

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
FEBRUARY 15, 2012**

1. Call to Order and Roll Call:

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, February 15, 2012. Chairman Aceto presided with the following members present: Bryson, Haner, Kelly, Manheimer, Pelly, Root, Russell, Stanley, Watts and VeHaun. Mr. Creighton was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Joseph Martin with Woodfin Sanitary Water & Sewer District, Ed Bradford, John Kiviniemi, Jim Hemphill, Mike Stamey, Ken Stines, Scott Powell, Peter Weed, Angel Banks, Julie Willingham, Jon VanHoff, Monty Payne and Sondra Honeycutt, MSD.

2. Inquiry as to Conflict of Interest:

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

3. Approval of Minutes of the January 18, 2012 Board Meeting:

Mr. Aceto asked if there were any changes to the Minutes of the January 18, 2012 Board Meeting. With no changes, the Minutes were approved by acclamation.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed Mr. Martin. Mr. Aceto reported that the Board received two letters to Members of the Board with regard to questions about the proposed takeover of the Asheville City Water System by the MSD.

6. Report of General Manager:

Mr. Hartye presented an e-mail from Patricia Brown of Chestnut Place in Arden expressing her appreciation for customer service provided by Mitch Hawes of System Services.

Mr. Hartye presented an article announcing the LRC Public Meeting to be held February 23rd at the WNC Agricultural Center, along with a Notice of Public Hearing to Members of the Metropolitan Sewerage/Water System Committee from Representative Tim Moffitt regarding this meeting. He reported that the League of Women Voters sponsored a related event on Monday, February 13th from 6:30 to 9 pm at Grace Covenant Presbyterian Church. Mr. Haner stated that Mr. Aceto represented MSD on the panel and gave a detailed history of how Asheville got to the situation that it's in and why there is a need for Legislative action to address the water matter. He further stated that he was proud of the effort Mr. Aceto put into his presentation.

Mr. Hartye called on Ed Bradford for a presentation on the MSD Private Sewer Rehabilitation Program. He stated that as part of the Consolidation Agreements with member agencies, MSD agreed to provide funding of up to \$200,000 per year to address private ("unclaimed") sewers that serve multiple residences. He further stated that the policy for this program has changed over the last several years in order to facilitate resolution of potential public health issues associated with these lines.

Mr. Bradford reported that a private system is a system that is not maintained by MSD. He stated that there are two types of systems, "claimed" and "unclaimed". Claimed systems have a known ownership and maintenance structure in place, such as a company, organization, Home Owners Associations (HOA), etc. Most are owned by private entities, but not always (UNCA for example). The current MSD policy allows these only for single properties, regardless of the property size. This policy changed back in late 90's regarding sewers serving private properties. He explained that if a system serves two or more properties the line must be public. He further stated that claimed private systems are permitted and regulated through NCDENR-DWQ. He presented slides showing claimed private systems such as apartments on Beaverdam Road, UNCA and Ridgecrest. Mr. Aceto asked if Ridgecrest is entirely private. Mr. Bradford stated that the Assembly itself is private, but there is a mix of public and private. Mr. Aceto asked if this is an exception to the single owner rule. Mr. Bradford said there are exceptions to the rule since the policy changed in 1997.

Mr. Bradford reported that for private systems that are unclaimed, there are no ownership structures in place. These sewers came about through various means, and in time, a collection system was in place with no ownership. Most of these systems occurred prior to consolidation of the local collection systems. Also, some developers constructed sewer systems as part of a subdivision, but left no ownership structure in place. Mr. Bradford stated that these types of sewers were not constructed to public standard. They were of poor pipe quality, with no manholes and were laid in a crooked manner. Also, they were never accepted by any entity (public or private). He further stated that many property owners discovered they were on a private system only after there was a problem and since they were paying for sewer service, they assumed MSD would take care of the line, but the municipality never assumed ownership of their system, so the line never transferred to MSD for ownership maintenance.

Mr. Bradford reported that after consolidation MSD agreed to create a program to address these problems. The line must be private, unclaimed and failing. He stated that the early program was onerous for property owners; there was a waiting list, first come, first served. In the meantime, all property owners had to organize themselves together, find/pay a contractor to maintain their system, with no MSD maintenance in the interim. All owners had to pay a \$500.00 fee which was later changed to the prevailing tap fee, while paying for sewer at the same time. He further stated that the MSD Board changed the policy over time. The first policy change occurred in 2001 when MSD agreed to maintain a system so it would remain stable, which was triggered by the Patton Mountain Project. The fee component was later eliminated as well. In order for the homeowner to benefit from the program, they have to sign a form stating that they will work with MSD and convey rights of way. MSD then performs all maintenance. Mr. Bradford further reported that the District will accept these lines for maintenance and rehabilitation if: The lines are a demonstrated public health threat and if they are cited for SSO's by NCDENR; property owners form an informal group with a designated person to gather forms, etc., and each connected homeowner signs an agreement to donate all easements at no cost, etc. The District then determines when to fully rehabilitate each system based on Work Order, SSO and Maintenance history. Typically MSD rehabilitates one each year or two; depending upon structural condition/maintenance frequency. MSD is obligated to spend no more than \$200,000 per fiscal year, per the Consolidation Agreement and budgets \$100,000 per year for future planning.

With regard to Patton Mountain, Mr. Bradford reported that the original project was approximately 4,135LF at a cost of approximately \$600,000, which equates to \$30,000 per resident, serving 20 residents near the Governor's Western Residence. He stated that discussions about this project/cost triggered the new Unclaimed Sewer Rehabilitation (USR) Policy relating to the District maintaining the system rather than replacing the entire line. In 2004, the District rehabilitated the lowest portion only (929LF, \$130,000, \$6,500 per resident) due to a high failure rate. The upper portion of

the system remains private, but is currently stable. Mr. Bradford presented several slides showing the location of the line and its condition. He stated that for a lot of these systems, MSD does not know where they are located. He presented a slide showing Unclaimed Sewer Rehabilitation Status. He stated that 56 letters were sent to property owners, who did not want to participate in the program. There are 21 systems that are maintained by System Services. Of these systems, Rollingwood Drive and Wellington Drive are now complete and will become part of the list of 17 completed projects. He presented a slide showing the location of the Rollingwood Road Project, which is in the current CIP. Mr. Haner asked if these lines are too small to TV. Mr. Bradford said they can be and are generally 4" or 6" lines. Mr. Haner asked if a line is re-engineered, what size line is put in. Mr. Bradford said 8". With regard to Patton Mountain, Mr. Pelly asked if the pipe is soft, is it MSD's policy to leave the pipe alone until there is a problem. Mr. Bradford said yes unless there is a problem then it will be replaced with a better pipe. Mr. Pelly asked what the financial impact is on the property owner if a line needs to be replaced. Mr. Bradford said none.

