

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
MAY 18, 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 May 18, 2011. Chairman Aceto presided with the following members present: Bellamy, Bisette, Bryson, Creighton, Haner, Root, Russell, Stanley, VeHaun and Watts.

Others present were: Thomas E. Hartye, General Manager, Marjorie Mann, Attorney, Gary McGill with McGill Associates, Inc., Cathy Ball and Jeff Richardson with the City of Asheville, Stan Boyd, Ed Bradford, John Kiviniemi, Peter Weed, Jim Hemphill, Scott Powell, Barry Cook, Angel Banks, Julie Willingham, Pam Thomas, Sheila Pike, Sharon Walk, Mike Stamey, Mike Butler, Ken Stines, Teresa Gilbert and Sondra Honeycutt, MSD.

2. Inquiry as to Conflict of Interest:

Mr. Aceto asked if there were any conflicts of interest with the agenda items. No conflicts were reported.

3. Approval of Minutes of the April 20, 2011 Meeting:

Mr. Aceto called for corrections or additions to the Minutes of the April 20, 2011 meeting. Mr. VeHaun moved that the minutes be approved as presented. Mr. Stanley seconded the motion. Voice vote in favor of the motion was unanimous.

4. Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

None

6. Report of General Manager:

Mr. Hartye reported that an e-mail was received from Mr. Alan Edwards of Black Mountain complimenting the teamwork and skill of the System Services crew.

Mr. Hartye presented a copy of the Asheville Citizen-Times article regarding the Moffitt Bill, along with a copy of the Bill.

Mr. Hartye announced that under New Business, the Chairman would like the Board's opinion on the Moffitt Bill and how to go forward with discussions on the Water System issue as it pertains to MSD. Under Old Business, Barry Cook, MSD's Director of System Services will address the Board. Mr. Hartye stated that Barry will be retiring at the end of May after 30 years of service to both the City of Asheville and MSD and will be sorely missed both personally and professionally as he has been the foundation upon which our current Customer Service Ethic has been built.

Mr. Hartye reported that the annual Developers/Engineers meeting was held May 3rd. Staff mailed eighty notices including a copy of the current Policy and Procedures for the Extension of Sewer Service. Twelve people were in attendance at the meeting. Recent revisions to the policy regarding the reimbursements and application procedures for reimbursement were reviewed and proposed increases to MSD fees were mentioned. Also, a presentation by GIS was given on using the web application. Mr. Hartye expressed his appreciation to Stan Boyd and Kevin Johnson for heading up this effort.

Mr. Hartye reported that the Right of Way Committee meeting scheduled for May 25th is cancelled. The next meeting will be held June 22nd at 9 a.m. The next regular Board meeting and Public Hearing on the Budget will be held June 15th at 2 p.m.

7. Report of Committees:

a. Personnel Committee:

Mr. VeHaun reported the Personnel Committee met April 28th to hear a presentation by Mr. Hemphill on the areas of activity within the Human Resource Department and to consider staff's recommendations on MSD's Self Insured Health Plan and Cost of Living/Merit Pay Plan. The Committee endorsed the proposed 1.5% base pay increase for all employees and a \$775 lump sum payment to help defray medical insurance premium increases. Also, that MSD contribute an additional 7.5% towards medical insurance with employees absorbing another \$91,000 in direct dollar cost. Mr. VeHaun further reported that the Committee asked for additional information on the Private Sector, what the lump sum impact would be on rate increases, money, and the percentage on the Health Insurance.

b. Capital Improvement Program (CIP) Committee:

Mr. Haner reported the CIP Committee met May 5, 2011 and was well attended by Board Members as well as governmental entities. Mr. Hartye gave an overview of the history of the CIP since Consolidation. Mr. Bradford gave a power point presentation beginning with a summary of the proposed CIP Budget for the coming fiscal year and beyond. He explained that MSD maintains an aggressive and proactive rehabilitation program with the primary approach to Collection System Rehabilitation being centered on SSO reduction and gave a review of several projects that had been done or are in the process of being completed this year. Mr. Bradford reviewed the financial issues surrounding the CIP program and noted that staff implements cost saving measures wherever they can by doing project coordination with member agencies. Mr. Haner further reported that the Committee endorsed the proposed CIP budget for FY 12 in the amount of \$19,687,776.

c. Finance Committee:

Mr. Kelly reported that the Finance Committee met May 11th. Mr. Powell gave a presentation on the proposed Preliminary Budget and Schedule of Rates & Fees for FY 2012. The Committee approved the proposed Preliminary Budget of \$43,258,503 and Schedule of Rates & Fees which includes a 3.0% domestic rate increase; continuation of the Tap and Facility Fees Parity Plan and a 4.1% increase in the Industrial Rate Parity Plan.

8. Consolidated Motion Agenda:

a. Acceptance of Developer Constructed Sewer System for the Airport Road Fastop Sewer Extension Project:

Mr. Hartye reported that this project is located outside the District boundary on Airport Road and included the installation of approximately 92 linear feet of 8" gravity sewer to serve a gas station/car wash/convenience store. Staff recommends acceptance of the developer constructed sewer system. All MSD requirements have been met.

b. MSD Paving Agreement with the City of Asheville:

Mr. Hartye welcomed Ms. Cathy Ball and Mr. Jeff Richardson with the City of Asheville. Mr. Hartye reported that the Paving Agreement is for the restoration of

public roads and sidewalks within the Asheville City Limits, resulting from District maintenance activities and in-house rehabilitation projects. He stated that in previous years, all pavement restoration has been performed by contractors and the process worked well, with the exception of administrative & permitting issues concerning City of Asheville streets, along with timing issues. He further stated that in 2010, the City proposed that it handle the final surfacing repairs. City and District staff has been working on an agreement wherein the District will pay the City an annual contribution of \$560,000 to a Paving Enterprise Fund. All permit fees would be waived, and pavement restoration would be performed by the City's in-house paving crews. Mr. Hartye recognized Ms. Ball.

Ms. Ball stated that this is an improved process in working with other utilities. She explained that there is an ordinance in the City that says when utility companies or private contractors cut into the public right-of way, there are certain standards that have to be met when they put it back for public safety. In meeting with the various utilities that regularly do this, the relationship was adversarial because the City was the regulator and had specific standards. These companies were saying they were not in the business of paving, therefore, over the years the City has been looking at creating something that was affordable yet sustainable and not vary based on the number of cuts a utility would make. Ms. Ball further stated that once a utility has finished compacting a ditch the City has the ability to go out and test it. Once compacted, that is the end of a utility company's responsibility, except for paying its share of the cost.

Ms. Ball reported that the City looked at the annualized cost of the program and broke it down into the number of permits issued to come up with a cost for each utility, and as long as the cost is within 10% of the estimate, the City would be able to sustain the program and the utility companies could do their work and not worry about carrying the two-year warranty on any cut that is made. Ms. Ball stated that she feels this is not only a good financial decision, but a good opportunity to work together to make it a smoother process so the money can be utilized better. Mr. Hartye added that Mr. Clarke has been involved in the process and is reviewing the Agreement language. Mr. Hartye stated that staff recommends that the District execute an agreement with the City of Asheville in the amount of \$560,000 for paving public roads within the Asheville City Limits for Fiscal Year 2011-12. Award is contingent upon review and approval by District Counsel.

c. Consideration of Cost of Living/Merit and Self-Insured Health Plan for FY 2011-12:

Mr. Hartye presented a memo from Mr. Hemphill with additional information requested by the Personnel Committee which includes: a comparison of private sector compensation practices; what other counties and municipalities give in lieu of a wage increase, such as longevity pay and 401k contributions, and medical cost participation for both the employee and the MSD. Mr. Hartye reported that staff recommends the following: A.) that the Board fund a cost of living adjustment, composed of a 1.5% base pay increase and a \$775.00 lump sum payment to defray increased medical insurance premiums and an MSD contribution of an additional 7.5% towards medical insurance. B.) employees will fund an additional 25% increase over the FY 2010-11 medical insurance plan. Employees will also absorb medical plan design changes with an "out of pocket" impact of \$179,000.

d. Third Quarter City of Asheville Billing Report – FY 2010-2011:

Mr. Powell reported that Net billings are up 4.9%; Cash receipts during the first three quarters of the year were up 7.2%; Receivables are down 2.6% and the aging percentages are showing signs of improvement over the same period last year. He stated that staff will continue to monitor future quarters as this could have a cash flow

impact on the District. He further stated that based on analysis of the data presented, all funds are being remitted to MSD in a timely manner and that he appreciates the efforts of the City of Asheville in this regard.

e. Cash Commitment/Investment Report:

Mr. Powell reported that Page 2 presents the makeup of the District's Investment Portfolio. There has been no change in the makeup of the portfolio from the prior month. Page 3 is the MSD Investment Managers report month ended March 31, 2011. He stated that the weighted average maturity of the investment portfolio is 335 days. The yield to maturity is 1.04% and is exceeding MSD benchmarks of the 6 month T-Bill and NCCMT cash portfolio. Page 4 is an analysis of the District's Cash Receipts. Monthly domestic sewer revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods. Monthly and YTD Industrial Sewer Revenue is considered reasonable due to historical trends. YTD Facility & Tap fees are above historical trends due to the timing of two cash receipts of \$609,000 as well as impact fees being budgeted conservatively. Page 5 is an analysis of the District's Expenditures. Monthly and YTD expenditures are considered reasonable based on historical trends. Page 6 is the MSD Variable Debt Service report. Both the 2008 A&B Series are performing better than budgeted expectations. As of the end of April both issues have saved District rate payers 3.9 million dollars in debt service since April 2008.

Mr. VeHaun moved to adopt the Consolidated Motion Agenda as presented. Mr. Stanley seconded the motion. With no discussion, roll call vote was as follows: 12 Ayes; 0 Nays.

9. Consideration of Resolution Adopting the Preliminary Budget for FY 2011-2012 and Schedule of Sewer Rates & Fees:

Mr. Powell reported that behind the Introduction tab is the District's Budget message. Included in the message is: Current Year Highlights – domestic and industrial revenue are expected to meet budgeted projections; the Operating Budget section outlines the proposed \$14.3 million O&M budget and proposed changes for the upcoming year; the Capital Improvement Program section outlines the proposed \$19.7 million construction budgets as well as the outstanding debt and debt service, and the Sewer Rate Increase section outlines the past five years domestic rate increases and the proposed FY12 domestic rate of 3.0%.

Mr. Powell reported that behind the Policies & Process Tab is a description of the budget process including the Statutory and Bond Order requirements, budget administration, and if needed, budget amendments. Page 11 describes the forecasting methodology and includes the current business plan which outlines the current year proposed budget as well as estimates of needs for the next nine (9) years. Page 13 is the proposed \$43,258,503 FY 12 Budget which incorporates the following: 3.0% domestic rate increase; continuation of the Industrial Rate Parity Plan; 1.4%, or \$535,000 increase in facility and tap fee revenue; 1.5% Rate of Return on investments; CIP recommendations for construction; 1.6% increase in Material, Supplies and Service expenditures of \$318,000, of which \$200,000 is directly due to fuel and utility costs; 1.5% Cost of Living increase as well as a lump sum payment per employee of \$775, a net impact of \$215,000; 7.5% increase in funding for self-insured medical plan, a net impact of \$71,805; 8.4% increase in funding for North Carolina retirement cost, a net impact of \$41,394, and funding for post-employment health benefits, an impact of \$211,500.

Mr. Powell reported that behind the O&M tab is a detailed account of the proposed budget by department as well as current year projected and prior years actual. Behind the Insurance Fund tab is a concise overview of the various insurance funds along with their respective proposed budgets and FY 10 actuals and current year projections.

Behind the Replacement Fund tab is an overview of the various insurance funds along with their respective proposed budgets and FY 10 actuals and current year projections. Behind the CIP Program tab is the CIP Committee endorsed plan. Behind the Debt Financing tab is an overview of debt management as well as a description of capital projects funding along with a detailed listing of current outstanding debt as well as an aggregate debt service for each outstanding issue. Behind the Appendix tab is the proposed FY 12 budget resolution with the schedule of rates and fees. Also included is a flow of funds which is a graphical representation of the budget resolution as well as a large version of the business plan for individuals who are visually challenged. Mr. Aceto asked what the assumptions were for consumption and customer base growth. Mr. Powell said .75% increase for both. Mr. Aceto asked what the percent is for this year. Mr. Powell said 1.7%. Mr. Hartye stated those assumptions are included in the right margin of the Business Plan, as well as inflationary numbers for O&M and Construction. Mr. Bissette stated that he is pleased to see the rate increase adjusted down from 3.5% to 3%.

Mr. Bissette moved that the Board approved the Resolution adopting the Preliminary Budget for FY 2011-2012 and Schedule of Sewer Rates & Fees. Mr. Root seconded the motion. With no discussion, roll call vote was as follows: 11 Ayes; 1 Nay, Ms. Bellamy.

10. Old Business:

Mr. Hartye recognized Barry Cook, Director of System Services. Mr. Cook stated that several years ago, he came before the Board as a Member of the System Services Division asking for equipment to repair and replace the sewer system and that over the years, the Board has been very gracious and supportive. He stated that he became Director of the System Services Division several years ago and the Division has been blessed with everything they needed to do the job. As a result, has had great success in what it has accomplish over the years. He expressed his appreciation to his immediate staff, other Division Directors and that it has been a pleasure to work for Mr. Hartye who is not only great with staff, but the public. He further stated that it has been an honor to be part of the organization and feels the streams, rivers and creeks are much safer today because of the work being done by MSD. Mr. Aceto thanked Mr. Cook for being a part of the culture of the MSD organization and for the example he has set over the years and that he and the entire community are grateful for his leadership.

Mr. Hartye read and presented the Resolution of Appreciation and Thanks to Mr. Cook for his hard work, leadership and contributions to MSD. Ms. Bellamy moved that the Board adopt the Resolution as presented. Mr. Stanley seconded the motion. Voice vote in favor of the motion was unanimous.

11. New Business:

With regard to the Moffitt Bill, Mr. Aceto asked the Board for their opinions on if and how to go forward discussing the Water System issue as it pertains to MSD. He suggested bringing this matter to the Planning Committee to consider the impact on MSD and its ratepayers of taking responsibility for the Water System. Mr. Kelly said he thinks it's an excellent suggestion. Ms. Bellamy suggested sending a letter to the individuals who created the Bill to find out what their intentions are and what MSD needs to do and offer a letter to the owner of the system to let them know MSD is willing to sit down and talk or that this issue will be considered by the Planning Committee. Mr. Root asked if there has been any official contact to MSD from Representative Moffitt. Mr. Stanley said no. Mr. Kelly stated that the Planning Committee would have adequate time to figure out if the Bill will get out of the House Committee, if not, the Board is wasting time talking about it. Mr. Russell asked how much time should be given to something that may just turn into a study. Mr. Aceto stated that he would like the Board to address the issue, not the source or where it came from, but what is best for MSD ratepayers. Mr. Russell

moved that the Board refer this issue to the Planning Committee. Mr. Watts seconded the motion. Mr. Bissette stated that it seems this will require a substantial amount of work on the part of both MSD and City staff. He further stated that the Planning Committee should meet and come up with some ideas about the scope of what this will involve and come back to the Board with a recommendation. Following a discussion regarding the motion, Mr. Aceto stated that the motion should read: that the Board refer this issue to the Planning Committee to consider the impact of a potential water system consolidation on MSD ratepayers and its operations and to consider what the scope of inquiries should be. Mr. Russell suggested there should be some type of consolidated thought process between the City and MSD. With no further discussion, voice vote in favor of the motion was 11 Ayes; 1 Nay, Ms. Bellamy.

Ms. Bellamy asked that the Planning Committee insure that the meeting not be set based on the availability of staff, but on the availability of Planning Committee Members.

12. Adjournment:

With no further business, Mr. Aceto called for adjournment at 3:00 p.m.

Jackie W. Bryson, Secretary/Treasurer

MSD

Regular Board Meeting

Metropolitan Sewerage District
of Buncombe County, NC

AGENDA FOR 5/18/11

✓	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 April 20, 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. Report of Committees: a. Personnel Committee – April 28, 2011 – VeHaun b. CIP Committee – May 5, 2011 – Haner c. Finance Committee – May 11, 2011 - Kelly	Aceto	
	07. Consolidated Motion Agenda	Hartye	2:50
	a. Consideration of Developer Constructed Sewer System – Airport Road Fast Stop.	Hartye	
	b. Consideration of Paving Agreement with the City of Asheville.	Hartye	
	c. Consideration of Self-Insured Health Plan & Cost of Living/Merit Pay Plan.	Hartye	
	d. Third Quarter City of Asheville Billing Report	Powell	
	e. Cash/Commitment Investment Report Month Ending March 31, 2011.	Powell	
	08. Consideration of Resolution Adopting the Preliminary Budget for FY 2011-2012 and Schedule of Sewer Rates & Fees.	Aceto	3:00
	09. Old Business	Aceto	3:15
	10. New Business:	Aceto	3:20
	11. Adjournment (Next Meeting/Public Hearing 6/15/11)	Aceto	3:25

APPROVAL OF MINUTES

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
APRIL 20, 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 April 20, 2011. Chairman Aceto presided with the following members present: Bellamy, Bisette, Bryson, Creighton, Kelly, Root, Russell, Stanley, VeHaun and Watts. Mr. Haner was 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, Leah Karpen with the League of Women Voters, Stan Boyd, Ed Bradford, Peter Weed, Jim Hemphill, Scott Powell, Ken Stines, John Kiviniemi, Angel Banks, Julie Willingham, Kathryn Brewer, Eric Mann, Dean Allen, Sharon Walk, and Sondra Honeycutt, MSD.

2. Inquiry as to conflict of Interest:

Mr. Aceto asked if there were any conflicts of interest with the agenda items. No conflicts were reported.

3. Approval of Minutes of the March 16, 2011 Meeting:

Mr. Aceto called for corrections or additions to the Minutes of the March 16, 2011 meeting. With no changes, the minutes were approved by acclamation.

4. Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed Mr. Martin.

6. Report of General Manager:

Mr. Hartye reported that Dr. Wesley Clapp called to express his gratitude for the way in which Linda Phillips, Mary Alice Hunter and Grady Brooks helped him with a sewer problem.

Mr. Hartye called on Mr. Clarke, Kathryn Brewer and Eric Mann for a presentation on the census results and the statutory computation to determine the number of Board appointments. Mr. Clarke stated that at the February meeting, Mr. Kelly asked (based on the 2010 Census results) if there should be any change in the Board representation. Mr. Clarke explained that the General Statutes state "if any city or town within the District shall have a population, as determined from the latest decennial census, greater than that of all other political subdivisions (other than counties) and unincorporated areas within the District, the governing body of any such city or town shall appoint three members". He further explained that there is separate section of the Statutes that state "if you are a county with more than 25,000 people, the county appoints three members," therefore; the District Board has historically had three (3) members from the City of Asheville and three (3) members from Buncombe County. He stated that the population was checked during the 2000 census and again this year with the help of Kathryn Brewer and Eric Mann of the GIS Division. Mr. Clarke presented a slide showing the 2010 census total for each municipality, compared to the 2000 census total. He presented a map of the MSD District Boundaries and the municipalities within the District. He stated that when a city annexes, that area automatically becomes a part of the MSD, but the process to expand the District is cumbersome in that you have to get 50% of the registered landholders. Mr. Clarke called on Mr. Mann for an explanation of

census blocks. Mr. Mann stated that census blocks are division areas of the entire country that are broken down to compare various data. The U.S. Census Bureau gathers information from all the counties and municipalities in the country, with the exception of special districts, to create blocks that can be divided up well enough to have accurate population counts, etc. He presented a map of all the census blocks in Buncombe County. Mr. Clarke stated that each block is identified by number and population. In doing the analysis, they took the population of each municipality then counted all of the census blocks that were in the District, but not in incorporated areas. He explained that any census block that touched any part of the District was counted as being an unincorporated area within the District. Mr. Mann presented an example of how the total population for each block is determined and how the census blocks are used. Mr. Clarke presented a population comparison showing the population of all other municipalities, excluding the City of Asheville, of 19,157 and unincorporated areas of 61,978 for a total of 81,135. He stated that the City of Asheville has a population (83,393) greater than all other municipalities and unincorporated areas within the District, therefore, no change in the appointments to the MSD Board. With regard to Weaverville, Mr. Root stated that the census did not take into consideration the approximately 600 people that were annexed. Mr. Clarke said they would be happy to look at the numbers again if there was a significant difference. Mr. Watts stated that Black Mountain also questioned the numbers, but that more homes are being bought by people that claim residence elsewhere. With no further discussion, Mr. Clarke thanked Kathryn Brewer and Eric Mann for their work on this project.

