year shall be in sole and absolute discretion of the District.

## Conditions and Requirements for areas with failed Septic Tanks

1. Must be identified as an area that will require public sewer pursuant to Member Agency zoning and MSD Master Plan.
2. Must be a public health hazard.
3. Letter from Local Government and/BC health department.
4. No repair possible onsite.
5. MSD will prepare preliminary design and estimate for agreement to be entered into by parties involved.
6. MSD pledge 10 yr. of estimated revenue from affected residences.
7. City/Local Government/Residents pay balance of extension.
8. Facility Fee required from residences.
9. MSD acquire easements and construct.

# **STATUS REPORTS**

**CAPITAL IMPROVEMENT PROGRAM**

**STATUS REPORT SUMMARY**

**February 8, 2011**

PROJECT	CONTRACTOR	AWARD DATE	NOTICE TO PROCEED	ESTIMATED COMPLETION DATE	*CONTRACT AMOUNT	*COMPLETION STATUS (WORK)	COMMENTS
CHARLAND FOREST	T & K Utilities	8/18/2010	11/22/2010	2/28/2011	\$127,170.00	75%	<b>Informal</b> Mainline construction nearing completion. Pipe being laid on last segment.
HEYWOOD ROAD INTERCEPTOR PHASE II	TBA	TBA	TBA	TBA	TBA	0%	<b>Informal</b> Bid opening is scheduled for March 3rd.
LAKE JULIAN INTERCEPTOR PHASE III	Ruby-Collins	10/20/2010	11/1/2010	8/1/2011	\$2,710,661.93	45%	<b>Formal</b> I-26 bore is complete. Mainline construction is going well.
MARTEL LANE @ PENLEY AVENUE	Huntley Construction	6/9/2010	9/7/2010	2/1/2011	\$106,300.00	90%	<b>Informal</b> Mainline construction complete, and awaiting pre-final inspection. Asphalt will have to wait for Spring.
MORRIS STREET @ TALMADGE STREET	Terry Brothers	6/9/2010	7/21/2010	12/25/2010	\$368,972.50	98%	<b>Formal</b> Construction complete and Contractor working on punchlist.
OLD HOME RD. @ WEAVERVILLE HWY. (PRP64001)	TBA	TBA	TBA	TBA	TBA	0%	<b>Informal</b> Bids were open on February 3rd. Terry Brothers Construction Co. is the apparent low bidder. Project will be presented at the February Board meeting.
ROCKDALE AVENUE (PRP 29003)	Buckeye Construction	11/17/2010	2/1/2011	8/30/2011	\$408,486.05	0%	<b>Formal</b> Preconstruction meeting was held on February 8th.
TOWN BRANCH INTERCEPTOR	BC&D Associates	8/19/2009	9/21/2009	1/30/2011	\$831,817.22	98%	<b>Formal</b> Working on final restoration. Pre-final inspection pending.
TC BUILDING PUMP STATION REMOVAL	Carolina Specialties	11/17/2010	1/3/2011	4/3/2011	\$132,038.50	15%	<b>Informal</b> Very difficult project. Contractor is progressing very slowly and encountering many obstacles.
U.S. HWY. 70 @ PARKWAY	Terry Brothers	11/17/2010	1/17/2011	7/16/2011	\$547,088.00	0%	<b>Formal</b> Boring contractor mobilized. Rock was found in first bore. Working with Dept.of Interior to open cut south ramp.
WELLINGTON DRIVE USR	TBA	TBA	TBA	TBA	TBA	0%	<b>Informal</b> Bid opening is scheduled for March 3rd.
WRF - FINAL MICROSCREEN REPLACEMENT	Hickory Construction	10/20/2010	1/3/2011	4/2/2012	\$8,937,108.20	5%	<b>Formal</b> Demolition and sludge removal in full swing. Old screens are gone.
WRF - INTERMEDIATE PUMPING REPLACEMENT	Hickory Construction	7/15/2009	8/19/2009	2/15/2011	\$1,754,675.22	90%	<b>Formal</b> Contractor working on miscellaneous small tasks preparing for punchlist.

**\*Updated to reflect approved Change Orders and Time Extensions**

Planning and Development Projects  
Status Report February 16, 2011

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
	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
	The Villages at Crest Mountain	2009049	Asheville	63	1,364	9/9/2009	Complete - Waiting on final documents
	Grove Park Cove Subdivision	2004101	Asheville	14	1122	6/28/2006	Complete - Waiting on final documents
	Crayton Creek Green	2006282	Asheville	10	482	3/15/2007	New developer & Engineer, ready for final
	Lutheridge - Phase I	2009112	Arden	Comm.	330	3/16/2010	Complete-Waiting on final documents
	Woodland and Central Homes	2010073	Asheville	5	1,200	10/25/2010	Complete-Waiting on final documents
	AVL Technologies	2010018	Woodfin	Comm.	133	5/21/2010	Complete-Waiting on final documents
	Graylyn Hills	2008108	Asheville	4	176	2/12/2010	Complete-Waiting on final documents
	Ridgefield Business Park	2004188	Asheville	18	758	2/16/2005	Complete-Waiting on final documents
			<b>Subtotal</b>	<b>611</b>	<b>14,200</b>		



Planning and Development Projects  
Status Report February 16, 2011

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	Airport Road Fastop	2010010	Arden	Comm.	98	12/22/2010	Pre-con held, ready for construction
	The Settings (6 Acre Outparcel)	2004192	Black Mountain	21	623	3/15/2006	Ready for final inspection
	Falcon Ridge	2004240	Asheville	38	3,279	10/11/2006	Punchlist pending
	Waightstill Mountain PH-8	2006277	Arden	66	3,387	7/26/2007	testing / in foreclosure
	CVS	2010036	Swannanoa	Comm.	435	2/7/2011	Pre-con held, ready for construction
	Emergency Services Training Center	2009027	Woodfin	Comm.	2,512	2/7/2011	Pre-con held, ready for construction
	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
	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
	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
	Teems Road Subdivision	2007143	Asheville	40	1,308	5/27/2008	Pre-con held, 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	Redesign
	Berrington Village Apartments	2008164	Asheville	308	4,690	5/5/2009	Testing
	Cottonwood Townhomes	2009110	Black Mtn.	8	580	10/20/2009	Installing
	Mission Hospitals (Victoria Road)	2009022	Asheville	Comm.	532	2/12/2010	Installing
	Brookgreen Phase I	2010045	Asheville	44	1,302	9/27/2010	Installing
	Self Help Housing	2009024	Black Mtn.	6	152	10/7/2010	Pre-con held, ready for construction
	Woodbriar Subdivision	2009004	Weaverville	72	3,888	8/2/2010	Ready for final inspection
	Westmore	2009004	Asheville	72	675	8/3/2010	Installing
	Camp Dorothy Walls - Ph. 2	2007294	Black Mtn.	Comm.	593	6/16/2009	Pre-con held, ready for construction
	South Buncombe Intermediate Sch.	2009065	Arden	Comm.	1,656	6/7/2010	Installing
	Black Mtn Annex: Avena Rd.	1999026	Black Mtn.	24	4,300	8/19/2010	Pre-con held, ready for construction
	Black Mtn Annex: Blue Ridge Rd.	1992171	Black Mtn.	24	2,560	8/19/2010	testing
	Black Mtn Annex: McCoy Cove	1992174	Black Mtn.	24	2,067	8/19/2010	Installing
			Subtotal		2022	97,654	
			Total Units:		2,633		
			Total LF:			111,854	