Mr. Hartye continued with his report and presented an AC-T article regarding Representative Moffitt and the water issue.

Mr. Hartye reported that the next regular Board Meeting will be held March 21st at 2 pm. The Right of Way Committee meeting scheduled for February 22nd has been cancelled. The next meeting will be held March 28th at 9 am.

7. Report of Committees:

Right of Way Committee

Mr. VeHaun reported that the Right of Way Committee met January 25th to consider compensation budgets on the Macon Avenue @ Sunset Parkway GSR and Brookcliff Drive PRP Projects and to hear a short presentation by Ed Bradford on the Project Status Summary for all active acquisition projects.

8. Consolidated Motion Agenda:

a. Consideration of Compensation Budgets – Macon Avenue @ Sunset Parkway GSR and Brookcliff Drive PRP Projects:

Mr. Hartye reported that the Macon Avenue @ Sunset Parkway project is comprised of approximately 2700 linear feet of 8" and 12" DIP to replace a clay pipe and that pipe bursting will be utilized. The Brookcliff Drive project is comprised of approximately 1400 linear feet of 8" and 12" DIP to replace a clay pipe. The Committee recommends approval of the Compensation Budgets.

b. Consideration of Developer Constructed Sewer Systems – South Buncombe Intermediate School Sewer Extension and Mission Hospital Systems Sewer Improvement Projects:

Mr. Hartye reported that the South Buncombe Intermediate School project is located inside the District boundary at the intersection of Long Shoals Road and Overlook Road in Buncombe County and includes the installation of approximately 1,703 linear feet of 8" gravity sewer to serve a public school. Staff recommends acceptance of the developer constructed sewer system. All MSD requirements have been met.

Mr. Hartye reported that the Mission Hospital System project is located inside the District boundary at McDowell Street and Hospital Drive and also on Brooklet Street in the City of Asheville and includes the installation of approximately 785

linear feet of 8" gravity sewer to serve medical buildings. Staff recommends acceptance of the developer constructed sewer system. All MSD requirements have been met.

c. Declaration of Intent to Adopt Revised MSD Sewer Use Ordinance:

Mr. Hartye reported that changes to the Pretreatment Rules prompted the Pretreatment Emergency Response and Collection Systems (PERCS) to revise the Model Sewer Use Ordinance, which was finalized on August 26, 2011. He noted the required changes to the Sewer Use Ordinance (SUO) along with recommended changes significant to the Pretreatment Program. He further reported that staff recommends the Board endorse the Declaration of Intent to Adopt the Revised MSD SUO, after which the SUO will be sent out to the local governing bodies within the District for review and comment. Staff will take comments and suggestions into consideration before bringing the SUO back to the Board for final adoption.

d. Consideration of Adoption of Budget Calendar – FY2012-2013:

Mr. Powell reported that behind tab d. is the District's proposed Budget Calendar for FY2012-2013. Time between committee and board meetings has been scheduled to prepare and distribute agenda items, including preparation time for any revisions requested to be presented at a subsequent meeting. He stated that the Personnel Committee is slated to convene on April 26th. The CIP Committee for is slated for May 3rd, with the Finance Committee slated for May 9th. He further stated that staff recommends approval of the proposed Budget Calendar as presented.

e. Consideration of Auditing Services for FY 2012:

Mr. Powell reported that for this year's engagement, the auditors (Cherry, Bekaert & Holland, LLP) have proposed the same fee as last year of \$48,670.00. He stated that the auditor's experience and the District's preparedness on previous engagements have helped in containing cost. He further reported that the Partner in Charge, Mr. Burke, has also expressed that they will be glad to work hard to control expenses and pass on any additional savings to the District. This past year Cherry, Bekaert & Holland, LLP passed on \$2,500 in savings off of the FY11 audit contract. He stated that staff recommends approval of the audit contract with Cherry, Bekaert & Holland, LLP in the amount of \$48,670.00 for 2012.

f. Second Quarter Budget to Actual Review:

Mr. Powell reported that Domestic and Industrial User Fees are at budgeted expectations. Facility and Tap Fees are above budgeted expectations. This is due to the District receiving unanticipated revenue of \$610,000 from one development. He noted that facility and tap fees are budgeted ultra conservative. These are soft fees and are up to fluctuations based on development in the community. Interest and miscellaneous income are above budgeted expectations. This is a direct result of the District selling renewable energy credits associated with the Hydro-electric facility. Investment income is still experiencing recessionary pressures on the fixed income market. O&M expenditures are at 51.06% of budget. They include encumbered amounts which has elevated the budget to actual ratio slightly above 50%. Bond principal and interest actually spend are less than budget due to variable rate debt which is averaging 29 basis points as well as the timing of principal payments which happens July 1st every year. Amounts budgeted for capital equipment and capital projects are rarely expended proportionately throughout the year. Additionally this amount includes encumbered amounts of \$5 million.

g. Cash Commitment/Investment Report – Month Ended December 31, 2011:

Mr. Powell reported that Page 2 presents the makeup of the District's Investment Portfolio. There has been no change in the makeup of the portfolio from the prior month. Page 3 is the MSD Investment Manager report as of the month of December. The weighted average maturity of the investment portfolio is 439 days. The yield to maturity is 0.79% and is exceeding MSD benchmarks of the 6 month T-Bill and NCCMT cash portfolio. Page 6 is the MSD Variable Debt Service report for the month of January. Both the 2008 A&B Series are performing better than budgeted expectations. As of the end of January, both issues have saved District ratepayers approximately \$4.9 million dollars in debt service.