Mr. Aceto presented Ms. Karpen with a Resolution honoring her attendance at and participation in meetings of the District Board and her service to the people and community of Asheville and Buncombe County since the 1990's. Ms. Karpen said she has enjoyed attending MSD Board meetings on behalf of the League of Women Voters, but found it hard to continue with her busy schedule.

Mr. Hartye called on John Kiviniemi for a presentation on future regulatory initiatives (both State and Federal) that may have an impact on MSD operations and the CIP.

Mr. Kiviniemi reported that upcoming State regulations include the Triennial Review, which is an update of water quality standards; Air Emissions Standards for Incinerators called SSI MACT and NPDES Permit for potential effluent limits.

He reported that the 2010 Triennial Review is a requirement of the Clean Water Act done every 3 years and requires every delegated State program to review the adequacy of water quality guidelines issued by the EPA to State water quality standards to assure State standards are protective of State Waters as published in the EPA guidelines. He further reported that the Division of Water Quality (DWQ) proposal is to move from dissolved metal standards from total recoverable. This approach is more stringent, resulting in significant reductions in various water quality standards and may impact MSD discharge and the businesses it serves. Also, the DWQ is adding acute toxicity standards as opposed to the chronic only approach which they have historically used and could trigger more stringent requirements. He stated that the potential impacts include lower limits for some pollutants, specifically metals; many current Significant Industrial Users (SIU's) would have permits modified to lower limits; potential increased treatment costs; higher sampling and analysis costs; higher program administration costs and more companies would be regulated as SIU's. He further stated that many groups have objected to the proposal in both the municipal and industrial community due to NPDES Permitting and Pretreatment Policies that are already quite conservative. The State has heard a lot of these comments and is considering policy changes that will have some positive impact. Currently, the NC Environmental Management Commission has charged the State with developing a fiscal impact study with a period of public comment to be scheduled after the study is released.

With regard to the 2010 SSI (Sewage Sludge Incinerator) MACT (Maximum Achievable Control Technology) Rule, Mr. Kiviniemi reported that historically SSI's were regulated under Section 112 of the Clean Air Act (CAA), but recent changes in how EPA is defining solid waste has caused sewage sludge incinerators to be thrust into a different category of the CAA, specifically Section 129. The new rule was proposed by those affected on October, 14 2010 with the comment period ending November 29, 2010. The final rule was released on February 21, 2011 and published in the Federal Register on March 21, 2011. As a result of the new rule, a host of emissions limits will be applied to all sewage sludge incinerators. Mr. Kiviniemi stated that the compliance deadline for existing SSI's is 3-5 years. The Rule also includes monitoring-testing, operator training, and permit requirements. He further stated that the impacts to MSD include Mercury (Hg) emission data indicates potential for additional air pollution control equipment; Particulate Matter (PM) is within range, but close to limit; Sulfur Dioxide (SO₂) is within range, but close to limit; Annual Performance testing required at cost up to \$50,000 per year; Operator training required and Title V permit required. Additionally, there is a section in the Standard that requires all incinerators to keep track of future improvements. He explained that if MSD crosses over the 50% threshold for original installation, it could be considered a "New SSI" which would have far more stringent limitations.

With regard to NPDES Permit renewal, Mr. Kiviniemi reported that MSD was issued a new permit in February, 2011. Changes to the Permit include removal of the Cyanide limit following a year-long study by MSD. As part of the permit renewal application, the study was presented to the DWQ and they agreed to remove the limit, which will reduce monitoring, risk and liability costs. Also, a new Ammonia Reduction Evaluation Provision was added to the Permit, and as a result, MSD will be conducting a long-term study over the next 5 years to reduce Ammonia with the potential for new summer/winter limits. Mr. Kiviniemi went over the timeframes for each of the aforementioned State Regulations. With regard to advocacy efforts, Mr. Kiviniemi stated that MSD is a member of two organizations that serve to keep its members abreast of different State and regulatory changes. At the Federal level is the North America Clean Water Agencies (NACWA) and at the State level is the North Carolina Water Quality Association (NCWQA). Mr. Bellamy asked if MSD had provided any information regarding the financial impact the State is looking at. Mr. Kiviniemi stated that MSD has provided comments as well as virtually everyone else who is affected. Ms. Bellamy asked for an example of the impact to industry. Mr. Kiviniemi stated that as far as the Triennial Review and where the water quality standards end up, some allocations could change, but the impact to MSD will be minimal. Mr. Root asked about the decision to remove Cyanide testing. Mr. Kiviniemi stated Cyanide testing is very easy to do and very accurate on clean water, but in testing wastewater, there are a lot of interferences and the data generated over time was biased, so MSD improved the sampling and analysis technique and proved those to be phantom hits for Cyanide. Mr. McGill added that there were Cyanide hits that showed up in monitoring at the plant when there was no cyanide present in the influent to the plant. Mr. Aceto asked for a report on the Intermediate Pump Project. Mr. Kiviniemi stated that this project is officially closed out and the new pumps are operating well and the final Microscreen Replacement Project is currently under construction.

Mr. Hartye announced that the annual Developer/Engineers meeting will be held Tuesday, May 3rd at 9 a.m. at the MSD. MSD will have a booth at the Realtors REXPO Conference May 19th at the Crowne Plaza. He reported that the annual Industrial Users meeting was held April 12th at 10 a.m. and was very well attended.

Mr. Hartye presented a Mountain Xpress article on MSD.

Mr. Hartye announced that the Personnel Committee will meet April 28th at 2:00 p.m. to review salary and medical benefit recommendations for the upcoming fiscal year. The CIP Committee will hold its annual meeting May 5th at 8:30 a.m. to consider next year's CIP budget along with the 10-year CIP. The Finance Committee will meet May

11th at 2 p.m. to consider the FY12 Preliminary Budget and Rate recommendations. The next regular Board meeting will be held May 18th at 2 p.m. and the next Right of Way Committee meeting will be held May 25th at 9 a.m.

7. Consolidated Motion Agenda:

a. Consideration of Acceptance of Developer Constructed Sewer Systems: Ashley Woods Subdivision, Covewood Subdivision, and Woodland and Central Homes Sewer Extension:

Mr. Hartye reported that the Ashley Woods Subdivision is a 108 unit residential subdivision located outside the District boundary in Avery Creek. The sewer system consists of approximately 12,260 linear feet of sewer, force main, and pump station. The pump station maintenance fee has been paid to MSD and all District requirements have been met. Staff recommends acceptance of the developer constructed sewer system.

Mr. Hartye reported that the Covewood subdivision is a thirty (30) unit residential development. The homeowners have been responsible for the maintenance of the system serving the subdivision and wanted to get out of the sewer business after several overflows. The homeowners association worked with the District and obtained the required easements. This system includes approximately 5,508 linear feet of gravity sewer at an approximate value of \$104,000. Staff recommends acceptance of the developer constructed sewer system and all MSD requirements have been met.

Mr. Hartye reported that the Woodland and Central Homes Sewer Extension is located inside the District boundary in the City of Asheville. The project includes the installation of approximately 113 linear feet of 8" gravity sewer to serve a five (5) unit residential subdivision. A wastewater allocation was issued in the amount of 1,200 GPD for the project and the estimated cost of the extension is \$10,000.00. Staff recommends acceptance of the developer constructed sewer system and all MSD requirements have been met.

b. Cash Commitment/Investment Report – Month Ended February 28, 2011:

Mr. Powell reported that Page 2 presents the makeup of the District's Investment Portfolio with no significant changes from the prior month. Page 3 is the Investment Manager report as of the month of February. The weighted average maturity of the investment portfolio is 352 days and the yield to maturity is 1.09% and is exceeding bench marks of the 6 month T-Bill and NCCMT cash portfolio. Page 4 is an analysis of the District's Cash Receipts. Monthly domestic sewer revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods. Monthly YTD Industrial Sewer Revenue is considered reasonable based on historical trends. YTD Facility & Tap fees are above historical trends due to the timing of one cash receipt of \$609,000 as well as impact fees being budgeted conservatively. Page 5 is an analysis of the District's Expenditures. Monthly and YTD expenditures are considered reasonable based on historical trends. Page 6 is MSD's Variable Debt Service report. Both the 2008 A&B Series are continuing to perform better than budgeted expectations. As of the end of March, both issues have saved District rate payers approximately \$3.74 million dollars in debt service since April, 2008.

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

8. Old Business:

None

9. New Business:

Ms. Bryson expressed her appreciation to Mr. Hartye and Mr. Kiviniemi who gave the Woodfin Water Board a tour of the Mull Building and the Plant. She stated that they were very impressed.

10. Adjournment:

With no further business, Mr. Aceto called for adjournment at 2:38 p.m.

Jackie W. Bryson, Secretary/Treasurer

GENERAL MANAGER REPORT

MEMORANDUM

TO: MSD Board
FROM: Thomas E. Hartye, P.E., General Manager
DATE: May 12, 2011
SUBJECT: Report from the General Manager

- Kudos

- See attached email from Mr. Alan Edwards of Black Mountain regarding the teamwork from System Services.

- Reading

- Asheville Citizen Times article regarding Moffitt Bill.
- Moffitt Bill

- New Business

Under the New Business Item the Chairman would like to discuss with the MSD Board their opinions on if and how to go forward discussing this Water System issue as it pertains to MSD.

- Old Business

Barry Cook, MSD's Director of System Services will be retiring at the end of this month after 30 years of service to both the City of Asheville and MSD. It is an understatement to say that he will be sorely missed both personally and professionally as he has been the foundation upon which our current Customer Service Ethic has been built. He would like to say a few words to the Board under the old business item.

- Developer/ Engineer Meeting

The annual Developers/Engineers meeting was held Tuesday May 3rd. We mailed eighty notices including a copy of the current Policy and Procedures for the Extension of Sewer Service. We had twelve in attendance at the meeting. We reviewed our recent revisions to the Policy regarding the reimbursements and application procedures for reimbursements. Proposed increases to our fees were mentioned. We also had a presentation by GIS on using the web Application. Thanks to Stan Boyd and Kevin Johnson for heading up this effort.

- Board/Committee Meetings

The next Right of Way Committee will be held May 25th at 9am. The next Regular Board Meeting will be held June 15th at 2 pm.

Hartye, Tom

From: Schraven, Mike
Sent: Friday, May 06, 2011 2:01 PM
To: Cheryl Edwards
Cc: Hartye, Tom; Cook, Barry; Foster, Wallace
Subject: RE: Inquiry From The Internet-Thanks

Hi Cheryl,

Thank you so much for the kind words. I will make sure to pass this along.

Michael Schraven
Construction Manager
Capital Improvement Program
Engineering Division
Metropolitan Sewerage District of Buncombe County

From: Cheryl Edwards [mailto:cheledwards@bellsouth.net]
Sent: Thursday, May 05, 2011 11:25 AM
To: Schraven, Mike
Subject: Inquiry From The Internet-Thanks

Mike,

One of your crews took care of a sewer problem in my yard last week and I want to compliment their professionalism and speed of repair. The crew was led by Roy and he had Dawson, Berg, and Brooks with him. The TV individual was Furman Dean and Roy also contacted another gentleman on Friday to assist because Furman was unavailable. Roy's supervisor, Wallace, also came and provided insights and guidance and later met the crew for lunch.

Teamwork and skill were keynotes of the job. Thank you and please pass on my thanks to Wallace, and Roy and his crew, and Furman. Made me proud and they enjoyed each other so much, even when they were ankle deep in waste.

Alan Edwards
205 Pine Street
Black Mountain, NC 28711
828-669-6347

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ASHEVILLE

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Friday, May 6, 2011

City could lose water system

Moffitt wants transfer to MSD

By Mark Barrett

MBARRETT@CITIZEN-TIMES.COM

ASHEVILLE — A bill filed in the state House on Wednesday would transfer the city's water system to the Metropolitan Sewerage District.

The bill offers no compensation for the move. Bill sponsor Rep. Tim Moffitt, R-Buncombe, however, said, "I certainly think the city needs to be compensated for their investment, what-

ever that may be, in the system, however that is defined."

Moffitt said he does not expect the bill to pass this year and his intent is to "drive the discussion, to really bring a resolution to something that seems to be a constant issue between the folks in our area."

He said he decided to file it after City Council voted recently to raise water rates for commercial customers. That's the

wrong move during tough economic times, he said.

Council acted after a consultant reported that residential customers were paying more than the cost of providing them water while businesses were paying less than it costs to serve them.

The water system has about 125,000 customers and an annual budget of \$33 million. Its assets include two large reservoirs and treatment plants in the Swannanoa River valley, a treatment plant on the Mills River and the

distribution system.

MSD is an independent government agency that operates a sewage treatment plant in Woodfin and sewage collection lines in much of Buncombe County. The city water system also serves customers inside and outside the city limits.

Control of the system has been a bone of contention between city and Buncombe County government off and on for decades. The General Assembly has gotten involved as well, prohibiting the city from charging

more for water outside the city limits.

Council unhappy

Moffitt's bill drew quick criticism from three members of City Council.

Mayor Terry Bellamy said she is strongly opposed and is already planning to lobby against transfer of the water system.

"I'm disappointed that (Moffitt) would recommend that it be taken away from the city of Asheville," Bellamy said.

Please see WATER on A5

WATER: Legislator hopes filing begins dialogue on topic; council members upset

Continued from A1

Asheville without any compensation," she said.

"Asheville taxpayers paid for the majority of the lines as well as the two reservoirs that serve a majority of our users," Bellamy said. "For us to have to give away our system, that is egregious."

Councilman Brownie Newman said there should be some consideration of the fact that, "Almost a century ago, the city taxpayers had this vision to purchase over 20,000 acres of land so that we would have one of the most pristine drinking water sources in the nation.

"I don't see any kind of movement or push in the community to do something like this," he said. "There's been no analysis done or any kind of study done to look at the idea ... and see if there would be any financial benefits to doing this."

Said Councilman Bill Russell: "I'm just totally shocked. It may or may not be a good idea, but the process is all wrong."

Moffitt is the sole sponsor of the bill and has been a critic of the city's annexation policies. Some cities use control of water as a means of promoting annexation, although Asheville's ability to do that is limited by a special state law.

Putting the water system in MSD's hands "does stop politicizing water," he said. "I don't think a basic need for people should be used as a weapon politically.

"It's really not beneficial for city leaders to give the impression that people who live in the county ... are somehow doing something wrong because they're paying the same water rate as people who live in the city," Moffitt said. "They're doing this constantly and that needs to stop."

Steve Aceto, chairman of the MSD board, said he knew nothing about the measure until Thursday.

But MSD would probably be willing to take on water service, he said.

"MSD is always ready to take on a challenge for the benefit of the community if that is what the community chooses to do," he said.

"This is an issue that is extremely complicated. ... This is a good place for us to start."

REP. TIM MOFFITT,
R-BUNCOMBE

In other areas, the same agency typically operates water and sewer service and there would be economies of scale if the same thing were done here, Aceto said.

If MSD takes over water service, "I think it would work out just fine," he said. "What I can't tell you is whether we would all be better off as a result of it."

"To invite the community to think long term is always good, so Rep. Moffitt did us a favor to invite us to think long term," he said. "I hope this gets a sound discussion, not just a reaction."

Caught by surprise

Bellamy said she first learned of the move when she met with Moffitt in Raleigh on Wednesday, the day he filed the bill.

Newman said he, Councilwoman Esther Manheimer and City Manager Gary Jackson spent half an hour with Moffitt on Monday and Moffitt made no mention of the legislation.

"This is such a far-reaching proposal. If Rep. Moffitt had that concern (about water rates), why not talk to us about it?" he said.

Newman said Moffitt's assurance that he wants to spark a dialogue on the issue "seems kind of hollow when members of our body are reaching out to (legislators) and he doesn't even mention it."

City Council decided last week to protest a bill Moffitt and other legislators filed earlier that would transfer ownership of Asheville Regional Airport, which is owned by city government, to an independent authority.

Moffitt said he did not discuss the water system issue with city officials Monday because, "As of Monday, I had not considered whether I was going to file the bill or not.

"I was very undecided about that and it would have been inappropriate to discuss it with them," he said.

The bill may not eligible for passage this year under House rules. The measure is written to be a "public bill" that would apply across the state even though Asheville appears to be the only city that would actually be affected.

The deadline to file public bills that do not involve spending state money or levying fees or taxes was April 6. The deadline for those involving spending, fees or taxes was Wednesday, but the bill makes no mention of those topics.

Moffitt said he was given the OK to file the bill by the chairman of the House Rules Committee, but that he does not envision any legislation passing until next year anyway.

"It would be grossly unfair on my part to try to jam it through" this year, he said. "This is an issue that is extremely complicated. ... This is a good place for us to start."

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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HOUSE DRH60072-LB-354 (04/05)

Short Title:	Metropolitan Sewerage District/City.	(Public)
Sponsors:	Representative Moffitt.	
Referred to:		

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR THE CONVEYANCE OF A CITY WATER SYSTEM TO A METROPOLITAN SEWERAGE DISTRICT.

The General Assembly of North Carolina enacts:

SECTION 1. Article 5 of Chapter 162A of the General Statutes is amended by adding a new section to read:

"§ 162A-82. Conveyance of water system by certain municipalities.

(a) If a city with a population of over 75,000 according to the most recent decennial federal census is located within a county with a population of 200,000 or over according to the most recent decennial federal census and the city is located entirely within a Metropolitan Sewerage District established under this Article, the city shall convey its water system to the Metropolitan Sewerage District within one year of the effective date of this section. The transfer shall include all the real and personal property used for such water system, and all assets and liabilities, tangible and intangible.

(b) If a city water system has been conveyed to a Metropolitan Sewerage District under this section, the Metropolitan Sewerage District shall also have all the powers of a Metropolitan Water District under Article 4 of this Chapter. In such case, the city may not subsequently operate a water system."

SECTION 2. This act is effective when it becomes law.

COMMITTEE REPORTS

PERSONNEL COMMITTEE MEETING

April 28, 2011

2:00 p.m.

1. Call to Order

Chairman VeHaun called the meeting to order at 2:07 p.m. in the W.H. Mull Building of the Metropolitan Sewerage District. In attendance, were the following members: Jackie Bryson, Bill Stanley, Allan Root, Bob Watts, and Bill Russell. Also present were Max Haner, Glenn Kelly, Steven Aceto, Kevin Copp, Tom Hartye, Jim Hemphill, Scott Powell, Teresa Gilbert, Sheila Pike, and Pam Thomas.

2. Inquiry as to Conflict of Interest

Mr. VeHaun stated there was none at this time.

3. Human Resource Activities

Mr. Hemphill discussed several topics about areas of activity within the Human Resource Department: organizational chart with a total of 150 budgeted employees, demographic information with a chart comparison on Buncombe Counties demographic percentages, provided an overview of employees with average age being 48, and years of service at 13. He also presented a chart on personnel reductions from FY 2000-01 with 168 employees to FY 2010-11 at 150 employees.