With regard to the contract with Cherry, Bekeart & Holland, Mr. Haner asked how the auditors arrived at the expense limit of \$44,080. Mr. Powell stated that the audit fees are \$44,080. In addition, there are expenses not to exceed \$4,590 for a total not to exceed \$48,670. He further stated that when most people are experiencing a 5 to 10% increase in audit fees, the MSD's fees have remained flat for the last five (5) years. Mr. Watts asked how long MSD has been with this firm. Mr. Powell said eight (8) years. He stated that Cherry, Bekeart & Holland's specialty is in the utility industry. Also, staff makes sure the auditing firm rotates not only partners, but staff on the audit engagement every three to four years.

Mr. VeHaun moved that the Board approve the Consolidated Motion Agenda as presented. Mr. Stanley seconded the motion. With no discussion, Mr. Aceto called for the question. Roll call vote was as follows: 11 Ayes; 0 Nays.

9. Old Business:

Mr. Aceto called for a motion to adopt the Resolution of Appreciation honoring Mayor, Terry M. Bellamy. With no discussion, Mr. Stanley moved that the Board adopt the Resolution as presented. Ms. Manheimer seconded the motion. Voice vote in favor of the motion was unanimous.

10. New Business:

Mr. Aceto presented an article from Business North Carolina featuring William Clarke.

Mr. Aceto announced that he has appointed Mr. Pelly to serve on the CIP, Planning and Right of Way Committees.

Mr. Aceto stated that he has made it clear that the Board does not have a position on the water legislation, pro or con, but is concerned that it has a fiduciary obligation to the ratepayers. Because of this, he feels that an Impact Study by staff is appropriate and necessary with the potential impact reported back to the Planning Committee. Mr. Aceto moved that staff be requested to provide an impact study with two focuses; First, the potential impact of combining the water and sewer systems of Asheville City water and MSD sewer and Second, the impact of bringing in Henderson County Sewer. Mr. Haner asked if the study would include organizational structure and manpower needs. Mr. Hartye stated that it's a matter of timing that will determine the depth of the study. Mr. Aceto stated that his intention is that a study be conducted that is fiduciary due diligence of the Board so that it has an understanding of the possible impact on the MSD organization and its ratepayers of the things the Legislators are talking about. Mr. Clarke stated that one approach is to identify potential issues, then come back to the Planning Committee to get a sense from the committee of how much detail it wants and how quickly it wants it. Mr. Hartye stated that this should be separate from the Henderson County Cane Creek study which is complete and previously presented to the Planning Committee. Mr. Russell moved that the Board approve motion. Mr. Pelly seconded the

motion. Mr. Stanley stated that the bottom line for him is to know what the impact will be on the MSD Board and the ratepayers. Mr. Haner stated that this is something the LRC might want to hear; as to the cost. Mr. Aceto stated that he does not see the LRC as the audience for this information, but rather the MSD Board. He further stated that his motion is that staff be directed to do an impact study with regard to the MSD operations and ratepayers, in combination with the Asheville Water System and in combination with the Henderson County Sewer. Ms. Manheimer asked if this should be handled independently by a third party. Mr. Hartye stated that this is why he mentioned the timing and depth of the study. If this is a full blown effort it will take a consultant several months to complete, but just looking at general terms as far as fiduciary responsibility, assumptions will have to be made. However, if in the future this issue becomes more serious, then a more detailed analysis can be done. Mr. Aceto stated that he would like to think this is something that staff would do on the basis of existing information for the Board's use. Mr. Watts stated that if staff can study it to a point of presentation to the Board on how it will impact the ratepayers, this is all that is needed at this point. Ms. Manheimer asked if this study will go to the Planning Committee. Mr. Aceto said yes, and at that time, staff can suggest to the committee what would be needed for a more detailed study. Ms. Manheimer expressed concern about the media's perception of the study, with regard to the terminology and conclusions made. Mr. Aceto stated that he would rather look back and know that the Board was not negligent in its responsibilities to MSD and the ratepayers. With no further discussion, voice vote in favor of the motion was unanimous.

11. Adjournment:

With no further business, Mr. Aceto called for adjournment at 2:53 p.m.

Jackie W. Bryson, Secretary/Treasurer

MSD

Regular Board Meeting

Metropolitan Sewerage District
of Buncombe County, NC

AGENDA FOR 2/15/12

✓	Agenda Item	Presenter	Time
	Call to Order and Roll Call	Aceto	2:00
	01. Inquiry as to Conflict of Interest	Aceto	2:05
	02. Approval of Minutes of the January 18, 2011 Board Meeting.	Aceto	2:10
	03. Discussion and Adjustment of Agenda	Aceto	2:15
	04. Informal Discussion and Public Comment. a. Open Letters to Members of the Metropolitan Sewerage District.	Aceto	2:20
	05. Report of General Manager	Hartye	2:30
	06. Report of Committees: Right of Way Committee – 1/25/12 – Kelly	Aceto	2:45
	07. Consolidated Motion Agenda	Hartye	2:55
	a. Consideration of Compensation Budgets – Macon Avenue @ Sunset Parkway GSR and Brookcliff Drive PRP.	Hartye	
	b. Consideration of Developer Constructed Sewer Systems: South Buncombe Intermediate School and Mission Hospital Systems.	Hartye	
	c. Declaration of Intent to Adopt Revised MSD Sewer Use Ordinance.	Hartye	
	d. Consideration of Budget Calendar	Powell	
	e. Consideration of Auditing Services Contract for FY 2012.	Powell	
	f. Second Quarter FY 2012 Budget to Actual Revenue and Expenditures.	Powell	
	g. Cash Commitment Investment Report as of December 31, 2012.	Powell	
	08. Old Business	Aceto	3:10
	09. New Business:	Aceto	3:15
	10. Adjournment (Next Meeting March 21, 2012)	Aceto	3:20

APPROVAL OF MINUTES

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
JANUARY 18, 2012**

1. Call to Order and Roll Call:

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, January 18, 2012. Chairman Aceto presided with the following members present: Bryson, Haner, Kelly, Manheimer, Pelly, Russell, Stanley, and Watts. Mr. Creighton, Mr. Root and Mr. VeHaun were absent

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Stan Boyd, Ed Bradford, John Kiviniemi, Jim Hemphill, Mike Stamey, Ken Stines, Scott Powell, Peter Weed, Angel Banks, Julie Willingham and Sondra Honeycutt, MSD.

2. Inquiry as to Conflict of Interest:

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

3. Approval of Minutes of the December 14, 2011 Board Meeting.

Mr. Aceto asked if there were any changes to the Minutes of the December 14, 2011 Board Meeting. With no changes, the Minutes were approved by acclamation.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

None

6. Report of General Manager:

Mr. Hartye presented a letter from George Ivey of White Oak Road complimenting the work of Randy Mull, Mike Rice, Lloyd Anders, Tim Haney and Clement Crow.

Mr. Hartye noted that under Item 6A of the Consolidated Motion Agenda are the regular Board Meeting Dates for 2012.

Mr. Hartye presented articles from BlueRidge Now, Asheville Citizen Times and Mountain Express regarding the Water Study. He reported that the Water Study Task Force met Friday, January 13th with Representatives Tim Moffitt and Chuck McGrady to share information about the City of Asheville Water Resources Department and MSD Systems. He stated that the Legislative Research Committee (LRC) Meeting will take place January 23rd at 2pm in Raleigh. Mr. Haner asked if there is an indication as to what is expected from Representative Moffitt's staff. Mr. Hartye stated that this was not discussed, but thinks they will be giving a presentation. Mr. McGill reported that the agenda for this meeting has not been approved by Representative Moffitt, but will be posted on the Legislative website following his approval. He stated that there will be a short overview by the research staff followed by comments from the LGC on financial issues along with presentations by MSD, the City of Asheville and others. Ms. Manheimer stated that a link will be posted on the Legislative website as well as the City of Asheville's website so that anyone who is interested can hear the presentations. She further stated that it's important to mention that they met with Representative Chuck McGrady, former Chair of the Henderson County Commission, regarding Henderson County's sewer needs. Mr. Hartye stated that Mr. McGrady discussed the ramifications associated with Cane Creek Water & Sewer District coming into the District.

Mr. Hartye presented an additional article from the Citizens-Times regarding workplace fatalities. He stated that he wanted to update the Board on the accident involving the death of John Crowe, an MSD employee, and the OSHA investigation that followed. He reported that MSD's training records were in order as well as maintenance records on the equipment and that the crew acted safely. However, the District was cited for a violation due to the unsafe actions of the deceased. The District will continue with its education and training and putting together a team to look at Standard Operating Procedures with regard to this particular function as well as any equipment upgrades to add an even greater safety factor.

Mr. Hartye reported that the next regular Board Meeting will be held February 15 at 2pm. The next Right of Way Committee Meeting will be held January 25th at 9am.

7. Consolidated Motion Agenda:

a. Consideration of Annual Meeting Dates.

Mr. Hartye reported that in addition to the Annual Board Meeting Dates, the Budget Calendar, which will list committee meeting dates that are part of the budget process, will be presented at the February Board Meeting.

b. Consideration of Bids for Excavator Replacement:

Mr. Hartye reported that the District's policy is to annually evaluate the condition of fleet vehicles and purchase replacements when the estimated cost of repair and maintenance exceed the cost of a new one. At the March 11, 2011, Equipment Review Committee meeting, the members recommended the purchase of one (1) new excavator replacement. The purchase was included in the FY2012 Budget. He further reported that the following bids were received and opened on December 28, 2011: Carolina Tractor/CAT, Asheville, NC Bid #1 for a 315DL, 2011 Cat at a cost of \$147,207.39; Carolina Tractor/CAT, Asheville, NC Bid #2 for a 315DL, 2012 Cat at a cost of \$157,415.44; James River, Asheville, NC, Bid #1 for a 160DLC, 2012 John Deere at a cost of \$140,790.00; James River, Asheville, Bid #2 for a Zaxis 160LC-3, 2012 Hitachi at a cost of \$137,890.00; ASC Construction, Asheville, NC for a EC160D, 2012 Volvo at a cost of \$152,990.00, and Linder Equipment, Asheville, NC for a PC160LC-8, 2012 Komatsu at a cost of \$136,620.00. Staff recommends award of the bid to Linder Equipment/Komatsu in the amount of \$136,620.00.

c. Consideration of Bids for Four-inch Main Rehabilitation Project – Town Mountain Road:

Mr. Hartye reported that this project is for the replacement of an aged four-inch collector line constructed of Orangeburg and Vitrified Clay. The line is in poor structural condition and is comprised of 1,728 linear feet of 8-inch DIP. The following bids were received on January 5, 2012: Ruby Collins, Inc. with a total bid of \$757,457.00; Bryant's Land & Development with a total bid of \$544,402.75; Payne, McGinn & Cummins with a total bid of \$443,003.78; Carolina Specialties Const. Co., with a total bid of \$394,100.00; Huntley Construction Co. with a total bid of \$380,524.00; T&K Utilities, Inc. with a total bid of \$333,600.00; Buckeye Construction Co., with a total bid of \$298,024.90; Patton Construction Group with a total bid of \$293,900.00, and Terry Brothers Construction Co., Inc. with a total bid of \$284,847.00. Staff recommends award of this contract to Terry Brothers Construction Co., Inc. in the amount of \$284,847.00, subject to review and approval by District Counsel.

d. Consideration of Bids for Patton Avenue @ Parkwood Road Rehabilitation Project:

Mr. Hartye reported that this project is for the replacement of a 6-inch Vitriified Clay sewer line which serves businesses along Patton Avenue. The line is in a deteriorated structural condition and is comprised of 1,491 linear feet of 8-inch and 10-inch DIP. The following bids were received on January 5, 2012: Ruby Collins, Inc. with a total bid of \$693,368.00; Bryant's Land & Development with a total bid of \$481,598.25; Carolina Specialties Const. Co. with a total bid of \$349,748.00; Buckeye Construction Co., with a total bid of \$280,067.65; Payne McGinn & Cummins with a total bid of \$270,936.68; T&K Utilities, Inc. with a total bid of \$268,435.00; Patton Construction Group with a total bid of \$264,920.00; Terry Brothers Const. Co., Inc. with a total bid of \$248,148.50 and Huntley Construction Company with a total bid of \$243,718.16. Staff recommends award of this contract to Huntley Construction Co., in the amount of \$243,718.16, subject to review and approval by District Counsel.