Mr. Hemphill also presented a chart showing the turnover rate being 3% with only 5 employees leaving two (2) retirements and three (3) leaving on their own. He also talked about our Wellness programs: revitalizing our Wellness team, the Wellness Room used every Thursday by “3 Streams Medical Services”, Memorial Mission onsite staff from the Asheville Project, our Smoking Cessation Program, and stocked with healthy snacks. Other Wellness topics include; Health Fair with 140 participants, weight watchers program with a total weight loss of 136 pounds, our community garden, and stress busters class. A new program developed this year is our Wellness Day, with a focus on spouses and dependents. The activities involved providing information, tours of our facilities, food, and children activities. The District participated in Breast Cancer Awareness Month; the Wellness program also has a walking club and softball team.

Mr. Hemphill reviewed Employee Relations activities: company picnic, “toys for tots” at Christmas, tapping contest, two retirement parties, pumpkin chunkin, day of caring, Nigerian delegation came to observe and receive information about the District, and river clean up. The safety department is now reporting to Human Resources. Mr. Haner asked what kind of complaints or grievances the District has from staff. Mr. Hemphill stated most complaints are working relationships and not related to policies. Mr. Russell asked if there were any “healthy” turnover from the 5 leaving. Mr. Hartye stated that some of those employees were “send aways”.

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

Mr. Hemphill presented the staff recommendation for the upcoming fiscal year. First is a wage adjustment of 1.5% base pay increase for all employees, this matches the consumer price index increase for Dec. 2009- 2010, also a \$775 lump sum payment to help defray medical insurance premium increases. Second is a request that the Board contribute an additional 7.5% towards medical insurance. Employees will absorb another \$91,000 in direct dollar cost. Employees will also absorb medical plan design changes with an “out of pocket” impact of \$179,000.

Mr. Hemphill also presented 5 Human Resource sites that were researched for national salary adjustments. Towers-Watson is reporting wages will increase by 3.0% in 2011 up from 2.7% in 2010. Western Carolina Industries is reporting an increase of 3.0%. The Consumer Price Index shows 1.5% increase from Dec. of 2009 to Dec. 2010. The CPI chart also shows a 2.7% increase from March 2010 – 2011. Demonstrating that the cost of having fuel, food, clothing is increasing rapidly. The District is asking for a 1.5% increase which will help the employees with retirement and the lump sum is for the short term, to help with medical insurance increases and to cover the cost of living increases. Mr. Hemphill presented the list of other Cities, Towns, and Utilities against which we compare. In 2011 about 1/3 of other agencies are planning to give a pay increase of some type. Also 2/3 of the Agencies are giving Longevity/Christmas bonuses or 401/457 contributions. Mr. Russell asked when the last compensation study was done. Mr. Hartye stated 5 years ago, but we do an ad hoc study when needed. Mr. Russell also asked what came from that study. Mr. Hartye stated that the recommendation from that study was to increase pay ranges to keep pace with Cost of Living, and we are looking at doing another study in the next couple of years.

Mr. Haner asked how we came up with the \$775 lump sum amount. Mr. Hemphill stated it started when he received information that the City of Durham was giving a lump sum amount of \$1,000 to their employees this year. In terms of dollar amount if we use 3.0% across the region and 1.5% cost of living and what would fit in with the rate structure we currently have in place. Mr. Hartye stated that the flat amount is not compounded and we are not adding a total 3.0% just a portion. He also stated we are looking at an increase in CPI and 25% medical premium increase for the employees. Mr. Vebaun asked if the employee is contributing an additional 25% what is the dollar figure. Mr. Powell stated it is over \$91,000 and additional amount of \$179,000 with a total of over \$200,000 worth of risk. Mr. Vebaun asked if the \$775 amount was not there what would be the percentage increase in cost. Mr. Hemphill stated he was not sure at this time, but when we increase medical insurance the employee still has some take home pay.

Mr. Kelly stated “for those of us who are in the private sector, we see folks who are not getting a \$775 lump sum or cost of living and people who are working at Wendy’s, McDonalds, or Wal-Mart and see we have a 3% turnover rate and say why can’t I get one of those jobs”. He also asked “to what extent do you see going on in the private sector and someone who is going to get a 3% increase in sewer rates each year is suffering because he or she doesn’t get what is being asked for from public employees?”. He also stated he doesn’t see anything on private sector in the memo. Mr. Hemphill stated we have done comparisons to other private sector employers.

Mr. Hemphill stated that we showed Towers Watson and Western Carolina Industries regional increases, but that Society of Human Resources Management would work, and the Culpepper report all showed 3% projected increase for 2011. Mr. Kelly stated he “sees a lot of people in my office who are not getting raises in private sectors and the people in private sectors and counties are suffering”. “He also stated this list shows employers that are giving raises and does not reflect those who are not”. Mr. Kelly stated he would like to see more data. Mr. Hartye stated that if we were keeping health care cost the same he could see no increase, but the employees are taking more of the burden of the increased health care cost. He also stated we will get more data on private sector information but we are trying to navigate the line between public and private sector. Some private sectors are giving raises where they don’t have health care plans that public agencies have. Some public agencies have platinum plans and are giving very little increase if no money at all or are cutting jobs.

Mr. Vebaun asked how much the medical insurance premiums will increase. Mr. Hemphill stated a 25% increase which is \$91,718 and made some plan design changes with a 90/10, 80/20, 70/30, no longer having a 100% plan. Mr. Hartye stated that adjusting the out of pocket maximum had the most effect on the bottom line. Mr. Powell stated that this is going to be an ongoing process. Due to our demographics and age of the employees we are within our cost parameters compared with national average and medical inflation. Medical costs in Asheville are higher, than in a major Metropolitan Area like Raleigh because of a lack of competition within the market. The employees are well aware of changes and understand they are taking more risk.

Mr. Russell asked what the percentage annual of the budget goes to salary cost. Mr. Powell stated the operation budget runs about 13 million dollars and the range is around 50 to 60%. Mr. Vebaun stated he would like to see more comparisons to the private sector. Mr. Aceto stated he would like to look at other regulated utilities. Mr. Vebaun also stated he wanted to look at similar utilities in size. Mr. Hartye stated OWASA is similar to MSD and they are receiving a 2.5% increase along with longevity and 401 contributions. Mr. Russell stated that the City has not given a raise in the last 3 years and chose to give a small lump sum amount for employees who make less than \$50,000. A discussion followed about the City of Asheville’s blue ribbon committee and health insurance changes. He also stated he liked the lump sum amount instead of 1.5% due to no one else in public sectors getting increases and downward economy.

Mr. Vebaun stated he has a problem with increasing salaries by 1.5% and is in agreement with Mr. Russell. Mr. Root stated he would like to have more information about the private sector and what impact the lump sum has on rate increases. He also stated that the Town of Weaverville gave no increase last year due to what they were experiencing money wise, and it is his impression that MSD is not having financial problems. He feels that MSD is doing well and is very satisfied with the workforce and doesn’t want to lose them because of financial problems from other agencies. Mr. Aceto stated that they have relied heavily on employee input and would be cautious about changing their recommendations. He would like to stay as close as possible to what they recommended. Mr. Haner asked if the employee advisory committee had input. Mr. Hemphill said we have had several meetings discussing plan design, premium changes, and more. Mr. Haner asked if they had embraced the lump sum amount. Mr. Hemphill stated that they would prefer to have the money in their pay check but would be happy with the lump sum. Mr. Stanley stated that the Cities and Towns get money from taxes and the County is not getting any money, but that is because the sales tax revenue is about half of what it is supposed to be. MSD has a well-run organization and he would

hate to lose a good workforce. He is not opposed to any of the recommendations. Ms. Bryson stated she would not mind looking at other options but agrees with Mr. Stanley that we have a good track record for employees, does not want to start replacing employees and we need to protect them. Mr. Watts asked how this will affect the total budget. Mr. Powell stated the impact is two years from now in our rate structure and will not have an impact in our proposed rate increase this fiscal year. Mr. Vehaun asked if this would have an impact on proposed rate increase. Mr. Powell stated it would not increase our proposed rate increase this year.

Recommendation:

Mr. Stanley moved to consider staff's recommendations with more information on Private Sector, what the lump sum impact would be on rate increases, money and percentage on the Health Insurance. Mr. Watts seconded that motion. Voice vote was unanimous in favor.

5. Other

There was no new business.

6. Adjourn

With no further business, the meeting was adjourned at 3:05 p.m. No future meeting has been scheduled.

CAPITAL IMPROVEMENT PROGRAM COMMITTEE**Minutes****May 5, 2011****8:30 a.m.**

The Capital Improvement Program Committee of the Metropolitan Sewerage District met on May 5, 2011 at 8:30 a.m. in the Mull Administration Building on Riverside Drive in Woodfin with the following persons present: Max Haner - Committee Chairman; Steve Aceto - Board Chairman; Michael Boaz, Jon Creighton, Stephen Shoaf, Joseph Martin, Mark Combs, Nelson Smith, Robert Watts, Jason Young and Roger Edwards - CIP Committee members; Bill Russell, Glen Kelly, Louis Bissette, Al Root and Bill Stanley - Board Members; Tom Hartye - MSD General Manager; Billy Clarke - Roberts & Stevens; Gary McGill - McGill Associates; Ron Kerns - COA Water Authority; Mona Ellum and Jim Struve - Hazen & Sawyer; Ed Bradford, Mike Stamey, John Kiviniemi, Scott Powell, Angel Banks, Julie Willingham, Peter Weed, Teresa Gilbert and Sharon Walk - MSD.

The following items were considered:

1. Call to Order

Mr. Haner called the meeting to order at 8:35 a.m., thanked the members for coming to the committee meeting and turned the meeting over to Tom Hartye. Mr. Hartye thanked everyone for coming, welcomed the newcomers, and gave a brief review of the CIP Committee and program. He explained that the Committee was established by the Consolidation Agreement in 1991 after MSD took over the collector systems from the municipalities. In the agreements at consolidation, there were identified projects that were to be carried out by MSD. There was wording in the Consolidation Agreement that a Committee be formed to review and make recommendations regarding the Capital Improvement Program to the MSD Board. At that time, the specific entities that had been operating and maintaining those systems knew more about the lines than MSD, so there was a transition period where MSD was acquiring information about the lines. The CIP Committee now meets annually to review the proposed projects for the coming 10 years, and to give input and endorsement. The 10 year CIP document is required pursuant to MSD's collection system permit.

Mr. Hartye gave a brief background of the CIP department, explaining that it was developed to do engineering design, right of way, and construction management and was determined to be much more efficient than hiring consultants. Most of the sewer line design work is done in-house, with the exception of more technical projects (treatment plant, etc.) that are consulted out.

He then turned the meeting over to Ed Bradford, Capital Improvement Program Director for a presentation.

2. Highlights of the Current and Proposed Capital Improvement Program

Mr. Bradford proceeded to give a power point presentation beginning with a summary of the proposed CIP Budget for the coming fiscal year and following years. The subtotal budget all the projects for the coming fiscal year is \$18.5 million and a \$1.0 million contingency is recommended as it has worked well in prior years. Additionally, a budget for reimbursement projects is recommended of \$200,000 for Cost Recovery and Cost Participation funds. The total CIP budget for next fiscal year is \$19,687,776. Mr. Bradford explained that we have a 10 year program, and we inflate future years by an inflationary rate based on the ENR index which is 3.54% for this budget cycle.

Mr. Bradford explained MSD maintains an aggressive and proactive rehabilitation program with the primary approach to Collection System Rehabilitation being centered on SSO reduction. This is therefore the primary source of projects, followed by Pipe Rating and structural problems, and lastly Wet Weather pipeline replacement. He then reviewed several of the projects that had been done or were in the process of being completed this year including Lake Julian Interceptor Phase III. He gave a brief review of other projects that had been done around the lake, what they consisted of, and when

they were completed. He also included slides of those projects, along with location maps and specific conditions dealt with during construction. On the Phase III project, he presented video of a boring machine in the process of boring through soil and rock to excavate a tunnel for installation of a sewer line and explained the associated process. Blasting is also being used on the Lake Julian job, and he also presented video of a blasting and those procedures.

Mr. Hartye explained that there was a lot involved on some of these projects, especially having to get around highways, structures, etc. that cannot be cut or dug - it's expensive, involved and takes time. All of the projects are not like this one, but a lot of them involve hitting rock, which in turn involves hard digging along the way. Sewer lines, unlike water lines, have to be laid on grade as they are gravity, and are therefore more expensive than water lines to install.

Mr. Bradford continued by showing slides of MSD's IRS work (Infrastructure Repair System). He explained that this system consists of a pipe liner that is impregnated with epoxy, inserted into a pipe along with an inflatable bladder which is inflated until the epoxy cures, and performs a good, durable repair of the broken pipe. This system can be used under roads, etc. to prevent having to dig, and saves a lot of time and money, not to mention re-paving of the street.

Mr. Bradford then presented information on the Unclaimed Sewer Program. These are private, failing and unclaimed systems that were not built to any public standard and not accepted by any entity. These are usually poor quality and with no manholes, etc. MSD will accept these for maintenance and rehabilitation if they are a demonstrated health threat and cited for SSO's. Additionally, each homeowner connected to the system has to sign an agreement to donate all easements at no cost to MSD. Once all the homeowners have signed, MSD will put the system on a list to maintain, until the time that the project can be included in the budget and repaired or replaced. He presented a list of all the systems (approximately 55) where MSD has contacted the homeowners. He also presented a list of approximately 16 systems that are being maintained by MSD at the present time. He explained that MSD may maintain these systems for years before the problems get bad enough for rehabilitation. One such project - Rollingwood Road - has been added to the CIP for the coming fiscal year.

Mr. Bradford reviewed several upcoming projects in the collection system including the Dingle Creek Interceptor at Crowfields. Part of this project had been accelerated for the City of Asheville as they were performing some storm water work in the same area. Another project is Town Branch Interceptor Phase II. The first part of this project was very difficult as it was located at the railroad switch yard. Phase II of this project which consists of about 2,000 feet, is also being accelerated for the City as they are doing work near the Reed Center complex on this project. Lake Julian Phase IV is a small project consisting of 1,600 feet and is near the south end of Lake Julian. Dillingham Road is a small project to repair a four-inch main in Haw Creek and consists of about 900 feet. Another four-inch main project is on Town Mountain Road near the City of Asheville and consists of 1800 feet and is a very steep complicated line replacement. Patton Avenue at Parkwood is off Patton Avenue near Leicester Highway in West Asheville, and VA Hospital is another pipe rated project located in Oteen near the Parkway and consists of about 1800 feet. Additionally, a Pipe Rated Contract #6 is proposed to be done in the coming year consisting of about 10,000 feet and is a good cost saving measure. This lining repair can only be done on certain pipes which have to be in fairly good structural condition. An Unclaimed Sewer Rehab project - Rollingwood Road - is located in Chunn's Cove.

Mr. Bradford then reviewed projects in the Collection System Master Plan (which was adopted by the Board in 2008). He explained that the Master Plan was developed in close cooperation with the municipalities, utilizing their land use policies and zoning regulations in laying out locations of new sewer lines. The Master Plan is used as the basis to ensure that extensions are done in an orderly and predictable fashion. One project completed under this plan is the Reems Creek Master Plan Interceptor which is just over 5,500 feet, and extends along Reems Creek Road up to Pleasant Grove Road.

He went on to explain that another Master Plan project came up very late in the budget process this year and is proposed by Biltmore Farms at Long Shoals Road. They want to develop the property on the west side of the river and have come forward and requested to construct an extension in accordance with the Master Plan. It consists of about 7,000 feet. Because this is large diameter pipe in a major basin, MSD would design this and acquire right of way, but the developer would construct it at their cost. MSD's cost share (because of required upsizing of the line) would be about \$300,000. This has been included in the CIP Budget but still needs approval of the Board before it can go forward.

Mr. Bradford then reviewed projects pertaining to the Water Reclamation Facility and Pump Stations. He stated that the Intermediate Pump project is now complete and showed several slides showing the location of the project, the pumps and equipment installed and how the new process works. He explained that divers were actually used on this project in order to assist in removal of several pieces of pipe and equipment. He then presented several slides of the microscreen replacement project and reviewed the construction and working processes. Mr. Martin asked what happened to the effluent while this work is going on. Mr. Bradford explained that it is routed around and since the intermediate clarifier is over-performing, it is keeping effluent within limits and is not a problem. The microscreens did not really work anyway, so removing them from the process is not an impact. Contingency plans are also in place in case the TSS limit (total suspended solids) was to go up during construction.

He then gave a brief review of the Weaverville Pumping System Study, presenting a map of the total system from Weaverville and the Reems Creek Basin, through Weaverville Pump Station #1, #2 and the force main to the treatment plant. He explained that Buncombe County has allowed MSD to rehabilitate portions of the force main during their new training facility project, where they had to move portions of the line to build the facility. During this rehabilitation, some of the line will actually be lowered in elevation due to re-routing. This will take about 30 feet of elevation head off of the line and also allow more capacity on the line in the future. He then introduced Jim Struve with Hazen and Sawyer for a presentation on the study.

Mr. Struve gave a brief review the pumping system study, what they evaluated and their recommendations. He explained that the study included the evaluation of two pump stations (#1 & #2) and the associated force main in the system. The study included the hydraulics, sizing of the pumps, design flows, the elevation of the force main and problems associated with each of these. This study was coupled with the Master Plan developed by McGill Associates and included population and flow projections for the next 20 years. He explained that according to these projections, they were looking at another 2 mgd of flow coming from this in the future. He then gave a brief review of the results of the examination of the existing system including the types and sizes of the pumps, force main, hydraulics, velocity, wet well levels, pump cycles, etc. and stated that everything looked good – the system seemed to be designed well. He stated there were two areas of concern where the force main went from a pressurized sewer to a gravity sewer – basically where the elevation drop occurred. He explained that these areas in the pipe were empty after the pumps shut off and hydrogen sulfide gas, etc. could accumulate in these places and cause corrosion. MSD staff is already aware of these problems and are addressing them.

He went on to say that three alternatives were evaluated as part of this study: 1. Keep the same configuration, but increase the flow by installing one new pump now and two additional pumps in the future at a cost of \$4.5 million; 2. Change from two pump stations to a single pump station at a larger size and replace the 12" force main with a 18" force main at a cost of \$8.6 million; or 3. Leave the pump stations as is, but install a storage tank at Pump Station #1 to store peak flows and then convey them later when peak hourly flows are lower - at cost of \$6.9 million.

Mr. Struve stated that the study revealed that the best scenario was Alternative 1 - to keep the same basic configuration but re-size the wet well and upgrade from two pumps to three pumps at Pump Station #1. Nothing needs to be done to Pump Station #2 as it has sufficient capacity. By lowering the elevation of the force main 30 feet by re-routing the line, the capacity is increased from 2 mgd to 3 mgd. This alternative is also the most cost effective.

Mr. Bradford also explained that MSD had the recent opportunity to purchase a small sliver of property at Pump Station #2, allowing for more viable access for trucks to access the site for maintenance and to off-load chemicals and equipment.

Mr. Bradford then proceeded to review several upcoming projects including the electrical improvements at the treatment plant. He pointed out the locations of the upgrades on a map, and stated that there were three general areas: external power supply from Progress Energy; internal distribution system; and backup power supply. Improvements are already near completion on the automatic transfer switch and the Broadway feeder connect that Progress Energy has provided. They have provided another feed and an automatic transfer switch in case of power outages. The internal system is based on an old radial type system where the power is fed to one point and fed to the plant from there with no redundancy whatsoever. If this one feed goes down, the plant has no power except for emergency backup generation. One or two additional feeds to critical processes will be implemented in order to provide some redundancy. Also, additional generators will be installed for backup power. At this time, the single backup generator provides only enough power for certain processes, but will not power the entire plant. This project amounts to \$2.5 million over the next two fiscal years.

He stated that Carrier Bridge Pump Station is the largest pump station in our system and pumps about 40% of the plant flow. It serves the entire upstream basin including West and Southern Asheville and Buncombe County, Hominy Creek, Cane Creek, Henderson County, etc. Preliminary studies indicate that this station can be eliminated by the extension of 10,000 feet of interceptor along the West side of the French Broad River. Potential long term savings, along with elimination of liability issues could be realized. The feasibility study would be conducted over the coming year.