e. Cash Commitment/Investment Report – Month Ended November 30, 2011:

Mr. Powell reported that Page 2 presents the makeup of the District's Investment Portfolio, with no change from the prior month. Page 3 is the MSD Investment Manager report as of the month of November. The weighted average maturity of the investment portfolio is 442 days. The yield to maturity is .082% and is exceeding MSD benchmarks of the 6 month T-Bill and NCCMT cash portfolio. Page 4 is the MSD Analysis of Cash Receipts. Monthly domestic sewer revenue is considered reasonable based on timing of cash receipts in connection to the Munis Billing System implementation at the City of Asheville. He stated that he anticipates cash receipts leveling off in the month of January. Monthly and YTD Industrial Sewer Revenue as well as Facility and Tap Fees are considered reasonable due to historical trends. 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 for the month of December. Both the 2008 A&B Series are performing better than budgeted expectations. As of the end of December both issues have saved District ratepayers approximately \$4.8 million dollars in debt service since April 2008. Ms. Manheimer asked if MSD's assets were transferred to another entity, would it require approval of the bond holders. Mr. Powell said it would require approval of the bond holders and the Local Government Commission. He stated that this recently happened in North Carolina with the Cape Fear Water & Sewer Authority.

Mr. Watts moved that the Board approve the Consolidated Motion Agenda as presented. Mr. Russell seconded the motion. With no discussion, Mr. Aceto called for the question. Roll call vote was as follows: 9 Ayes; 0 Nays.

8. Old Business:

Mr. Aceto and Mr. Stanley welcomed Mr. Pelly to the Board and presented him with the traditional manhole puller.

9. New Business:

Mr. Aceto asked for the Board's opinion on the annual practice of reporting Board Member attendance to the municipalities. Ms. Manheimer stated that all attendance is reported to City Council from Boards and Commissions and feels the report from MSD should be more precise. Mr. Clarke stated that the practice of reporting to the municipalities on attendance of Board Members came out of the Ethics and Conduct Policy adopted by the Board. Prior to that, there was no report unless a municipality asked. Following a brief discussion, the Board agreed that the current reporting method

is acceptable.

Mr. Aceto presented a summary regarding MSD Special Assessment Authority which would allow the MSD to respond to areas within the District that have failing septic tanks or failing private sewer systems serving multiple residences and asked the Board to consider whether this should be brought to the attention of the Legislative Research Committee. Mr. Hartye reported that other water and sewer authorities have Special Assessment Authority in their legislation, but the District does not. He stated there are two areas that were discussed in the past; one is the public health response, which brought about the current policy for failing septic tanks approved by the Board in 2011. However, this would involve an entity like Buncombe County or the City of Asheville who has the authority to step-up and impose a special assessment to help with the cost of an extension, with MSD doing the rest; design, right of way acquisition, and construction management. He further reported that the other area discussed was expansion related. He stated that if you expand a system into an area that serves a larger basin, the special assessment could be used as a tool to spread the cost of extensions to future users of the system. Although MSD does not have that authority, it has other alternatives such as revenue sharing (50% over 10 years); developer to developer reimbursement; additional capacity reimbursement and providing design and right of way services. Mr. Haner asked, if this is presented as something the District might want the Legislature to consider, will it suggest the conditions under which a special assessment would be used. He stated that special assessment uses should be discussed by the Board in order to establish a threshold under which an assessment would be applied or not. Mr. Clarke stated that Special Assessment Authority has been suggested to the Legislature a couple of times in the past and they were not particularly receptive to it and given the current makeup, he is not sure if they would be any more receptive to expanding government authority. Mr. Aceto stated that the District's legislation did not contemplate having authority to run a collection system; instead it was to run a treatment plant and run interceptor lines along the French Broad River.

Mr. Hartye stated that a hearing will be held on January 23rd in Raleigh that will be mostly presentations. Also, there will be a public hearing in February and two additional meetings after that to draft a bill, which might be the appropriate time to interact on this issue. Ms. Manheimer mentioned the possibility of introducing this topic as part of MSD's presentation on the 23rd and whether a special assessment can be charged to one region. Mr. Clarke stated that only those tying directly to the new line could be assessed, not the entire basin. Also, the Board would have to adopt a resolution, publish it, and send it to all the land owners, which would be added to their ad-valorem tax bill. Mr. Hartye stated that the revenue realized with that condition would be very limited. A discussion was held with regard to the alternatives, including an increase in tap and facility fees. Ms. Manheimer stated that while in Raleigh during the last session of the Legislature, the Speakers office said representatives have pledged not to pass any new tax, no matter what it is.

Mr. Pelly asked what the demand is for this type of funding. Mr. Hartye stated that as far as the public health response, there are areas that have septic tank issues, but as far as economic development, a special assessment would be just another tool because the cost is too great. Mr. Clarke asked if there are some situations where there are failing sewer systems in urban areas where the ability to spread out the cost of fixing the system over 10 years using this money, might be a better way. Mr. Hartye said yes, i.e. the Rockhill Road area, where there were septic tank issues, but there are areas inside the City that do not have sewer and a special assessment would be a tool for those areas. Mr. Aceto asked the Board if they want to pursue this issue. Mr. Clarke stated that in terms of bringing this issue up at the meeting in Raleigh, he wonders if this is the place to do it. Mr. Watts said he does not think this issue should be included in the presentation. Mr. Clarke stated that from a policy perspective it may make good sense, but it may not be politically popular. With regard to the tax question, the money residents would have to pay goes on their ad-valorem tax bill.

10. Adjournment:

With no further business, Mr. Aceto called for adjournment at 2:53 p.m.