Mr. Bradford then reviewed the financial issues surrounding the CIP program. Staff implements cost saving measure wherever they can by doing project coordination with member agencies, utilizing contract and in-housing lining, and by claiming the value of prescriptive easements wherever possible.

He explained that the budgeted revenue for the current fiscal year is \$45.4 million; and since we operate with a balanced budget, expenditures are estimated at \$45.4 million, with about two-thirds of the budget being project related through debt service and construction projects. An inflationary component is added for years 2 through 10, which is 3.54% for this budget cycle.

Mr. Bradford then presented a summary of the CIP and explained that the bulk of the work is with smaller lines with \$112.2 million estimated over the next 10 years. Additionally, Interceptor and Wet Weather projects amount to \$16.1million; Treatment Plant projects of \$18 million; and Reimbursements at \$2.0 million over the next 10 years. He pointed out that since consolidation through the end of 2010; MSD has reinvested almost \$260 million back into the system.

Mr. Bradford stated that a new work order and asset management system would be implemented to deal with all work orders and assets associated with our system of almost 1,000 miles of pipe and over 28,000 manholes. The current work order system uses Microsoft Access and been functional, but has reached its maximum functional capacity. It is not designed for the size of our operation and the corresponding amount of data generated. It is work centered, not asset centered and is based around the work itself, not the asset. Additionally, it is paper-based with a lot of manual data entry, and is not deployable to field operations. Several options were reviewed, and a new system was determined to be the best alternative. The new system is map-based, and is centered around the assets – the pipe segment or manhole itself and can be used in the field on laptops to access and input data automatically. It works directly with and resides with our GIS. It is also Enterprise based, and can be used by not only System Services, but also by fleet and the plant for their work as well. The system is used by other municipalities such as Hendersonville, Charlotte and Greenville, SC and comes highly recommended.

Also included with this system is CCTV software to manage our videos and our pipe rating program for defect coding. There is no current way with our existing system to link the work order management system with the pipe rating, and as such, a defect that has been fixed does not show up in the system. The CCTV videos (19,000 so far) are files on a server and are not linked to work orders, project, etc. The new system will link these systems.

He went on to review the State Collection System permit, which required us to rehabilitate 250,000 L.F over five years. It used to be 50,000 minimum for each year, but was re-negotiated in 2007. He also explained that this permit has been temporarily extended by S.B. 831 to eight years and 400 KLF because of economics. This bill temporarily extended various existing permits across the state. MSD's current 8-year target is 406,250 L.F.

Mr. Bradford then briefly covered Reimbursement Projects and explained there are no NCDOT betterments scheduled for the coming year; annexation agreements since consolidation have almost been completed with the exception of one in Black Mountain. One new reimbursement project has been added to the CIP budget which is the West French Broad Master Plan Extension.

He presented a chart showing the reduction in SSO's ever the last 10 years, with a high of 288 back in 2000, and a low of 23 in 2009. In the last 12 months, the SSO's have hovered around 20, so if there are no significant rain events, these should remain low.

He then presented a slide of MSD's website and stated that a copy of the proposed CIP budget has been posted on the website for public viewing and comment. He also thanked staff for the work on the CIP budget, and asked for any questions or comments.

Mr. Haner encouraged everyone to look at the project scheduling contained in the CIP document, especially those that affect each municipality's specific area, and if there are any conflicts, please bring those to staff. He thanked Mr. Bradford for the presentation, and praised staff for their efficiency and money saving strategies.

Mr. Haner asked if the cleaning and work on the lines has had a noticeable effect on reducing the 31% of flow increases to the plant due to wet weather occurrences. Mr. Kiviniemi stated that he was not sure of the exact percentage as it relates to wet weather, but there was no doubt that the rehabilitation that has been done has had positive impacts on flow. Before, when there has been wet weather events, flow would go up and stay up for days on end. Now, flow goes up and comes right back down, so substantial impacts have been realized in that regard. He stated that overall flow has been down - even this year where we've had a wet winter.

Mr. Haner stated that the Weaverville Pump System Rehabilitation does not appear on the schedule until FY 14-15 and asked what the risk was of delaying this work, and did we need to go ahead and do this work sooner. Mr. Bradford explained that some work was being done now - repair of sections of the force main that have failed and general maintenance. He stated that he was comfortable with the timing of the project, and that the pumps were not failing. Mr. Hartye stated that there were more critical projects at the plant such as the electrical system and microscreen project and because of finances, these had to be prioritized. He reiterated that the pump stations have sufficient capacity now, and this is more of a future problem as expansion occurs in the Weaverville area. The critical areas that are failing on the force main are now being replaced. The system is getting old and is nearing its capacity, but has not reached it yet.

Mr. Martin asked what the work order management system was, and Mr. Bradford stated that it was "Cityworks" and that it will be implemented in the next year.

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

Mr. Hartye presented the 10 year CIP document notebook and stated that CD's were also mailed out to each committee member with this information.

Mr. Bradford briefly reviewed the 10 CIP document, starting with the Summary Sheet behind Tab #2. He explained that each project was presented in the notebook in detail including a map, estimated expenses associated with each project and a schedule of when that project would occur. He stated that this complete document was also posted on the MSD website for review and comment.

He went on to explain that the project costs are based upon bid pricing received over the last year and are updated annually.

The summary consists of the following categories of project and estimated budget for the next year: Interceptor & Wet Weather consists of 16 projects at a total amount of \$1,804,380; General Sewer Rehabilitation with 62 projects at a cost of \$4,975,184; Pipe Rated Projects consisting of 13 project totaling \$1,324,312; Unclaimed Sewer projects with 2 projects at a total of \$340,000; Treatment Plant & Pump Station Improvements with 11 projects totaling \$7,020,000; and Design, ROW & Construction Management Expenses totaling \$3,023,000. The subtotal of capital improvement projects and associated work for next year is \$18,487,776. A flat contingency is proposed of \$1,000,000, along with \$200,000 for Reimbursement projects, for a total proposed CIP Budget for FY 12 of \$19,687,776 and is the amount for which staff seeks endorsement from the Committee.

Mr. Haner asked for comments and questions. None followed. He then asked for a motion to endorse the proposed CIP Budget for FY 12. Mr. Martin made a motion to recommend endorsement of the proposed CIP Budget for FY 12. Mr. Watts seconded the motion, with voice vote unanimous in favor of the motion. The motion passed.

4. Adjourn

There being no further business, the Committee adjourned at 9:55 a.m.

Finance Committee

May 11, 2011

1. Call to Order:

The Finance Committee of the Metropolitan Sewerage District met in the Boardroom of the Administration Building at 2:02 p.m., Wednesday, May 11, 2011. Chairman Kelly presided with the following members present: Terry Bellamy, Jackie Bryson, Jon Creighton, Max Haner, and Bill Russell.

Others present were: Thomas Hartye, General Manager, Scott Powell, Director of Finance, Joseph Martin, Director of Woodfin Sanitary Water and Sewer District, and the following board members: Steve Aceto, Al Root, Bill Stanley, Robert Watts, and MSD staff.

2. Third Quarter Budget to Actual Review

Mr. Powell gave a review of the Third Quarter Budget to Actual by stating that domestic and industrial user fees are meeting budgeted expectations. Facility and tap fees, while budgeted conservatively, are above expectations due to unanticipated revenue from (2) two developments. Interest income is below expectations as direct result of recessionary pressure on the fixed income market. Rental income will meet expectations; however, O&M expenditures, while presently below expectations, are expected to be equal to or less than the budgeted amounts for FY10. Bond Principal and interest are below 75% due to principal payments being made on July 1, 2011. Capital Equipment, while not expensed uniformly throughout the year, will meet budgeted expectations.

3. FY 2012 Proposed Budget

Mr. Powell continued his PowerPoint presentation with highlights of the FY 2012 Proposed Budget. He stated the Operations and Maintenance will be \$14.3 million, CIP will be \$19.7 million, Capital Equipment Replacement will be \$0.9 million, and Debt Service will be \$8.4 million for a total of \$43.3 million.

For Operations, staffing will remain at FY11 levels. The proposed budget includes the Personnel Committee recommendations of a 1.5% COLA and a \$775 lump sum payment per employee both at a total cost of \$215,000, and a 7.5% increase in health care funding at \$120,000. Additionally, the budget includes 8.4% or \$41,000 increase in NC retirement funding as mandated by the state retirement system as well as the GASB 45 funding of \$211,500. Finally, a 1.6% or \$318,000 increase in Materials, Supplies, and Service is also included in FY 2012 operation and maintenance recommendations, with \$200,000 of the increase in due to anticipated rising fuel and utility costs.

Chairman Kelly asked if the \$215,000 compensation increase included both compensation and its associated benefits. If not, would an additional 20% be a fair percentage to apply to assess the total impact of the compensation requests. Mr. Powell confirmed Chairman Kelly's assertion.

Mr. Powell continued his presentation, which included information on Personnel Growth, Trends in Health Care Cost, Operation actual to budget efficiency, CIP committee endorsed capital project needs, proposed Capital Equipment Replacement, and the District's June 30, 2011 Debt Composition and FY2012 debt service requirements.

Mr. Powell presented the revenue highlights which included a 0.75% increase in customers and domestic consumption, Facility and tap fees budgeted at \$1,355,000, and rate of return on investments of 1.5%.

5. MSD Business Plan

The next section of Mr. Powell's presentation covered the MSD Business Plan. This section covers the long-term (ten-year) plan for expected Project Sewer Rates and Revenues, Operating Expenses, CIP needs and Debt Coverage Ratio. Mr. Powell explained staff uses its master plan objectives, regulatory requirements, debt service requirements, and the CPI and other indexes to determine level incremental sewer rate increases. For comparison purposes, Mr. Powell included the FY 2011 Business Plan in his presentation. Mr. Powell pointed out the projected sewer rate increases for FY2012 thru FY2021 have dropped by 0.5% while maintaining the board approved debt coverage ratio of 1.5. The FY2011 project debt needs of \$24 million for FY 2013 and FY2017 have been moved to FY 2015 and FY2018 respectively.

The Ten Year Plan for CIP and its funding was also reviewed. Mr. Powell stated the plan incorporates \$148.6 million in future projects, with the funding being a mixture of 68% pay-as-go and 32% future debt issuances, showing a diminishing dependence on debt.

6. Rate Information

Mr. Powell communicated national trends in sewer service charges. He stated that, according to a NACWA survey, projected annual sewer service charges are anticipated to increase nationally at a rate of 6% annually for the next three years. MSD rates are projected to be 3.0% for FY2012 and FY2013 and 2.5% for FY2014. He also stated that the national average residential sewer bills are typically 19% to 21% greater than water bills. For FY2012, MSD's average residential sewer bill would be 5.0% greater than their comparable water bill. Mr. Powell further presented information about the District's rates compared to other utilities, based on the 2008 NACWA Financial Survey for the EPA Region IV-Southeast Region. The District's overall current charges, projected increases, and sewer bill versus water bill percentages are all below national averages. The Rate and Fee recommendations are: Continue the Tap and Facility Fees parity plan; a 3.0% Domestic rate increase; and continue the Industrial rate parity plan, which will increase 4.1%.

Mr. Haner asked if the proposed water rate change would affect industrial user's water usage and was that considered in the District's budgetary numbers. Mr. Powell commented that, even though it might have some impact in the future, it was not considered. Mr. Hartye added that any impact would not be significant due to industrial users representing only 4% of the District's total revenue.

7. Motion to accept staff recommendation

Proposed FY12 Budget:

Following Scott Powell's presentation, Chairman Kelly called for any questions or comments. With there being none, Chairman Kelly inquired if anyone would like to make a recommendation on the Proposed FY2012 budget as presented under Tab 6.

Recommendation:

Committee Member Watts made a motion to approve the Proposed FY12 Budget and Jon Creighton seconded the motion. A raise of hand vote in favor of the motion was unanimous.

Schedule of Rates & Fees for FY2012:

Chairman Kelly called for any questions or comments concerning the item under Tab 7. With there being none, Chairman Kelly called for a recommendation.

Mr. Haner asked if any input was requested from the commercial developers and, if so, what were their thoughts on the rate increases. Mr. Hartye replied no, because it is a part of the five-year plan that was approved previously by the Board. Planning Director Stan Boyd stated that he mentioned the issue at the annual meeting but did not officially request input and has not received any feedback regarding the fees.

Recommendation:

Chairman Kelly made the motion for the approval of the Schedule of Rates & Fees for FY12. Mrs. Bryson seconded the motion. A raise of hand vote in favor of the motion was 5 to 1 with Mrs. Bellamy in opposition.

NEW BUSINESS:

General Manager Tom Hartye initiated discussion on the subject of the bill recently introduced to the General Assembly of North Carolina by Representative Tim Moffitt. Mr. Hartye expressed his concern over the public discourse to this point regarding the idea of compensation, if this were to occur. He emphasized that these were public assets paid for by the water customers and “selling” those assets to a new service provider would amount to making the customers pay for those assets twice.

Mr. Aceto reiterated his previous remarks that he hoped that this issue would get a sound discussion not just a reaction and that he would like to hear from the Board on how they would like to go about discussing the issue.

Mr. Kelly, Mr. Powell and Mr. Hartye made general comments about the value of both the water system and the District’s system.

Mrs. Bellamy voiced her concerns about the Sullivan Act in relation to this bill. She raised concerns over the forum of the discussion, since this matter was not disclosed on the agenda nor was staff from the City of Asheville in attendance to partake in the discussion. Mrs. Bellamy stated that the reservoirs were paid for by the tax payers and that her position would be to seek compensation for them if this were to occur.

Mr. Aceto commented that perhaps this discussion could and should be continued at next week’s Board meeting.

There being no further discussion, the meeting adjourned at 2:45 p.m.

CONSOLIDATED MOTION AGENDA

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: May 18, 2011

SUBMITTED BY: Thomas Hartye, P.E., General Manager

PREPARED BY: David Monteith, Kevin Johnson

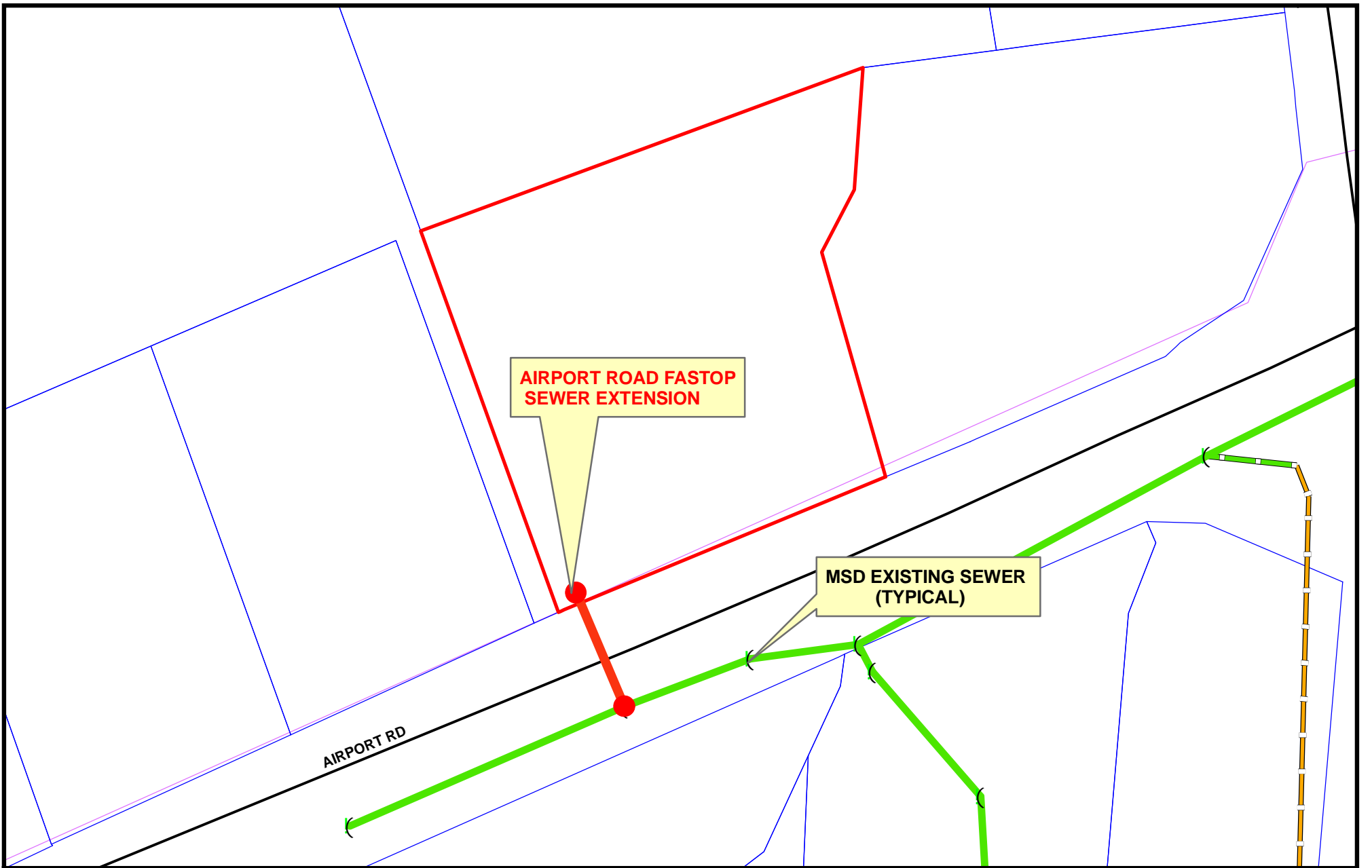
REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Airport Road Fastop Sewer Extension Project.

BACKGROUND: This project is located outside the District boundary on Airport Road (NC 280) near the intersection with Bradley Branch Road in Buncombe County. The developer of the project is Steve Isaacs of Pioneer Petroleum Company. The project included the installation of approximately 92 linear feet of 8" gravity sewer to serve a Gas Station/Car wash/Convenience Store. A wastewater allocation was issued in the amount of 10,950 GPD for the project. The estimated cost of the sewer extension is \$45,000.00.

STAFF RECOMMENDATION: Acceptance of developer constructed sewer system.
(All MSD requirements have been met)

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



Project # 2010010

Not To Scale



METROPOLITAN SEWERAGE DISTRICT
of
BUNCOMBE COUNTY, NORTH CAROLINA

**Airport Road Fastop
Sewer Extension**

Metropolitan Sewerage District of Buncombe County
BOARD ACTION ITEM

BOARD MEETING DATE: 5/18/11

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

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

SUBJECT: MSD Paving Agreement with City of Asheville, Project Number 2002101

BACKGROUND: This agreement is for the restoration of *public roads and sidewalks* within the Asheville City Limits, resulting from District maintenance activities and in-house rehabilitation projects.

In previous years, all pavement restoration work has been performed by contractors. This process has worked well, with the exception of administrative & permitting issues concerning City of Asheville streets. Noteworthy problems have included differing interpretations of requirements among City staff, and numerous instances where the District has been required to provide near perfect overlays on streets that are otherwise failing.

In 2010, the City proposed that it handle the final surfacing repairs. City and District staff have been working on an agreement wherein the District will pay the City an annual contribution to a Paving Enterprise Fund. All permit fees would be waived, and pavement restoration would be performed by the City's in-house paving crews.

The District's initial annual contribution of \$560,000 is based upon *actual bid pricing* over the year prior to formulating the agreement. The amount included all pavement repairs within the Asheville City Limits, as well as larger overlays for in-house projects. This annual amount can and will vary over time, based upon repairs occurring throughout the system.

It is important to note that if the actual amount of funds used by the City for District repairs varies by more than 10% (either up or down), the District will either be required to pay this difference, or will be refunded the excess amount. Budgets will be prepared annually for future fiscal years.