Jackie W. Bryson, Secretary/Treasurer

From: Matthew Burd [<mailto:nothingsopowerful@gmail.com>]

Sent: Sunday, January 22, 2012 2:29 PM

To: Steve Aceto; emanheimer@vwlawfirm.com; rootlaw@rootandroot.com; jandebryson@charter.net; billrussell@charter.net; jon.creighton@buncombecounty.org; bill.stanley@buncombecounty.org; wmhaner@bellsouth.net; Jerry.vehaun@buncombecounty.org; egkelly@bellsouth.net; cawkie@att.net; bclarke@roberts-stevens.com

Subject: Open letter to members of MSD

Open letter to the Members of the Metropolitan Sewage District

As a concerned member of the public I would like to inquire about your stance, as a member of the MSD Board, on the upcoming possible takeover of Asheville City Water by the MSD. Do you believe it would be beneficial for the general public* and why? Do you believe that the County or City should make a profit on our water system? Would merging the MSD with Asheville City Water create or eliminate jobs? Do you have a projected water rate hike or do you expect public expense to go down? Would there be an initial price change that would then restablize?

I would greatly appreciate it if you went public with your response to the questions. I know that I am not the only one concerned.

*When I say "general public", I am referring to City and County residents together.

Thank you for your prompt response.

~Matthew Burd

From: Arland Anderson [<mailto:arland12485@gmail.com>]

Sent: Sunday, January 22, 2012 2:20 PM

To: Steve Aceto

Subject: Fwd: Contacts for MSD

Steven Aceto,

As a concerned member of the public I would like to inquire about your stance, as a member of the MSD Board, on the upcoming proposed takeover of Asheville City Water and the MSD. Do you believe it would be beneficial for the general public* and why? Do you believe that the County or City should make a profit on our Water system, as opposed to the water system just paying for itself? Would merging the MDS with Asheville City Water create or eliminate jobs? Do you expect a projected hike in water rates to the general public or do you expect rates to go down. Or is there the possibility that rates will go up in order to update and fix the current water system after which time the rates will return to a lower level?

I would greatly appreciate it if you went public with your response to the questions. I know that I am not the only one concerned.

Sincerely,
Matthew Brewster

*When I say "general public", I am referring to City and County residents together.

REPORT OF GENERAL MANAGER

MEMORANDUM

TO: MSD Board
FROM: Thomas E. Hartye, P.E., General Manager
DATE: February 09, 2012
SUBJECT: Report from the General Manager

- Kudos

Attached is an email from Patricia Brown of Chestnut Place in Arden expressing her appreciation for the customer service provided by Mitch Hawes of the System Services Division.

- Update on Water Study

Please see the attached article that indicates that the LRC Public Meeting will be held February 23rd at WNC Agricultural Center. I will forward confirmation of this and any more detailed information as it becomes public. The League of Women Voters will sponsor a “related” event on Monday February 13th from 6:30 to 9pm at Grace Covenant Presbyterian Church.

- Presentation on Private Sewer Rehab Program

Ed Bradford will give a short presentation on the MSD Private Sewer Rehab Program. As a part of the Consolidation Agreements with our member agencies MSD agreed to provide funding of up to \$200,000 per year to address private (“unclaimed”) sewers that serve multiple residences. The Policy for this program has changed through the last several years in order to facilitate resolution of potential public health issues associated with these lines.

- Reading

- AC-T article regarding Rep. Moffitt and the Water issue.

- Board/Committee Meetings/Events

There will be a farewell lunch for Mayor Terry Bellamy at 1pm on January 15th, just prior to the Regular Board Meeting. The next Regular Board Meeting will be March 21st at 2 pm. The February Right of Way Committee has been cancelled. The next Right of Way Committee Meeting will be held at 9am on March 28th.

Subject: Kudo's- Mitch Hawes
Date: Wednesday, January 25, 2012 2:58:08 PM Eastern Standard Time
From: Hemphill, Jim
To: Hartye, Tom

From: Tolley, Lisa
Sent: Wednesday, January 25, 2012 2:53 PM
To: Thomas, Pam; Hemphill, Jim
Subject: FW: Mitch Hawes

FYI

From: Pike, Sheila
Sent: Monday, January 23, 2012 8:06 AM
To: Tolley, Lisa; Stamey, Mike; Stines, Ken
Subject: FW: Mitch Hawes

FYI

From: Patricia Brown [<mailto:guhguh@bellsouth.net>]
Sent: Sunday, January 22, 2012 9:29 PM
To: Pike, Sheila
Subject: Mitch Hawes

This evening, 1/22/12, your on-call MSD man came to check the sewer drains at my daughter's house, 194 Chestnut Place in Arden. That man is awesome. He treated us with kindness and respect and showed her the sewer maps and explained so much. He should be commended and as I could not find an email that I thought might be his supervisor's, I decided to email you. Would you please let his supervisor know that this man is a wonderful employee and we are most grateful for his work and kindness.

God Bless!

Patti Brown

It's a date: Water study committee comes to town on Feb. 23

By **Nelda Holder** on **02/08/2012 03:27 PM**



The legislative study committee examining the Asheville water system's fate will hold a public hearing here on Thursday, Feb. 23, at the WNC Agricultural Center in Fletcher.

Details of the hearing have not been finalized, but the event is being planned to take place in sections, according to an email notice from Rep. Tim Moffitt of Buncombe County and chair of the Metropolitan Sewerage/Water System Study Committee. "Public comment will be taken by area so that no one has to wait all day to be heard. They will know when their time begins and ends and will be able to plan accordingly," said the Buncombe County legislator, who was primary sponsor of the study committee bill in the 2011 legislative session.

The committee's first hearing took place in Raleigh on Jan. 23. Testimony on that day included an economic overview presented by Deputy State Treasurer Vance Holloman; perspectives on water and sewer history presented by Asheville Vice Mayor Esther Manheimer and Metropolitan Sewerage District board chair, Steve Aceto; and legal perspectives presented by Asheville attorney Robert Long. (Documents from the Jan. 23 hearing are available online here.)

The committee will hold a total of four meetings before preparing its April report to the Legislature. An agenda and further information for the Feb. 23 meeting will be posted at the committee's website in the next few days, according to Moffitt.