As can be seen from the example in the attached memorandum, the proposed agreement is expected to save the District money. Also note, again, that not only does this cost less, but permit fees are also waived.

This will also relieve MSD staff of the significant burden related to working out administrative issues with the City's inspection of pavement repairs. These administrative issues have been a source of disruption to work progress over the past several years.

The District must still contract limited paving work for the remaining areas outside the Asheville City Limits, and private driveways and parking lots within the City Limits.

The City will provide monthly reports for review and monitoring. Should this process not provide greater efficiencies over time, the District will not be obligated to continue future agreements.

Please refer to the attached documentation for more information.

FISCAL IMPACT: The FY11-12 budget for this line item is \$700,000.00, which also includes the additional paving contract for work outside City Limits. \$560,000 is allocated for the proposed City of Asheville agreement.

STAFF RECOMMENDATION: Staff recommends that the District execute an agreement with the City of Asheville in the amount of \$560,000 for paving public roads within the Asheville City Limits for Fiscal Year 2011-2012.

Award is contingent upon review and approval by District Counsel.

Interoffice Memorandum

TO: Tom Hartye, General Manager

FROM: Ed Bradford, CIP Manager
Barry Cook, System Services Director
Mike Stamey, Project Manager

DATE: May 09, 2011

RE: City of Asheville Street Paving Repair Program - MSD Participation

When MSD works within City of Asheville Streets or Right of Way to perform repairs, rehabilitation, or other improvements to our existing sewer system, a street cut permit is required. The fee for this permit is currently \$2.00 per square foot of disturbance with a minimum charge of \$50.00 and a maximum charge of \$2500.00. The permit also requires inspection by City Staff after construction to verify that surface restoration meets the current City of Asheville standards. During calendar year 2010, MSD obtained 258 permits from the City of Asheville.

When working in the subject areas, MSD has encountered numerous issues regarding the age and condition of the existing surfaces. These conditions can make it very difficult and costly to meet the City's standards. In many cases, expensive paving milling must occur to remove old asphalt materials which are covering curb and gutter, areas to be restored are significantly expanded from the small excavation zone that is needed to perform the sewer work, and the joint sealing in the transition zone from old to new surfaces can be difficult to apply and maintain. The many factors that come into play can also require numerous contacts to the City of Asheville inspection staff which result in repeat inspection fees. In most cases, the finished section of restored roadway far exceeds the condition and structural integrity of the surrounding area.

By the City's own admission, the street cut permit policy, restoration standards, and many factors that must be considered when restoring a site often creates confusion, delay, and additional cost. MSD agrees with this assessment as we have spent a significant amount of time and effort to comply with the permit requirements. The District has even raised concerns on several occasions as to whether or not the requirements are facilitating the best use of public funds.

In reviewing the historical cost data for the restorations of City of Asheville streets and right of way, MSD pays approximately \$560,000 annually. Excluded from this amount are City permit fees, and the labor expense of MSD staff related to administration and communication with the City for the permit requirements.

Current versus Proposed Costs

MSD obtained 258 COA Street Cut Permits and paid the City \$115,355 for permit fees during calendar year 2010. *These permit fees will be waived as a part of the proposed agreement.* Paving repairs for these same cuts were an additional cost and totaled \$329,627. In addition, please see the chart below for an example cost comparison with the new agreement:

	<u>CURRENT CONTRACT</u>	<u>COA AGREEMENT</u>
4 ft. X10 ft. Patch (6-inch Depth)	\$ 356.00	\$ 254.31
39 ft. X 20 ft. Overlay (2-inch Depth)	\$3565.00	\$1,768.31

With all of the above said, MSD staff is highly encouraged by the agreement now proposed by the City of Asheville to allow the City to restore the areas within their right of way after MSD performs work on the sewer system. Staff believes this agreement will remove the confusion, delays, and unnecessary cost that have plagued the current process and will result in the most efficient use of public funds and resources by all parties.

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA

CAPITAL IMPROVEMENT PROGRAM

BUDGET DATA SHEET - FY 2011 - 2012

PROJECT:	SSD Rehabilitation & Replacement (Annual)	LOCATION:	Various	REVIEWED BY:
TYPE:	General Sewer Rehabilitation	DATE OF REPORT:	January-11	
PROJECT NO.	2002101	TOTAL L.F.:	200,000	
PROJECT BUDGET:	\$35,000,000.00	PROJECT ORIGIN:	In-house Capital Improvements	

DESCRIPTION	ESTIMATED PROJECT COST	TOTAL EXPENDS THRU 6/30/10	TOTAL COSTS JULY - DEC 10	EST. COST JAN - JUNE 11	EST. BUDGET FY 11-12
01 - SURVEY / EASEMENT PLATS # []					
02 - LEGAL FEES					
03 - ENGINEERING ASSISTANCE					
04 - ACQUISITION SERVICES					
05 - COMPENSATION					
06 - APPRAISAL					
07 - CONDEMNATION					
08 - ENVIRONMENTAL SURVEY					
09 - PRELIM. ENG. REP.					
10 - DESIGN / ASBUILT SURVEYS					
11 - ENVIRONMENTAL ASSESSMENT					
12 - ARCHAEOLOGICAL					
13 - GEOTECHNICAL					
14 - CONSTRUCTION CONTRACT ADM.					
15 - CONSTRUCTION	\$35,000,000	\$2,689,608	\$1,517,585	\$1,883,462	\$3,300,000
16 - PERMITS					
17 - PUBLIC MEETINGS					
18 - TESTING					
TOTAL AMOUNT	\$35,000,000.00	\$2,689,608.00	\$1,517,585.00	\$1,883,462.00	\$3,300,000.00

ENGINEER:					ESTIMATED BUDGETS - FY '12 -'21	
CONTRACTOR:					FY 12-13	\$3,300,000.00
CONSTRUCTION ADMINISTRATION:					FY 13-14	\$3,300,000.00
INSPECTION:					FY 14-15	\$3,300,000.00
PROJECT NOTES:	Total Estimated Project Cost shown is the total within the ten year window.				FY 15-16	\$3,300,000.00
	Paving Contract	\$700,000	Estimated		FY 16-17	\$3,300,000.00
	Materials / Year :	\$1,200,000	Estimated (\$900,000 moved to IRS FY 12)		FY 17-18	\$3,300,000.00
	Capitalized Labor & Misc. :	\$1,275,000	Estimated		FY 18-19	\$3,300,000.00
	Fuel Allocation:	\$125,000	Estimated	Estimated L.F. per Year	FY 19-20	\$3,300,000.00
FY 11-12	Total Budget:	\$3,300,000	Estimated	20,000	FY 20-21	\$3,300,000.00

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

Meeting Date: May 18, 2011

Presented By: Personnel Committee

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

Subject: Cost of Living/Merit and Self-Insured Health Plan for FY 2011-12

Staff Recommendation:

A) That the MSD Board fund:

- A Cost of Living Adjustment, composed of a 1.5% base pay increase and a \$775 lump sum payment to defray increased medical insurance premiums
- A MSD contribution of an additional 7.5% towards medical insurance (NCLM estimates a 9.0% increase in medical inflation)

B) Employees will fund an additional 25% increase over FY 2010-11 medical insurance plan. Employees will also absorb medical plan design changes with an "out of pocket" impact of \$179,000

Background:

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

Each year during the budgetary process, the Personnel Committee considers cost of living and merit pay salary adjustments to keep MSD's compensation program competitive with other area employers and to meet the objective of retaining skilled, high-performing employees. Inadequate wages lead to high turnover levels and increased costs from training new employees as well as loss of efficiencies until they are fully proficient. MSD's workforce averages 13 years of service with the District. Staff is considered extremely skilled and responsive.

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

CPI Discussion:

The District has attempted to provide employees with competitive wages and benefits as a means of retaining and rewarding high-performing employees. The benefit to MSD of keeping professional and motivated employees has been illustrated repeatedly over the past years. MSD employees have earned national and state awards for ISO 14001, the AMSA Environmental Achievement Award, National and North Carolina GIS recognitions and the NACWA "Excellence in Management" award, among others.

Meeting Date: May 18, 2011

Subject: Cost of Living/Merit and Self-Insured Health Plan for FY 2011-12

Page 2

A summary of the last 10 years' Consumer Price Index compared with actual and proposed FY 2011-12 cost of living and merit raises is summarized below:

Consumer Price Index (CPI) for South Urban Region	District Adopted	COLA	Merit
2001 – 2.3%	FY 2002-03	2.5%	0.0%
2002 – 2.5%	FY 2003-04	2.5%	2.5%
2003 – 1.8%	FY 2004-05	2.0%	2.0%
2004 – 3.5%	FY 2005-06	0.0%	4.0%
2005 – 4.1%	FY 2006-07	0.0%	4.1%
2006 – 2.6%	FY 2007-08	0.0%	3.6%
2007 – 4.4%	FY 2008-09	0.0%	5.0%
2008 – 0.0%	FY 2009-10	0.0%	0.0%
2009 – 2.9%	FY 2010-11	2.9%	0.0%
2010 – 2.7% *	FY 2011-12	1.5% & \$775 LSP	<i>proposed</i>

**CPI for March 2010-March 2011*

Cost of Living: The District obtains cost of living data from the Bureau of Labor Statistics for the South Region. The cost of living increased by 1.5% for "all urban consumers and for wage earners and clerical workers" during the period of December of 2009 to December of 2010. As you are aware, the economy is currently undergoing steep increases in basic costs of fuel, food, clothing, and medical insurance costs. Fuel costs have increased by \$.95/gallon, year to year (4/18/11). Food (.8% in March 2011) and clothing costs (10 - 30% higher) are following this trend.

Other Indicators:

- The American Water Works Association reports that member agencies increased wages in 2009 & 2010 by an average 2.9% with a 2.8% increase projected for 2011.
- Towers-Watson reports that companies across America plan to grant an average wage increase of 3.0% in 2011, up from 2.7% in 2010.
- Regionally, Western Carolina Industries reported that several companies granted increases averaging 3.0% in 2010.

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

Meeting Date: May 18, 2011

Subject: Cost of Living/Merit and Self-Insured Health Plan for FY 2011-12

Page 3

CITIES, TOWNS, UTILITIES

Town/Utility	2011	2012	Longevity/ Christmas Bonus	401/457 Contributions	Average Age of Employee	Average Length of Service
Montreat	2.5%	Projecting 2.5%	\$100/yr. svc to \$1,500	5% contribution, no match required	45	9
Woodfin	Zero	Zero	2-tiered system based on service, max 5% after 20 years	6% match	30	4
Weaverville	Salary Adjustments	Projecting 1.8% COLA, 2.0% merit	\$100 + 10/yr. svc	Up to 6% match		
Black Mountain	1.5%	Zero	\$100 + \$50/yr. to \$1,000	5% contribution, no match required		
Biltmore Forest	2%	Unknown	\$500	5% contribution, no match required	42.7	12.8
Henderson County	Zero	Pay/Hiring Freeze	Max 7.5% after 25 years	2% contribution, no match required	45	9
City of Asheville	Zero	Zero	No	5% contribution, no match required	41	9.05
Buncombe County	2%	Zero	\$25 – 7% of salary based on years of service	8% contribution	41	9
CMUD	2%	Zero	Frozen 1993	1% Contribution	41	9
Greenville Utilities Commission	Zero	0%, Doing a Pay Study	Frozen 1993	\$40 per pay period	43	12
Greer Commission of Public Works	3%	Compensation Study	Max. 4.0% after/20 years	No	47	18
Beaufort-Jasper Water & Sewer	3%	Projecting 1.0% COLA 2.0% Merit	Christmas – 1 week salary	Years of Service 0-5 = \$400 5-9 = \$500 10-14 = \$600	44	13
OWASA	2.5%	2.5%	Years of Service 10-14 = 1.5% 15-19 = 2.25% 20-24 = 3.25% 25-over = 5.0%	Years of Service 4-9 = \$40 10-14 = \$60 15-19 = \$80 20-up = \$100	45	13
Western Carolina Sewer	2.0% COLA 1.0% Merit	2.0%	Christmas-\$150	No contributions	46.5	13
MSD	2.9%	Proposed 1.5% COLA \$775 LSP	None	1% = 2% match 2% = 4% match 3% = 5% match	48	13

Meeting Date: May 18, 2011

Subject: Cost of Living/Merit and Self-Insured Health Plan for FY 2011-12

Page 4

Health Insurance

The District's insurance consultant has provided an initial quote, which includes a 15% or \$308,864 increase over FY 2011 expenditures. The nature of the increase represents the District's health experience as well as industry standard increases in reinsurance. Staff has proposed plan design changes, which will result in MSD employees absorbing \$179,000 in additional risk through larger deductibles, and increased out of pocket maximums. These changes will address immediate needs as well as put the health insurance plan on a more sustainable course. Additionally, annual review and oversight will need to continue to take advantage of future opportunities.

Based on the aforementioned health plan changes as well as an anticipated reduction in quoted claims by 2%, we anticipate total health care cost to increase \$129,864 or 6.33% over FY 2011.

In a typical year, the Board would have fully funded 80% of trend medical inflation. The NC League of Municipalities projects medical inflation for FY 2012 to be 9%. This year the Board is asked to provide an additional 7.5% or \$119,856 over FY 2011 funding. Additionally, MSD employees will incur an additional \$91,718 in medical insurance premiums.

Exhibit 1 reflects projected cost for medical insurance in FY 2012. Exhibit 2 provides an 8-year time line of medical insurance cost and cost sharing.

Based on Staff's recommendation of COLA and lump sum payment, Exhibit 3 details the increase in premiums cost per pay period for the employees.

In response to the need to decrease insurance cost, MSD's employees continue to explore alternative approaches to medical treatment including: "Housecalls" through Three Streams Medical, and healthier lifestyles; required physicals; on-site programs include: smoking cessation, weight watchers. Disease Management through Mission Hospital and Three Streams Medical, "Know your Numbers" reminders and "Wellness Day" education for spouses.

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

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

- 1) A 1.5% Cost of Living Adjustment and a LSP of \$775 be authorized
- 2) Funding an additional 7.5% for the medical insurance plan

Meeting Date: May 18, 2011

Subject: Cost of Living/Merit and Self-Insured Health Plan for FY 2011-12

Page 5

Fiscal Impact:

The proposed Operations & Maintenance budget for FY12 reflects \$215,000 for a COLA, LSP and the \$119,856 increase in Board contributions for health insurance.

Committee Recommendation:

Mr. Stanley moved to consider staff's recommendations with more information on Private Sector, what the lump sum impact would be on rate increases, money, and percentage on the Health Insurance. Mr. Watts seconded that motion. Voice vote was unanimous in favor.

Meeting Date: May 18, 2011, 2011

Subject: Cost of Living/Merit and Self-Insured Health Plan for FY 2011-12

Page 6

EXHIBIT 1

Metropolitan Sewerage District Self-Insurance Funding FY 2011-12

	Projected Prior Year Funding			MSD Funding based on NO COLA			MSD Funding based on 1.5% COLA & \$775 LSP		
	Funding	\$ Inc. Over	% Inc. Over	Funding	\$ Inc. Over	% Inc. Over	Funding	\$ Inc. Over	% Inc. Over
		FY2010	FY 2010		Prior Year	Prior Year		Prior Year	Prior Year
Employer Contribution	1,598,079	79,178	5.2%	1,741,906	143,827	9.0% *	1,717,935	119,856	7.5%
Employee Contribution	368,361	74,945	25.5%	368,361	-	0.0%	460,079	91,718	24.9%
Interest Income	10,500			3,500			3,500		
	<u>1,976,940</u>			<u>2,113,767</u>			<u>2,181,514</u>		
Transfer from other Insurance Funds	58,059			-			-		
Reserves	<u>74,730</u>			<u>67,767</u>			<u>20</u>		
Cost of Budget Insurance Plan	<u>2,109,729</u>			<u>2,181,534</u>			<u>2,181,534</u>		

Note 1: NC League of Municipalities estimates Medical Inflation for FY2012 at 9%. *

EXHIBIT 2

MSD Self-Funded Health Insurance Plan Projection

	Actual FY 2004	Actual FY 2005	Actual FY 2006	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010	Estimated Actual FY 2011	Budget FY 2012
Beginning Balance	\$286,083	\$402,805	\$368,467	\$389,570	\$448,979	\$533,001	\$522,312	\$639,990	\$639,990
Income:									
Employer Contribution	990,310	1,039,826	1,123,012	1,208,118	1,224,982	1,303,778	1,518,901	1,598,079	1,717,935
Employee Contributions	253,461	274,023	291,664	319,857	313,285	320,294	293,416	368,361	460,079
Transfer from Other Insurance Funds							79,134	132,789	-
Interest	3,611	11,540	23,100	26,270	24,775	9,403	5,490	10,500	3,500
Total Income	<u>\$1,247,382</u>	<u>\$1,325,389</u>	<u>\$1,437,776</u>	<u>\$1,554,245</u>	<u>\$1,563,042</u>	<u>\$1,633,475</u>	<u>\$1,896,941</u>	<u>\$2,109,729</u>	<u>\$2,181,514</u>
Total Funds Available	<u>\$1,533,465</u>	<u>\$1,728,194</u>	<u>\$1,806,243</u>	<u>\$1,943,815</u>	<u>\$2,012,021</u>	<u>\$2,166,476</u>	<u>\$2,419,253</u>	<u>\$2,749,719</u>	<u>\$2,821,504</u>
Expenses:									
Claims Paid	811,613	1,030,786	1,084,686	1,147,691	1,126,860	1,278,376	1,378,101	1,630,533	1,674,373
Fixed Costs	319,047	328,941	331,987	347,145	352,160	365,788	401,162	479,196	507,161
Total Expenses	<u>\$1,130,660</u>	<u>\$1,359,727</u>	<u>\$1,416,673</u>	<u>\$1,494,836</u>	<u>\$1,479,020</u>	<u>\$1,644,164</u>	<u>\$1,779,263</u>	<u>\$2,109,729</u>	<u>\$2,181,534</u>
Ending Balance	<u>\$402,805</u>	<u>\$368,467</u>	<u>\$389,570</u>	<u>\$448,979</u>	<u>\$533,001</u>	<u>\$522,312</u>	<u>\$639,990</u>	<u>\$639,990</u>	<u>\$639,970</u>
Number of Employees	155	152	153	149	147	148	148	149	149
Total Cost per Employee	\$ 7,295	\$ 8,946	\$ 9,259	\$ 10,032	\$ 10,061	\$ 11,109	\$ 12,022	\$ 14,159	\$ 14,641
MSD Cost per Employee	\$ 5,659	\$ 7,143	\$ 7,353	\$ 7,886	\$ 7,930	\$ 8,945	\$ 10,040	\$ 11,687	\$ 11,553
MSD Contribution Increase	59.73%	5.00%	8.00%	7.58%	1.40%	6.43%	16.50%	5.21%	7.50%

Meeting Date: May 18, 2011

Subject: Cost of Living/Merit and Self-Insured Health Plan for FY 2011-12

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EXHIBIT 3

**MSD Health Insurance Tiers
Effective July 1, 2011**

750 Plan	90/10		80/20		70/30	
Plan Changes:	Individual	Family	Individual	Family	Individual	Family
Deductibles	\$ 500	\$ 1,500	\$ 1,000	\$ 2,000	\$ 1,500	\$ 3,000
Maximum Out of Pocket	\$ 1,250	\$ 3,000	\$ 1,750	\$ 3,500	\$ 2,250	\$ 4,500
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Monthly Premium Changes:						
Employee	\$ 76.83	\$ 47.62	\$ 42.79	\$ 26.61	\$ 25.94	\$ 18.79
Employee + Child(ren)	\$ 290.38	\$ 214.54	\$ 217.87	\$ 171.84	\$ 188.15	\$ 143.30
Employee + Spouse	\$ 373.43	\$ 289.97	\$ 281.80	\$ 238.85	\$ 251.25	\$ 226.31
Family	\$ 515.78	\$ 419.29	\$ 396.52	\$ 353.73	\$ 359.39	\$ 322.77
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Per Payday Premiums:						
Employee	\$ 35.46	\$ 21.98	\$ 19.75	\$ 12.28	\$ 11.97	\$ 8.67
Employee + Child(ren)	\$ 134.02	\$ 99.02	\$ 99.17	\$ 79.31	\$ 86.84	\$ 66.14
Employee + Spouse	\$ 172.35	\$ 133.83	\$ 130.06	\$ 110.24	\$ 115.96	\$ 104.45
Family	\$ 238.08	\$ 193.52	\$ 183.01	\$ 163.26	\$ 165.87	\$ 148.97

To: Tom Hartye, General Manager

Date: May 9, 2011

From: J. Hemphill, HR Director



Subject: Additional information

At the Personnel Committee meeting on May 5th several Board members requested additional information about some of the data presented. Discussed below are several of the points.

A) Private Sector Utilities:

- Progress Energy budgeted 3% for salary increases in 2010 and 2011
- PSNC (the gas company) indicated their budget was "very competitive" with the 3% attributed to Progress Energy

B) Western Carolina Industries (WCI) information was obtained from the 2010 Wage Survey and is attached as Exhibit 1. As previously reported, the average wage increase was 3% for companies who did give a raise. Our region had 78 companies reporting. 64% of those companies gave nonexempt employees a "Merit Adjustment." 37% granted an across the Board increase to nonexempt employees.

C) Several private sector sources are cited as evidence of a national trend of a 3% wage increase.

The Conference Board, July 2010 reported "For the second straight year, the median salary increase budget is 2.5 percent. Projections for 2011 show a modest increase to 3 percent."

Clear Management Consulting, 2011 "In the US, salary increase budgets are projected at an average of 3.0%, up from actual increases of 2.7% in 2010."

"As the market recovers in 2011 and beyond, it will be important to monitor the competitive labor market closely. Falling behind competitive market salaries during the recovery could result in renewed attrition as talented employees regain confidence and seek new opportunities. "

The Society for Human Resources Management, September 2011 reported “Base salary increases in the United States are projected to rise from 2.38 percent in 2010 to 2.91 percent in 2011.”

The Culpepper report in March 2011 reported “Base salary increases in the United States are projected to rise from 2.38% in 2010 to 2.86% in 2011.”

Mercer’s 2010/2011 U.S. Compensation Planning Survey “2.9% Average planned base pay increase, among companies that plan them in 2011”

- D) The \$775 Lump Sum Payment is equivalent to 1.5%. That amount combined with the requested 1.5% Cost of Living Adjustment equals an overall 3% wage adjustment.
- E) Longevity Pay and 401k *contributions* are financial benefits that Counties and municipalities use, that provide additional compensation to employees without granting a “wage increase.”

For example, if the median MSD employee, with 13 years of service and a salary of \$44,616, worked at Buncombe County he/ she would receive 4% or \$1784 in Longevity pay and an additional 8% or \$3569 in 401k contributions.

Conversely, MSD employees do not receive Longevity Pay and must contribute 3% of their wages to receive any 401K funds.

- F) Medical Insurance Cost Participation: The financial impact and sharing of the various issues are addressed below:

EMPLOYEE COSTS	
Increased Insurance Premiums	\$ 91,718
Plan Design Changes	\$179,000
Additional EMPLOYEE Contributions	\$270,718

MSD COSTS	
\$775 Lump Sum Payment	\$105,000
7.5% Medical Insurance contribution	\$119,856
Total Board Contribution	\$224,856

2010 Projections

Survey Date - June 2010

2010 Projections	Total	Manuf.	Service	Non-Manuf.	Area 1	Area 2	Area 3
Projected Adjustment the typical employee will receive as a percentage of pay in 2010 (Includes Merit, General and/or Cost-of-Living) if planning adjustments for 2010:							
Non-Exempt (Hourly or Salaried)	3.0%	2.9%	3.2%	3.3%	3.0%	3.1%	2.9%
Salaried Exempt	3.0%	2.9%	3.2%	3.5%	3.1%	2.8%	3.1%
Executive Group	3.3%	3.2%	3.2%	4.1%	3.5%	3.3%	3.0%

Increases and Projections

2009 Wage & Salary Increases:

The 2010 WCI Wage and Salary Survey results show overall nonexempt wages increased by 3.1 percent in 2009. Salary increases for exempt employees averaged 3.1 percent and for executives 3.6 percent (see page 9). Your attention is called to the fact that the percentage of increases reported are averages, and only those companies who reported increases are averaged into the overall percentages. Those companies who chose to leave this section blank were not accounted for.

Also, a number of firms gave substantially higher increases while others granted lesser amounts. Consequently, the increase percentages should be used only as a general guideline in determining any action concerning your organization's compensation program. Increase amounts also vary by industry and geographical area.

Increases Projected For 2010:

Organizations planning increases in 2009 project an average 3.0 percent boost for non-exempt employees; 3.0 percent for exempt employees, and 3.3 percent for executive levels (see page 10).

Overtime and fringe benefit adjustments are not included in any of the above figures.

Type of Wage & Salary Adjustment Given

Survey Date - June 2010

N = 184

*

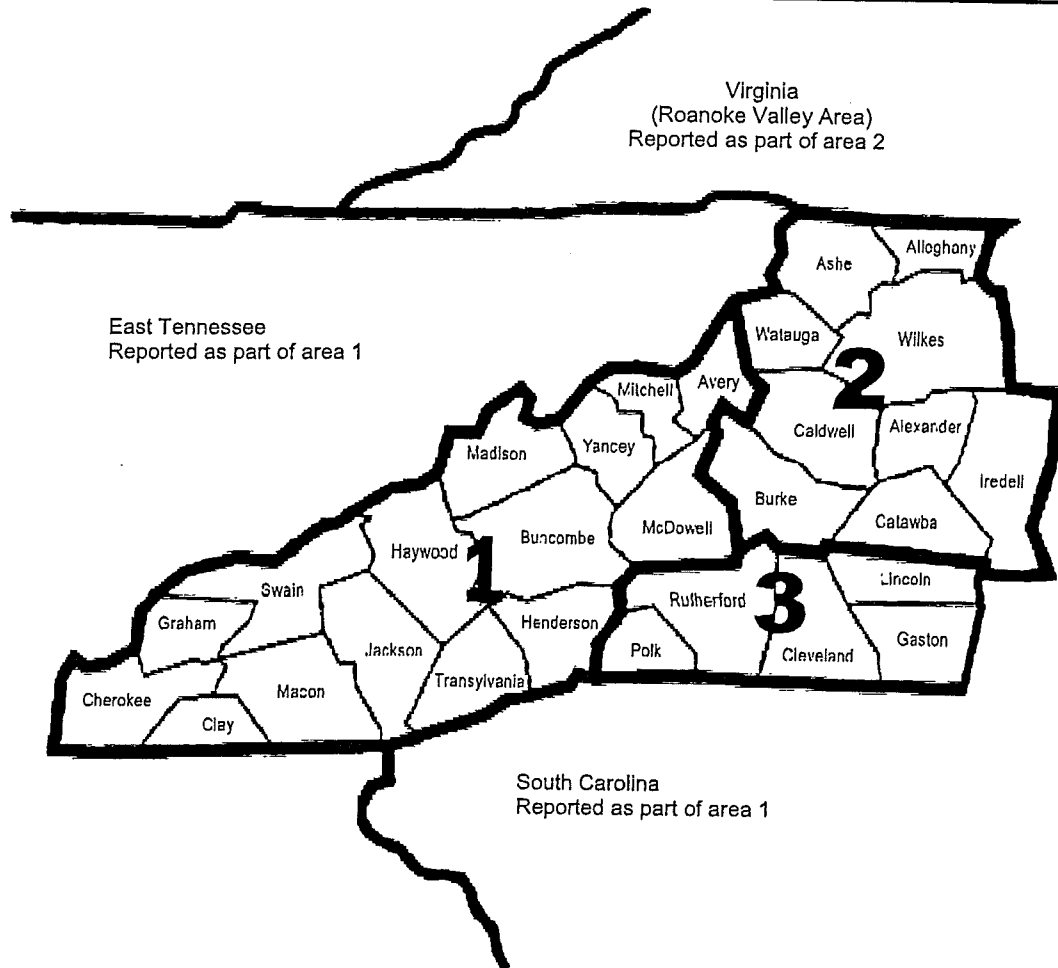
78 66 38

	Total	Manuf.	Service	Non-Manuf.	Area 1	Area 2	Area 3
Organizations giving General Across-the-Board Adjustments:							
Non-Exempt (Hourly or Salaried)							
Annually	31%	29%	32%	41%	31%	30%	36%
Other	8%	10%	2%	0%	6%	8%	10%
Salaried Exempt							
Annually	16%	12%	22%	31%	15%	21%	14%
Other	6%	6%	2%	3%	4%	8%	7%
Executive Group							
Annually	13%	10%	17%	24%	13%	14%	14%
Other	6%	7%	5%	3%	4%	8%	7%
Organizations giving Merit Adjustments:							
Non-Exempt (Hourly or Salaried)							
Annually	43%	41%	44%	46%	52%	36%	36%
Other	19%	19%	15%	24%	12%	28%	17%
Salaried Exempt							
Annually	52%	55%	44%	48%	62%	45%	40%
Other	15%	14%	7%	31%	7%	22%	17%
Executive Group							
Annually	42%	45%	34%	38%	52%	33%	33%
Other	14%	14%	7%	21%	6%	21%	17%
Organizations giving Profit/Income or Improvement Adjustments:							
Non-Exempt (Hourly or Salaried)							
Annually	13%	12%	15%	17%	10%	18%	14%
Other	3%	10%	3%	5%	29%	32%	41%
Salaried Exempt							
Annually	14%	13%	15%	17%	10%	20%	17%
Other	8%	8%	5%	14%	7%	8%	7%
Executive Group							
Annually	13%	12%	17%	14%	11%	172%	14%
Other	8%	8%	5%	7%	7%	82%	7%
Organizations giving Cost-of-Living Adjustments:							
Non-Exempt (Hourly or Salaried)							
	19%	19%	17%	21%	11%	242%	31%
Salaried Exempt							
	16%	14%	17%	24%	8%	20%	29%
Executive Group							
	13%	12%	10%	21%	6%	16%	24%

* includes Asheville / Buncombe

Geographic Survey Areas

EXHIBIT 1



Analysis of Participating Organizations – 2010 (Number of organizations participating)

Manuf.	Service	Non-Manuf.	Total	Area 1	Area 2	Area 3
131	25	28	184	78	66	38

Survey data is presented for six areas, plus Pacesetter Organizations*. The above map shows boundaries of the six areas. The six areas shown above will include the counties listed below:

Area 1-Avery, Buncombe, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Yancey, East Tennessee and South Carolina

Area 2-Alexander, Alleghany, Ashe, Burke, Caldwell, Catawba, Iredell, Watauga, Wilkes and the Roanoke Valley Area

Area 3-Cleveland, Gaston, Lincoln, Polk, Rutherford

* Pacesetter organizations are larger (500 or more employees) employers.

Metropolitan Sewerage District of Buncombe County

BOARD INFORMATIONAL ITEM

Meeting Date: May 18, 2011

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

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

Subject: Third Quarter City of Asheville Billing Report – FY 2010-2011

Background

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

Discussion

The attached report summarizes billing activity for the last six quarters. A comparison of the first three quarters of FY 11 with the same time period in FY 10 reveals the following:

- ☐ Net billings are up 4.9% from the previous period last year. This increase includes the board approved 3.5% rate increase for the current fiscal year. Net billings also include growth in both consumption and customer, which combined equals the additional growth of 1.4%. Staff will continue to monitor both the number of customers and consumption data as they both have a direct effect on the District's current and future budgets.
- ☐ Cash received during the fiscal year is down 7.2%, which is attributed to collection patterns.
- ☐ The aging percentages have improved over FY10 but still show signs of outstanding accounts requiring additional time to collect. Staff will continue to monitor future quarters as this could have a cash flow effect on the District.
- ☐ The comparability of increased rates of billings, receivables, and payments indicates a good likelihood of all funds being remitted to MSD in a timely manner.

Staff Recommendation

None. Information only.

Action Taken

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

City of Asheville Quarterly Billing Report

Billing Report Summary:	Third Quarter FY10	Fourth Quarter FY10	First Quarter FY 11	Second Quarter FY 11	Third Quarter FY 11	Fourth Quarter FY 11	
Beginning Receivables	\$ 1,060,163	\$ 995,011	\$ 1,259,460	\$ 1,170,116	\$ 1,160,344	\$ 968,672	
Activity:							
Billings	4,527,740	4,857,303	5,113,204	5,075,857	4,806,698	-	Net Billings Thru Third Qtr. FY 11
Bad Debt Collected	10,146	2,531	163	84	2,944	-	Net Billings Thru Third Qtr. FY 10
Bad Debt Remitted	-	(1,105)	-	-	-	-	% Increase
Payments	(4,256,663)	(4,290,337)	(4,716,535)	(4,569,064)	(4,528,969)	-	Net Payments Thru Third Qtr. FY 11
Payments Collected but not yet remitted	(245,025)	(263,631)	(259,049)	(370,018)	(289,256)	-	Net Payments Thru Third Qtr. FY 10
Adjustments	(101,350)	3,267	(227,127)	(146,631)	(183,090)	-	% Increase
Total Activity	(65,152)	308,028	(89,344)	(9,772)	(191,672)	-	Net Payments Thru Third Qtr. FY 10
Bad Debt Write-off		(43,579)				-	% Increase
Ending Receivables	\$ 995,011	\$ 1,259,460	\$ 1,170,116	\$ 1,160,344	\$ 968,672	\$ -	% Increase
Current Receivables <30 Days	\$ 758,339	\$ 1,111,649	\$ 949,397	\$ 943,678	\$ 815,019	\$ -	A/R End of Third Qtr. FY 11
Aged Receivables							A/R End of Third Qtr. FY 10
30 to 60 Days	\$ 120,278	\$ 68,027	\$ 118,533	\$ 89,080	\$ 18,535	\$ -	% Increase
Over 60 Days	116,394	79,783	102,186	127,586	135,118	-	% Increase
Total Over 30 Days	\$ 236,672	\$ 147,811	\$ 220,719	\$ 216,666	\$ 153,653	\$ -	% Increase
Aging Percentages							
Less than 30 Days	76.21%	88.26%	81.14%	81.33%	84.14%	0.00%	
30 to 60 Days	12.09%	5.40%	10.13%	7.68%	1.91%	0.00%	
Over 60 Days	11.70%	6.33%	8.73%	11.00%	13.95%	0.00%	
Total	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	

Metropolitan Sewerage District of Buncombe County BOARD INFORMATIONAL ITEM

Meeting Date: May 18, 2011
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, CLGFO, Director of Finance
Subject: Cash Commitment/Investment Report-Month Ended March 31, 2011

Background

Each month, staff presents to the Board an investment report for all monies in bank accounts and specific investment instruments. The total investments as of March 31, 2011 were \$46,793,063. The detailed listing of accounts is available upon request. The average rate of return for all investments is 1.059%. These investments comply with North Carolina General Statutes, Board written investment policies, and the District's Bond Order.

The attached investment report represents cash and cash equivalents as of March 31, 2011 does not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of March 31, 2011 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is \$19,011,147.

Total Cash & Investments as of 03/31/2011	46,793,063
Less:	
Budgeted Commitments (Required to pay remaining FY11 budgeted expenditures from unrestricted cash)	
Construction Funds	(11,265,944)
Operations & Maintenance Fund	(4,444,406)
	(15,710,350)
Bond Restricted Funds	
Bond Service (Funds held by trustee):	
Funds in Principal & Interest Accounts	(14,479)
Debt Service Reserve	(2,628,715)
Remaining Principal & Interest Due	(6,099,317)
	(8,742,511)
District Reserve Funds	
Fleet Replacement	(536,583)
WWTP Replacement	(831,278)
Maintenance Reserve	(813,678)
	(2,181,539)
Post-Retirement Benefit	(614,165)
Self-Funded Employee Medical	(533,351)
Designated for Capital Outlay	19,011,147

Staff Recommendation

None. Information Only.

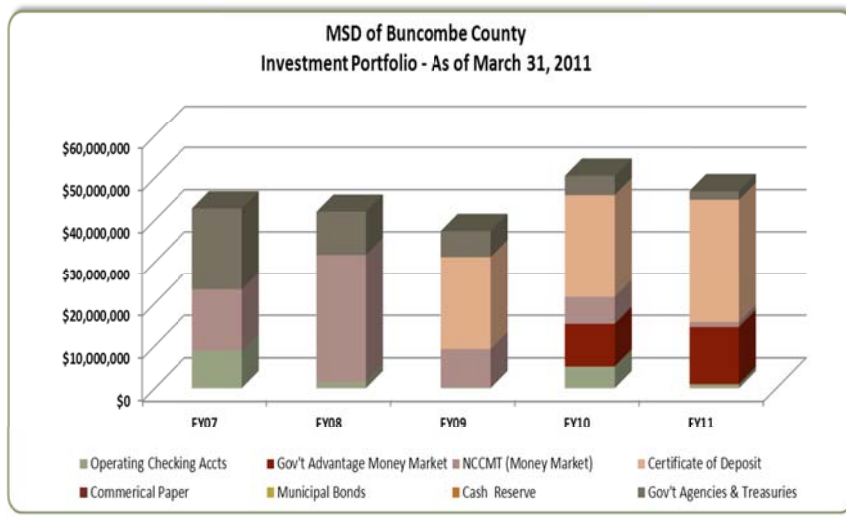
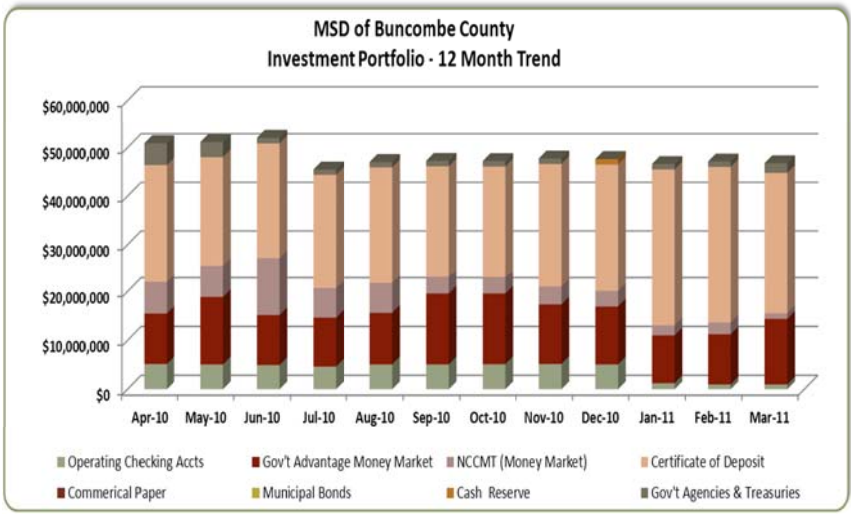
Action Taken

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

**Metropolitan Sewerage District of Buncombe County
Investment Portfolio**

	Operating Checking Accounts	Gov't Advantage Money Market	NCCMT (Money Market)	Certificate of Deposit	Commercial Paper	Municipal Bonds	Cash Reserve	Gov't Agencies & Treasuries	Total
Held with Bond Trustee	\$ -	\$ -	\$ 626,783	\$ -	\$ -	\$ -	\$ -	\$ 2,016,410	\$ 2,643,193
Held by MSD	974,248	13,415,577	519,227	29,240,818	-	-	-	-	44,149,870
	\$ 974,248	\$ 13,415,577	\$ 1,146,010	\$ 29,240,818	\$ -	\$ -	\$ -	\$ 2,016,410	\$ 46,793,063