A related event takes place on Monday, Feb. 13, planned in advance of the study committee's public hearing in order to provide information on the history and issues involved with the local water system. Sponsored by the League of Women Voters of Asheville-Buncombe County and co-sponsored by the Mountain Xpress and the Urban News, the Asheville Water Forum will be held at Grace Covenant Presbyterian Church, 789 Merrimon Ave. Panelists include Manheimer and Aceto, who both presented at the Raleigh hearing; Rep. Chuck McGrady of Henderson County, a member of the study committee and former member of the one-time Regional Water Authority locally; and Dr. Gene Rainey, former chair of the Buncombe County Board of Commissioners.

The informational forum takes place from 7 to 9 p.m. at Grace Covenant Presbyterian Church, 789 Merrimon Ave., and is free and open to the public. From 6:30 to 7 p.m., Steve Shoaf, director of the Asheville Water Resources Department, and Tom Hartye, executive director of MSD, will be present in the lobby to provide information on their operations.

Nelda Holder, contributing editor

(Holder is a board member of the League of Women Voters of Asheville-Buncombe County, a nonprofit, nonpartisan organization, and is on the coordinating committee for the Feb. 13 forum.)

Future of city water debated

Committee to make recommendation by April

By Joel Burgess
joelburgess@citizen-times.com

RALEIGH—Lawmakers central to the debate on whether to strip Asheville of its water system said they remain unwayed one way or the other after a Monday hearing on the system's health and tangled history.

But several members of the N.C. House study committee look-

ing at the system's control pointed to pipe leakage, a successful joint water system and other points that could play against the city keeping the \$1.3 billion asset.

"At this point, I have challenged myself to be open-minded," Rep. Tim Moffitt, R-Buncombe, said after the meeting of the Metropolitan Sewerage/Water System Committee that he got the General Assembly to create.

Moffitt chaired the committee's first hearing Monday and said it was important water be thought of as a regional issue, saying local governments some-



Tim Moffitt

times act with little thought about effects on neighbors.

"We really kind of interplay regionally, but we try to act indepen-

dently, and one of the issues that causes us to act that way is water," he said.

Moffitt backed off a statement he made last month saying the chances were "50-50" that the system would be taken from Asheville and given to an independent political body.

"It was my way of basically saying it is a push. All options are on the table," he said.

The committee is set to give a recommendation on control of the

water system by the end of April, though Moffitt said it could ask for more time.

The options are for the city to keep the system, which serves 125,000 people in Buncombe and Henderson counties, or for it to go to the Buncombe County Metropolitan Sewerage District, or an independent water authority.

Assets are valued at \$1.3 billion. They include more than 20,000

See CITY, Page A6

CITY: Panel heads west

Continued from Page A1

acres of highly protected watersheds and 1,661 miles of pipes delivering 21 million gallons of water a day.

Four committee meetings are scheduled, with the next one set for Asheville on Feb. 23 or 24.

Of the five committee members, four are Republican. The one Democrat, William Brisson, of Bladen County, was absent Monday. Overall, the water system and MSD, which takes care of sewage in the county, are in very good shape financially and charge fair rates, presenters said, pointing to the Asheville system's "Aa2" Moody's bond rating.

"That is a very strong revenue bond," said Vance Holloman, a staff member with the Local Government Commission.

Another presenter, Bob Long, was the attorney for Buncombe County in a lawsuit on the water system against the city after Asheville took sole control in 2005.

Long said court decisions and past government actions showed that water customers inside and outside the city, rather than city taxpayers, had the greatest stake in the system because bonds were backed by water bill payments, not city taxes.

"I don't think it can be said that anybody but the customers paid for the Asheville water system," he said. That ran counter to Asheville Water Resources Department Director Steve Shoaf's statement that system's customers are like those in a restaurant that is "owned by the citizens of Asheville who have pledged their full faith and credit."

After the meeting, committee member Rep. William Brawley, of Mecklen-

burg, expressed support for the joint Charlotte-Mecklenburg system that he said services his home of Matthews well.

"Charlotte-Mecklenburg Utilities was more or less created to bring together a lot of disparate water utilities. There was an erratic level of performance," Brawley said.

The Mecklenburg system is one of few that like Asheville does not charge higher rates to noncity residents. State laws called the Sullivan Acts specifically prevent Asheville from charging such differential rates, which municipalities often use to subsidize city customers and encourage voluntary annexation.

Brawley dismissed the idea that government should avoid running water and sewer pipes to certain areas to prevent or slow development in those areas, something championed by environmentalists and urban planners.

"It absolutely does not work," he said, pointing to a 1973 move by Mecklenburg leaders he said halted urban-type services such as water and sewer lines to the south. "What ended up happening was package plants, community wells, all sorts of other devices were put in."

Another committee member, Rep. Chuck McGrady, of Henderson County, asked how much of the system's water escaped through leaking pipes. Shoaf said 35-40 percent. The water services director said having to pump water over mountains caused most of the problem.

"It sounds like a high number. But when you consider the pressures we're dealing with, our engineers tell us that is a reasonable amount to expect," Shoaf said.

After the meeting, McGrady said he wanted to learn more.

"I just want to go back and look at some other mountain cities and mountain counties and see if 30 percent is common," he said.

Asheville Vice Mayor Esther Manheimer, who also attended the meeting, said afterward that she was just happy the city was invited, since the General Assembly can enact laws about Asheville without its consent.

"Anyone can opine as to whether or not it is a meaningful process," Manheimer said.

Also at the meeting Monday were: Mills River Mayor Roger Snyder, N.C. Republican House candidate Nathan Ramsey, of Fairview; Clean water activist Hartwell Carson, of Buncombe; and city resident Barry Summers, who has created a blog about the water hearings and says he thinks the ultimate goal is to privatize the system despite denials from Moffitt.

REPORT OF COMMITTEES

**RIGHT OF WAY
COMMITTEE RECOMMENDATIONS
AND MINUTES
January 25, 2012**

I. Call To Order

The regular monthly meeting of the Right of Way Committee was held in the Boardroom of the William H. Mull Building and called to order at approximately 9:00 a.m. on Wednesday, January 25, 2012. The following Right of Way Committee members were present: Jerry VeHaun, Jackie Bryson, Jon Creighton and Robert Watts.