Investment Policy Asset Allocation	Maximum Percent	Actual Percent	
U.S. Government Treasuries, Agencies and Instrumentalities	100%	4.31%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	62.49%	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%	0.00%	
North Carolina Capital Management Trust	100%	2.45%	All funds invested in CD's, operating checking accounts, Gov't Advantage money market are fully collateralized with the State Treasurer.
Checking Accounts:	100%		
Operating Checking Accounts		2.08%	
Gov't Advantage Money Market		28.67%	



Board Meeting

May 18, 2011

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2011

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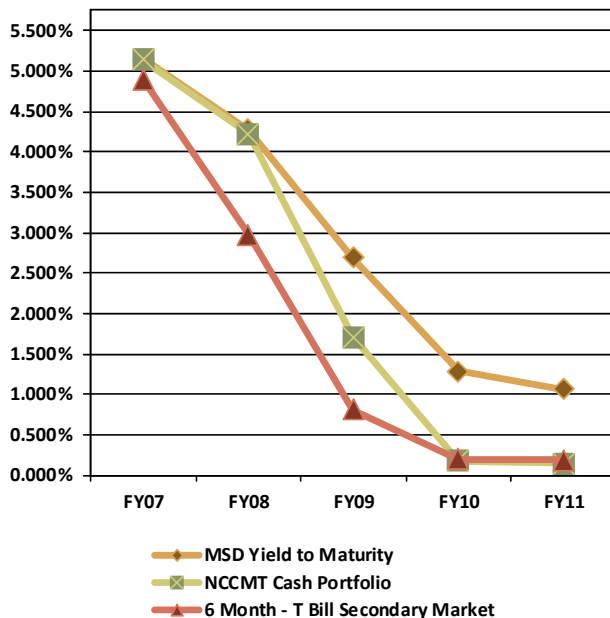
**METROPOLITAN SEWERAGE DISTRICT
INVESTMENT MANAGERS' REPORT
AT MARCH 31, 2011**

	Original		Interest Receivable
	Cost	Market	
Beginning Balance	\$ 43,236,183	\$ 43,236,183	\$ 203,682
Capital Contributed (Withdrawn)	(311,540)	(311,540)	
Realized Income	38,297	38,297	(33,440)
Unrealized/Accrued Income	-	-	33,982
Ending Balance	<u>\$ 42,962,940</u>	<u>\$ 42,962,940</u>	<u>\$ 204,224</u>

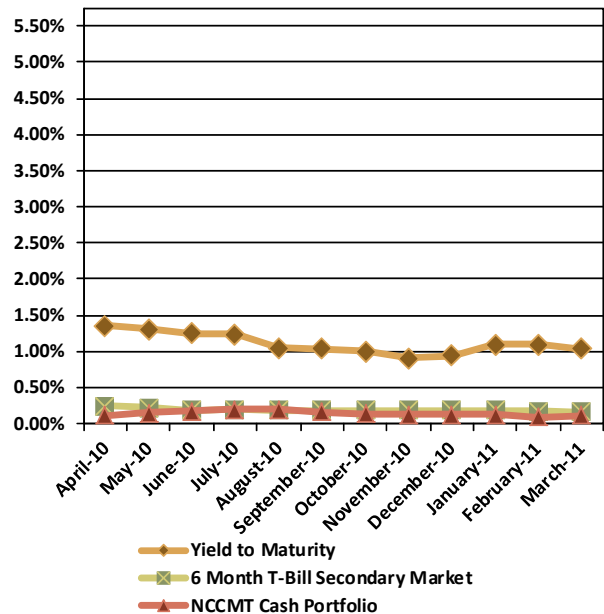
	Original Cost	Income
Cash Equivalents <91 Days	\$ 13,722,122	\$ 12,405
Securities/CD's 91 to 365 Days	29,240,818	\$ 26,434
Securities/CD's > 1 Year	-	\$ -
	<u>\$ 42,962,940</u>	<u>\$ 38,839</u>

<u>Month End Portfolio Information</u>	
Weighted Average Maturity	335 Days
Yield to Maturity	1.04%
6 Month T-Bill Secondary Market	0.16%
NCCMT Cash Portfolio	0.11%

**Metropolitan Sewerage District
Annual Yield Comparison**



**Metropolitan Sewerage District
Yield Comparison - March 31, 2011**



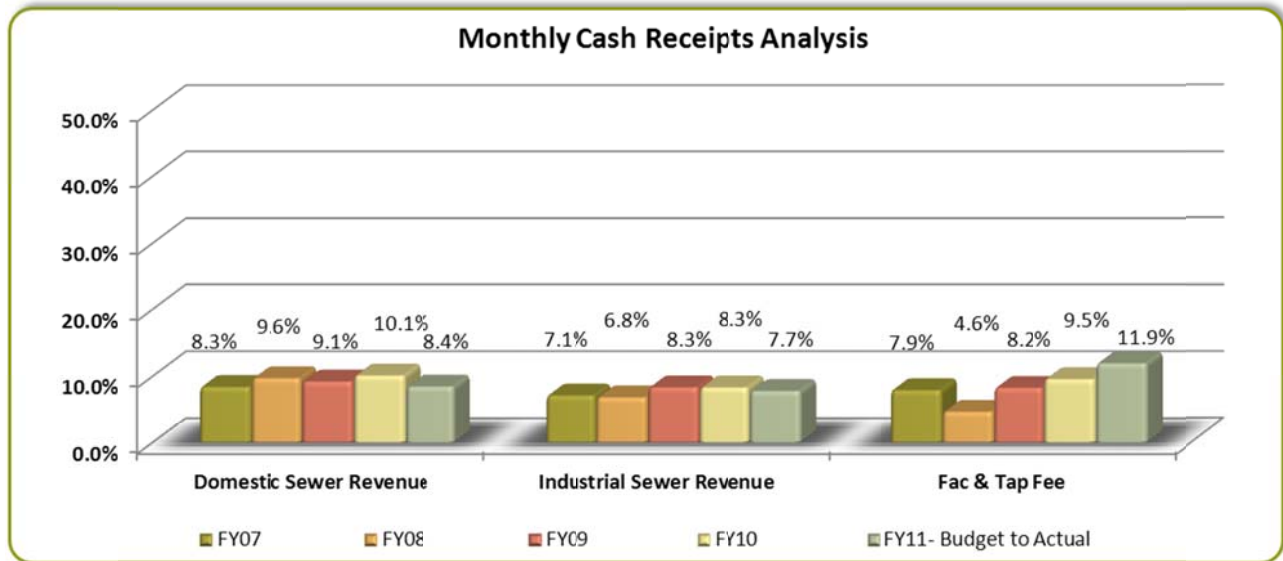
Board Meeting

May 18, 2011

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2011

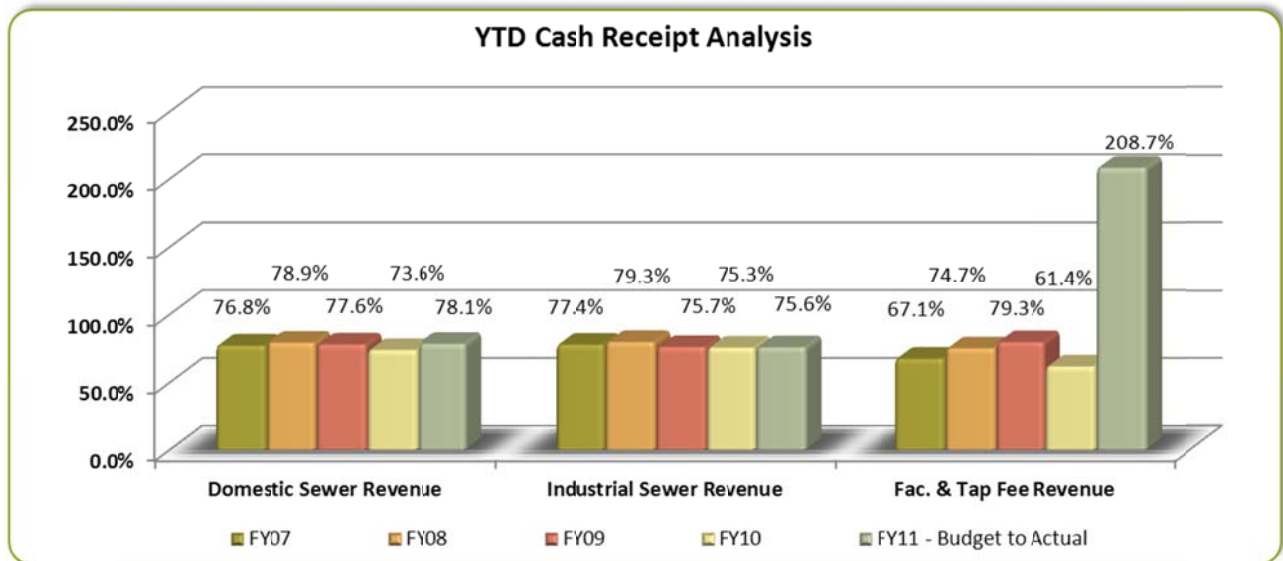
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**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF CASH RECEIPTS
AS OF MARCH 31, 2011**



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 two unexpected developments.

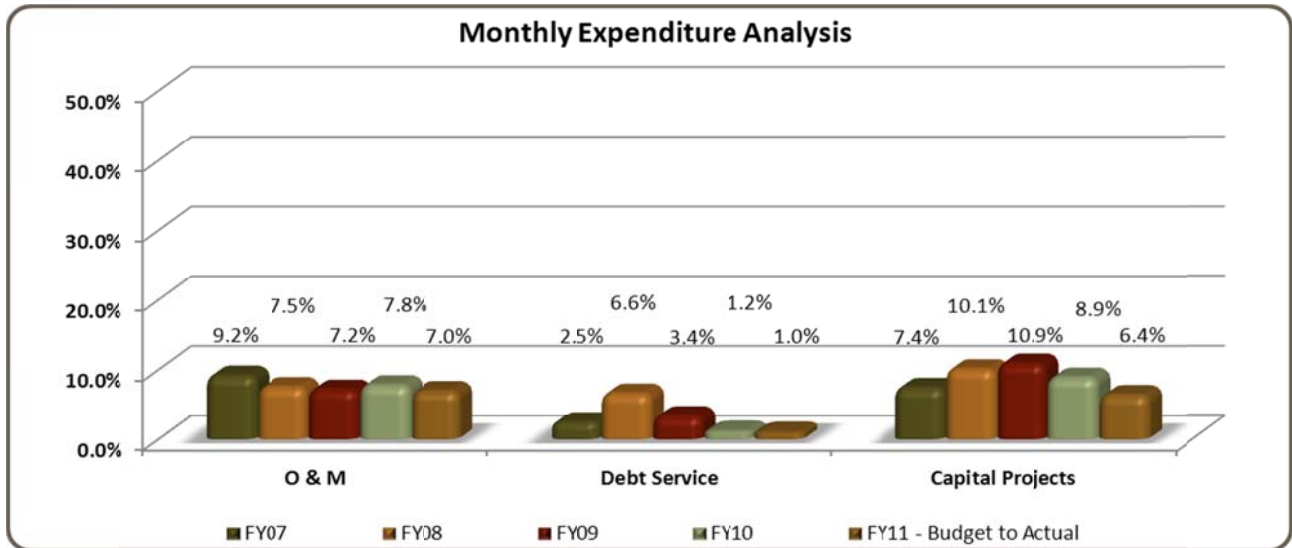
Board Meeting

May 18, 2011

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2011

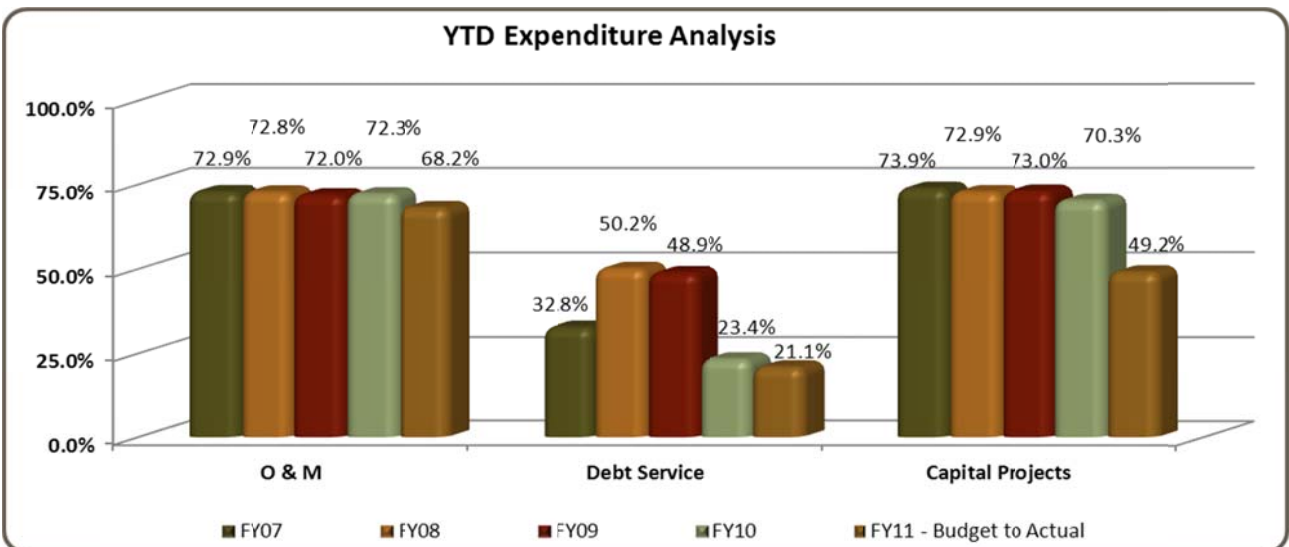
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**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF EXPENDITURES
AS OF MARCH 31, 2011**



Monthly Expenditure Analysis:

- ◆ Monthly O&M expenditures are considered reasonable based on historical trends and timing of expenditures in the current year.
- ◆ 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.

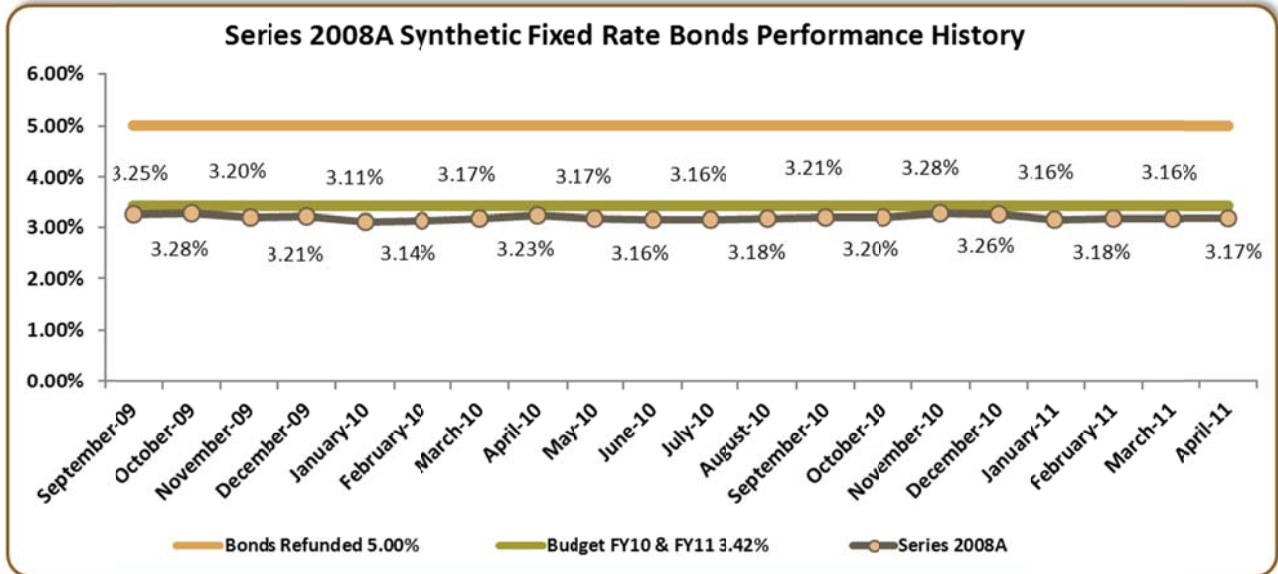
Board Meeting

May 18, 2011

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2011

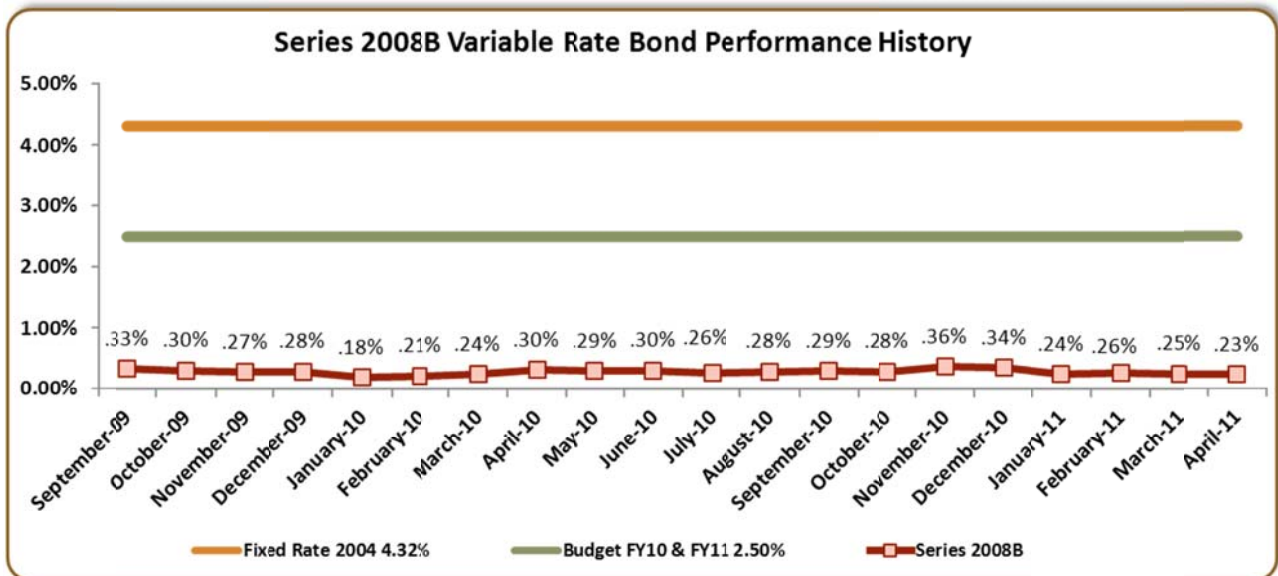
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**METROPOLITAN SEWERAGE DISTRICT
Variable Debt Service Report
As of April 30, 2011**



Series 2008A:

- Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$1,658,011 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 4.0675%, MSD will achieve cash savings of \$3,503,702 over the life of the bonds.
- MSD would pay \$3,289,000 to terminate the existing Bank of America Swap Agreement.



Series 2008B:

- Savings to date on the 2008B Variable Rate Bonds is \$2,280,913 as compared to 5/1 fixed rate of 4.32%.
- Since May 1, 2008, the Series 2008B Bonds average variable rate has been 0.72%.
- MSD will achieve \$8,515,000 in cash savings over the life of the bonds at the current average variable rate.

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

Meeting Date: May 18, 2011
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, CLGFO, Director of Finance
Subject: Proposed FY2012 Budget

Background

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

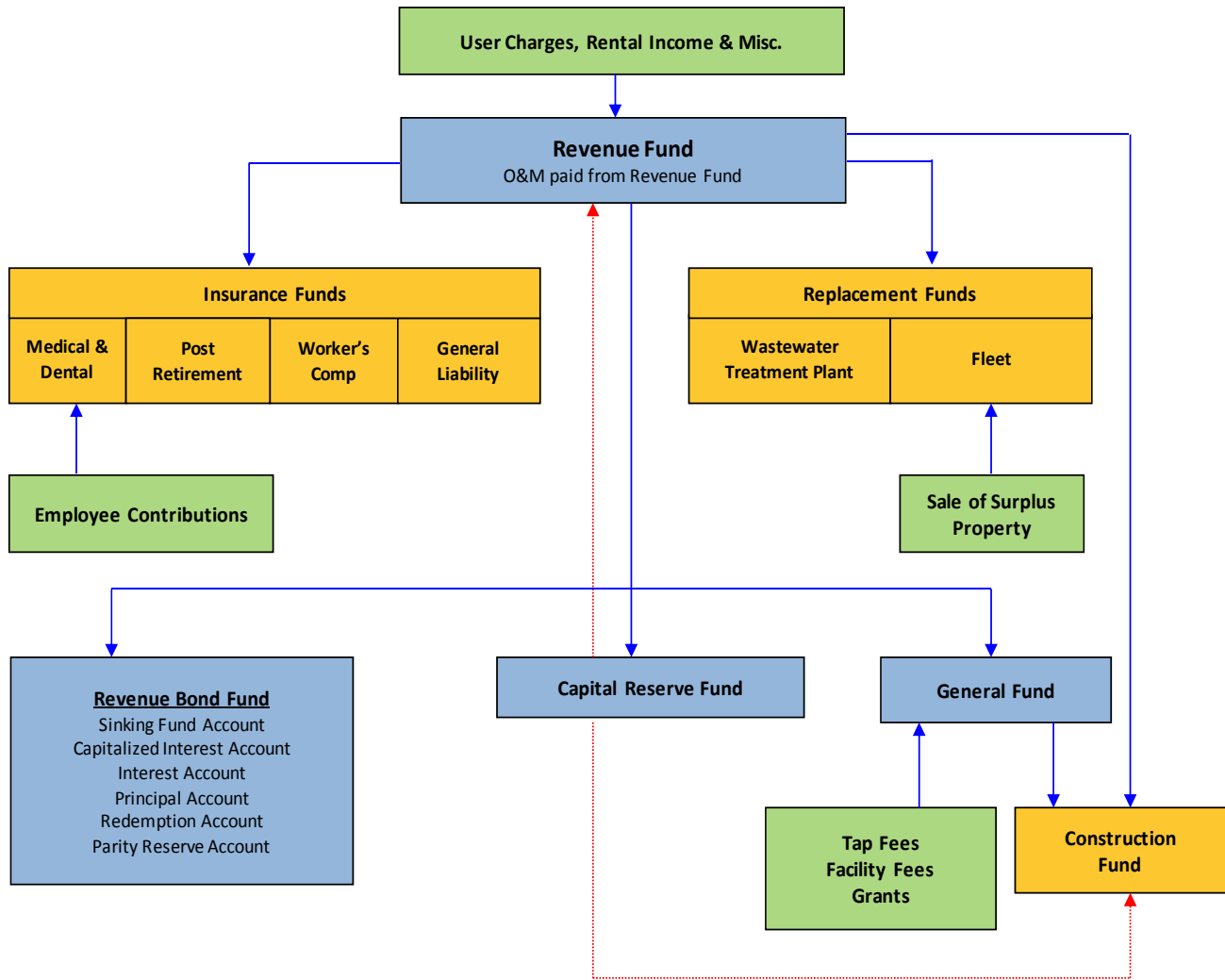
Staff /Committee Recommendation

The Finance Committee recommends to the Board that the attached proposed FY 2012 Budget and Schedule Rates and Fees be considered today and adopted at the June 15, 2011 board meeting.

Action Taken

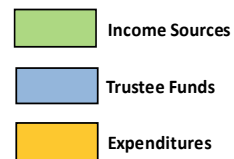
Motion by:	to	Approve	Disapprove
Second by:		Table	Send to Committee
Other:			
Follow-up required:			
Person responsible:			Deadline:

Flow of Funds – Bond Order



Priority of expenditures per Bond Order

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



————— Flow of Funding

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

**RESOLUTION ADOPTING PRELIMINARY BUDGET AND SEWER USE CHARGES
FOR THE
METROPOLITAN SEWERAGE DISTRICT
OF BUNCOMBE COUNTY, NORTH CAROLINA
FOR THE FISCAL YEAR JULY 1, 2011 THRU JUNE 30, 2012**

WHEREAS, the Board of Directors has reviewed the Operations and Maintenance, Bond, Reserves, and Construction Expenditures of the District and the sources of revenue and allocations (uses) of expenditures for the 2011-2012 fiscal year; and

NOW, THEREFORE, BE IT RESOLVED:

1. The following amounts are hereby appropriated in the Revenue Fund for the Operations and Maintenance of the District and for transfers to the debt service and general funds for the fiscal year beginning July 1, 2011 and ending June 30, 2012:

Operating and Maintenance Expenses	\$	11,285,685
Transfer to insurance accounts	\$	2,724,613
Transfer to Fleet Replacement Reserve	\$	300,000
Transfer to Wastewater Treatment Plant Reserve	\$	<u>50,000</u>
Subtotal O&M	\$	14,360,298
Transfer to Debt Service Fund	\$	8,371,858
Transfer to General Fund	\$	<u>11,075,000</u>
	\$	<u><u>33,807,156</u></u>

It is estimated that the following revenues will be available in the Revenue Fund for the fiscal year beginning July 1, 2011 and ending June 30, 2012:

Domestic User Fees	\$	25,030,400
Industrial User Fees	\$	1,602,660
Billing and Collection Fees	\$	657,810
Investment Interest	\$	355,190
Reimbursement for Debt Service from COA	\$	37,000
Rental Income	\$	67,872
Appropriated Net Assets	\$	<u>6,056,224</u>
	\$	<u><u>33,807,156</u></u>

2. The following amounts are hereby appropriated in the General Fund for the transfers to the construction fund for the fiscal year beginning July 1, 2011 and ending June 30, 2012:

Transfer into construction	\$	<u><u>18,695,069</u></u>
----------------------------	----	--------------------------

It is estimated that the following revenues will be available in the General Fund for the fiscal year beginning July 1, 2011 and ending June 30, 2012:

Facility and Tap Fees	\$	1,355,000
Investment Income	\$	57,125
Transferred from Revenue Fund	\$	11,075,000
Appropriated Net Assets	\$	<u>6,207,944</u>
	\$	<u>18,695,069</u>

3. The following amounts are hereby appropriated in the Construction Fund for Capital Improvement Plan expenditures for the fiscal year beginning July 1, 2011 and ending June 30, 2012.

Capital Improvements Projects	\$	<u>19,687,776</u>
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It is estimated that the following revenues will be available to the Construction Fund for the Fiscal year beginning July 1, 2011 and ending June 30, 2012.

Investment Income	\$	12,500
Transfer from General Fund	\$	18,695,069
Appropriated Net Assets	\$	<u>980,207</u>
	\$	<u>19,687,776</u>

4. The following amounts are presented as the financial plan for the Internal Service Funds used to provide insurance services. Estimated operating expenditures for the fiscal year beginning July 1, 2011 and ending June 30, 2012 are:

Operating expenditures	\$	<u>3,140,184</u>
------------------------	----	------------------

It is estimated that the following revenues will be available in the Insurance Fund for the fiscal year beginning July 1, 2011 and ending June 30, 2012:

Transfer in from the Revenue Fund	\$	2,724,613
Investment income	\$	11,500
Employee health insurance premiums	\$	460,079
Contributions to Net Assets	\$	<u>(56,008)</u>
	\$	<u>3,140,184</u>

5. The following amounts are presented as the Financial Plan in the Fleet Replacement Fund for the Internal Service Fund serving as capital equipment expenditures for the fiscal year beginning July 1, 2011 and ending June 30, 2012 are estimated as follows:

Capital equipment	\$	<u>573,000</u>
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It is estimated that the following revenues will be available in the Fleet Replacement Fund for the fiscal year beginning July 1, 2011 and ending June 30, 2012:

Transfer in from the Revenue Fund	\$	300,000
Sale of surplus property	\$	100,000
Investment income	\$	7,214
Appropriated Net Assets	\$	<u>165,786</u>
	\$	<u><u>573,000</u></u>

6. The following amounts are presented as the Financial Plan in the Wastewater Treatment Plant Replacement Fund for the internal service fund designated as expenditures for the fiscal year beginning July 1, 2011 and ending June 30, 2012 are estimated as follows:

Capital equipment	\$	<u><u>200,000</u></u>
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It is estimated that the following revenues will be available in the Wastewater Treatment Plant Replacement Fund for the fiscal year beginning July 1, 2011 and ending June 30, 2012:

Transfer in from the Revenue Fund	\$	50,000
Investment income	\$	11,035
Appropriated Net Assets	\$	<u>138,965</u>
	\$	<u><u>200,000</u></u>

7. The following amounts are hereby appropriated in the Debt Service Fund for principal and interest payments for the fiscal year beginning July 1, 2011 and ending June 30, 2012:

Debt Service	\$	<u><u>8,371,858</u></u>
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It is estimated that the following revenues will be available in the Debt Service Fund for the fiscal year beginning July 1, 2011 and ending June 30, 2012:

Transfer in from the Revenue Fund	\$	8,371,858
Investment Income	\$	250
Contribution to Net Assets	\$	<u>(250)</u>
	\$	<u><u>8,371,858</u></u>

8. That the Board of the Metropolitan Sewerage District does hereby approve an increase in the Budgets to the amount necessary to reflect any contributions to the Debt Service Reserve Fund or Capital Reserve Fund as determined by the Bond Trustee to be necessary to comply with covenants in the Bond Order.

9. The General Manager is hereby authorized to transfer appropriations as contained herein under the following conditions:
- a. He may transfer amounts without limitation between departments in a fund.
 - b. He may transfer any amounts within debt service and reserve funds designated as excess by the Trustee into another fund.
10. That the attached schedule of fees and charges be adopted as effective July 1, 2011.
11. That this resolution shall be entered in the minutes of the District and within five (5) days after its adoption, copies thereof are ordered to be filed with the Finance and Budget Officer and Secretary of the Board as required by G.S. 159-13 (d).

Adopted this 18th day of May 2011

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

Attest:

Jackie Bryson, Secretary/Treasurer

Schedule of Rates & Fees – FY2012

	CURRENT FY11 RATE	PROPOSED FY12 RATE
Rate increase	3.50%	3.00%
Average Monthly Sewer Charge (Without Billing Charges)	\$ 24.66	\$ 25.38
Average Monthly Sewer Charge (With 1/2 Billing Charges-COA example)	\$ 25.72	\$ 26.45
Collection Treatment Charge		
Residential & Commercial Volume Charges (per CCF) Inside	\$ 3.77	\$ 3.88
Industrial Volume Charges (per CCF) Inside	\$ 2.515	\$ 2.740
Industrial Surcharge for BOD (per lb., BOD >190 mg/l) Inside	\$ 0.363	\$ 0.354
Industrial Surcharge for TSS (per lb., TSS >190 mg/l) Inside	\$ 0.276	\$ 0.273
Residential & Commercial Volume Charges (per CCF) Outside	\$ 3.78	\$ 3.89
Industrial Volume Charges (per CCF) Outside	\$ 2.525	\$ 2.750
Industrial Surcharge for BOD (per lb., BOD >190 mg/l) Outside	\$ 0.363	\$ 0.354
Industrial Surcharge for TSS (per lb., TSS >190 mg/l) Outside	\$ 0.276	\$ 0.273
Base Meter/Maintenance Charge & Billing Fee		
5/8"	\$ 5.81	\$ 5.98
3/4"	\$ 8.46	\$ 8.71
1"	\$ 14.98	\$ 15.43
1 1/2"	\$ 34.33	\$ 35.36
2"	\$ 60.73	\$ 62.55
3"	\$ 134.67	\$ 138.71
4"	\$ 240.30	\$ 247.51
6"	\$ 541.32	\$ 557.56
8"	\$ 961.19	\$ 990.03
10"	\$ 1,505.16	\$ 1,550.31
Billing Fee (per bill)	\$ 2.11	\$ 2.14
Sewer Facility Fees		
Residential		
Per Unit (non-mobile home)	\$ 2,200	\$ 2,500
Mobile Home	\$ 1,530	\$ 1,740
Affordable Housing	\$ 580	\$ 670
Nonresidential (modifiable per economic development waiver)		
5/8"	\$ 2,200	\$ 2,500
3/4"	\$ 2,500	\$ 2,830
1"	\$ 4,900	\$ 5,560
1 1/2"	\$ 10,000	\$ 11,350
2"	\$ 17,600	\$ 20,000
3"	\$ 39,600	\$ 45,000
4"	\$ 77,000	\$ 87,500
6"	\$ 191,800	\$ 225,400
8"	\$ 209,000	\$ 237,500
Additions < 1,400 GPD	\$ 765	\$ 870

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

Schedule of Rates & Fees – FY2012 (continued)

	CURRENT FY11 RATE	PROPOSED FY12 RATE
Sewer Tap Fees		
Tap installed by MSD	\$ 600	\$ 650
Additional Charge for Pavement Disturbance	\$ 2,200	\$ 2,200
Additional Charge for Boring	N/A	N/A
Refund if Boring avoids pavement disturbance	\$ (1,300)	\$ (1,300)
Inspection Fee for Developer-Installed Tap	\$ 140	\$ 140
Manhole Installation/Replacement		
Cost per foot	\$ 250	\$ 250
Pavement replacement (if required)	\$ 1,800	\$ 1,800
Other Fees		
Allocation Fee	\$ 170	\$ 170
Non-Discharge Permit	\$ 200	\$ 200
Plan Review Fee	\$ 450	\$ 450
Plan re-review Fee	\$ 350	\$ 350
Final Inspection	\$ 350	\$ 350
Pump Station Acceptance Fee	Note 1	Note 1
Note 1-- See policy for details of computation of O&M and equipment replacement costs for upcoming 20 years; 50% discount for affordable housing		
Bulk Charges		
Volume Charge for Septic Haulers (per 1000 Gal.)	\$ 45.00	\$ 45.00
Biochemical Oxygen Demand > 190 mg/l (per lb.)	\$ 0.363	\$ 0.354
Total Suspended Solids >190 mg/l (per lb.)	\$ 0.278	\$ 0.273
Returned Check Charge		
Returned Check (per event)	\$ 25.00	\$ 25.00
Dishonored Draft (per event)	\$ 25.00	\$ 25.00
Copy and Printing Fees (each)		
8x11 first print of standard GIS inquiry	\$ 1.00	\$ 1.00
8x14 first print of standard GIS inquiry	\$ 1.00	\$ 1.00
11x17 first print of standard GIS inquiry	\$ 2.00	\$ 2.00
24x36 first print of standard GIS inquiry	\$ 7.00	\$ 7.00
34x44 first print of standard GIS inquiry	\$ 12.00	\$ 12.00
36x48 first print of standard GIS inquiry	\$ 14.00	\$ 14.00
8x11, 8x14 and 11x17 copies after first print	N/A	N/A
8x11 or 8x14 copies after first print	\$ 0.11	\$ 0.11
11x17 copies after first print	\$ 0.20	\$ 0.20
24x36 copies after first print	\$ 0.94	\$ 0.94
34x44 copies after first print	\$ 1.76	\$ 1.76
36x48 copies after first print	\$ 2.03	\$ 2.03
Foam Core mounting per sq. foot	\$ 3.00	\$ 3.00
Data CD	\$ 30.00	\$ 30.00
Shipping for CD	\$ 5.00	\$ 5.00

STATUS REPORTS

CAPITAL IMPROVEMENT PROGRAM

STATUS REPORT SUMMARY

May 10, 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	4/21/2011	\$127,170.00	100%	Informal Project is complete and in close out.
HEYWOOD ROAD INTERCEPTOR PHASE II	T & K Utilities	3/16/2011	4/20/2011	7/19/2011	\$247,095.00	0%	Informal Contractor is beginning to clear the project area.
LAKE JULIAN INTERCEPTOR PHASE III	Ruby-Collins	10/20/2010	11/1/2010	11/1/2011	\$2,739,409.43	60%	Formal Mainline construction is above coal pile at Progress Energy. Bores complete as well as connection to main interceptor.
MARTEL LANE @ PENLEY AVENUE	Huntley Construction	6/9/2010	9/7/2010	4/15/2011	\$106,300.00	100%	Informal Project is complete and in close out.
MORRIS STREET @ TALMADGE STREET	Terry Brothers	6/9/2010	7/21/2010	Dependent on COA	\$368,972.50	98%	Formal MSD has partnered with COA Public Works. Awaiting pavement by COA.
OLD HOME RD. @ WEAVERVILLE HWY. (PRP64001)	Terry Brothers	2/16/2011	3/3/2011	8/30/2011	\$320,931.00	40%	Informal Mainline is progressing very well.
ROCKDALE AVENUE (PRP 29003)	Buckeye Construction	11/17/2010	2/1/2011	8/30/2011	\$408,486.05	50%	Formal Grovemont complete. Laying mainline on Rockdale Avenue.
TOWN BRANCH INTERCEPTOR	BC&D Associates	8/19/2009	9/21/2009	4/30/2011	\$831,817.22	100%	Formal Project is complete and in close out.
TOWN BRANCH INTERCEPTOR PHASE II	TBA	TBA	TBA	TBA	TBA	0%	Formal Project is scheduled to bid on June 2, 2011.
TC BUILDING PUMP STATION REMOVAL	Carolina Specialties	11/17/2010	1/3/2011	5/30/2011	\$132,038.50	85%	Informal Pump Station disabled and sewer flow is on gravity.
U.S. HWY. 70 @ PARKWAY	Terry Brothers	11/17/2010	1/17/2011	7/16/2011	\$636,244.00	40%	Formal Mainline construction in Hwy. 70 is complete, including service connections. Rock bore is in progress at Parkway ramp, south bound. Contractor forced to demobilize due to time required by Park Service to provide a blasting permit.
WELLINGTON DRIVE USR	Payne, McGinn & Cummins	3/16/2011	4/18/2011	7/17/2011	\$144,118.24	10%	Informal Mainline construction has begun.
WRF - FINAL MICROSCREEN REPLACEMENT	Hickory Construction	10/20/2010	1/3/2011	4/2/2012	\$8,937,108.20	15%	Formal Demolition nearing completion. Concrete work has begun with chlorine contact area as well as baffle walls in the outer channels. Project is slightly behind schedule due to demolition.
WRF - INTERMEDIATE PUMPING REPLACEMENT	Hickory Construction	7/15/2009	8/19/2009	4/30/2011	\$1,754,675.22	99%	Formal Contractor working on last items of punchlist.

*Updated to reflect approved Change Orders and Time Extensions

Planning and Development Projects Status Report
May 18, 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	Complete-Waiting on final documents
	Lutheridge - Phase I	2009112	Arden	Comm.	330	3/16/2010	Complete-Waiting on final documents
	Black Mtn Annex: Blue Ridge Rd.	1992171	Black Mtn.	24	2,560	8/19/2010	Complete, waiting 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

Subtotal	630	15,560
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Planning and Development Projects Status Report
May 18, 2011

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	Brookgreen at Crest Mtn. - Phase II	2011019	Woodfin	29	1,567	3/28/2011	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	Installing
	Emergency Services Training Center	2009027	Woodfin	Comm.	2,512	2/7/2011	Installing
	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	testing
	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
	Thom's Estate	2006309	Asheville	40	3,422	1/24/2008	testing
	Thom's Estate - Phase II	2008071	Asheville	40	3,701	2/9/2011	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	testing
	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	Installing
	Craggy Street	2011001	Black Mtn.	4	205	5/3/2011	Installing
	Black Mtn Annex: McCoy Cove	1992174	Black Mtn.	24	2,067	8/19/2010	Installing
			Subtotal	2023	98,028		
			Total Units:	2,653			
			Total LF:		113,588		