Others present were: Ellen McKinnon, Martin-McGill; Tom Hartye, Ed Bradford, Roger Watson, Wesley Banner, Daniel Marsh and Pam Nolan, M.S.D.

In the absence of Glenn Kelly, Jerry VeHaun presided over the meeting.

II. Inquiry as to Conflict of Interest

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

III. Consideration of Compensation Budgets—

Macon Ave. @ Sunset Parkway GSR, Project No. 2006016
Brookcliff Drive PRP, Project No. 2004267

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

STAFF RECOMMENDATION: Approval of Compensation Budgets.

Mr. Bradford explained the location of the projects. The Macon Avenue @ Sunset Parkway project is comprised of approximately 2700 linear feet of 8" and 12" DIP to replace clay pipe and pipe bursting will be utilized on this project. The Brookcliff Drive project is comprised of approximately 1400 linear feet of 8" and 12" DIP to replace clay pipe. There was no discussion. Mr. Watts made the motion to accept staff's recommendation. Mr. Creighton seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.

IV. Quarterly Report – Second Quarter

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

Mr. Bradford explained the above and there was no discussion.

STAFF RECOMMENDATION: For information only. No action required.

V. Other business – Review of Right of Way Data on Flex Site

Mr. Bradford gave some history on the Flex Site and Mrs. Nolan gave a brief presentation on Right of Way Data on Flex Site.

Mr. Bradford passed out the Right of Way schedule for 2012.

There being no further business the meeting adjourned at approximately 9:20 am.

CONSOLIDATED MOTION AGENDA

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

COMMITTEE MEETING DATE: 1/25/2012

BOARD MEETING DATE: 2/15/2012

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

SUBJECT: Consideration of Compensation Budgets–

Macon Ave. @ Sunset Parkway GSR, Project No. 2006016
 Brookcliff Drive PRP, Project No. 2004267

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

STAFF RECOMMENDATION: Approval of Compensation Budgets.

Mr. Bradford explained the location of the projects. The Macon Avenue @ Sunset Parkway project is comprised of approximately 2700 linear feet of 8" and 12" DIP to replace clay pipe and pipe bursting will be utilized on this project. The Brookcliff Drive project is comprised of approximately 1400 linear feet of 8" and 12" DIP to replace clay pipe. There was no discussion. Mr. Watts made the motion to accept staff's recommendation. Mr. Creighton seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.

COMMITTEE ACTION TAKEN	
Motion by: Robert Watts	To: <input checked="" type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by: Jon Creighton	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff
	<input type="checkbox"/> Other
BOARD ACTION TAKEN	
Motion by:	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff

Macon Ave @ Sunset Parkway GSR

Project Number 2006016

Compensation Budget

17-Jan-12

Pin Number and Name

27 Pin	83 Pin	Acres	Parcel SF	Land Value	LV/SF	PE	PE Assd. Value	50% PE Assd. Value	TCE SF	TCE Assd. Return	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
	9649558245	0.31	13,503.60	\$71,200.00	\$5.27	1,300.84	\$6,855.43	\$3,427.71	0.00	\$0.00	\$0.00	4	\$0.00	\$3,428
	9649558561	0.40	17,424.00	\$72,800.00	\$4.18	1,011.39	\$4,227.61	\$2,113.81	765.26	\$3,198.79	\$319.88	4	\$106.63	\$2,220
	9649557258	0.36	15,681.60	\$72,100.00	\$4.60	2,234.77	\$10,279.94	\$5,139.97	0.00	\$0.00	\$0.00	4	\$0.00	\$5,140
	9649665425	1.48	64,468.80	\$592,000.00	\$9.18	1,057.00	\$9,703.26	\$4,851.63	667.94	\$6,131.69	\$613.17	4	\$204.39	\$5,056
	9649556259	0.45	19,602.00	\$73,700.00	\$3.76	1,394.43	\$5,243.06	\$2,621.53	0.00	\$0.00	\$0.00	4	\$0.00	\$2,622
	9649650459	1.52	66,211.20	\$608,000.00	\$9.18	2,356.94	\$21,636.71	\$10,818.35	0.00	\$0.00	\$0.00	4	\$0.00	\$10,818

TOTALS:	\$29,284
Staff Contingency:	\$5,000
GM's Contingency	\$5,000
Amendment	
Total Budget:	\$39,284

Brookcliff Drive PRP 59001 Sewer Replacement

Project Number 2004267

Compensation Budget

17-Jan-12

Pin Number and Name

27 Pin	83 Pin	Acres	Parcel SF	Land Value	LV/SF	PE	PE Assd. Value	50% PE Assd. Value	TCE SF	TCE Assd. Value	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
	9750079322	0.94	40,946.40	\$44,600.00	\$1.09	69.72	\$75.99	\$38.00	858.15	\$935.38	\$93.54	4	\$31.18	\$69
	9750173390	0.38	16,552.80	\$40,800.00	\$2.46	0.00	\$0.00	\$0.00	604.03	\$1,485.91	\$148.59	4	\$49.53	\$50
	9750175739	0.37	16,117.20	\$41,600.00	\$2.58	0.00	\$0.00	\$0.00	1,651.35	\$4,260.48	\$426.05	4	\$142.02	\$142
	9750175538	2.60	113,256.00	\$96,700.00	\$0.85	0.00	\$0.00	\$0.00	5,694.86	\$4,840.63	\$484.06	4	\$161.35	\$161
	975017209	0.38	16,552.80	\$40,800.00	\$2.46	0.00	\$0.00	\$0.00	2,130.08	\$5,240.00	\$524.00	4	\$174.67	\$175
	9750171238	1.31	57,063.60	\$58,500.00	\$1.03	2,040.08	\$2,101.28	\$1,050.64	7,515.23	\$7,740.69	\$774.07	4	\$258.02	\$1,309

TOTALS:	\$1,905
Staff Contingency:	\$5,000
GM's Contingency	\$5,000
Amendment	
Total Budget:	\$11,905

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: February 15, 2012

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

PREPARED BY: David Monteith, Kevin Johnson

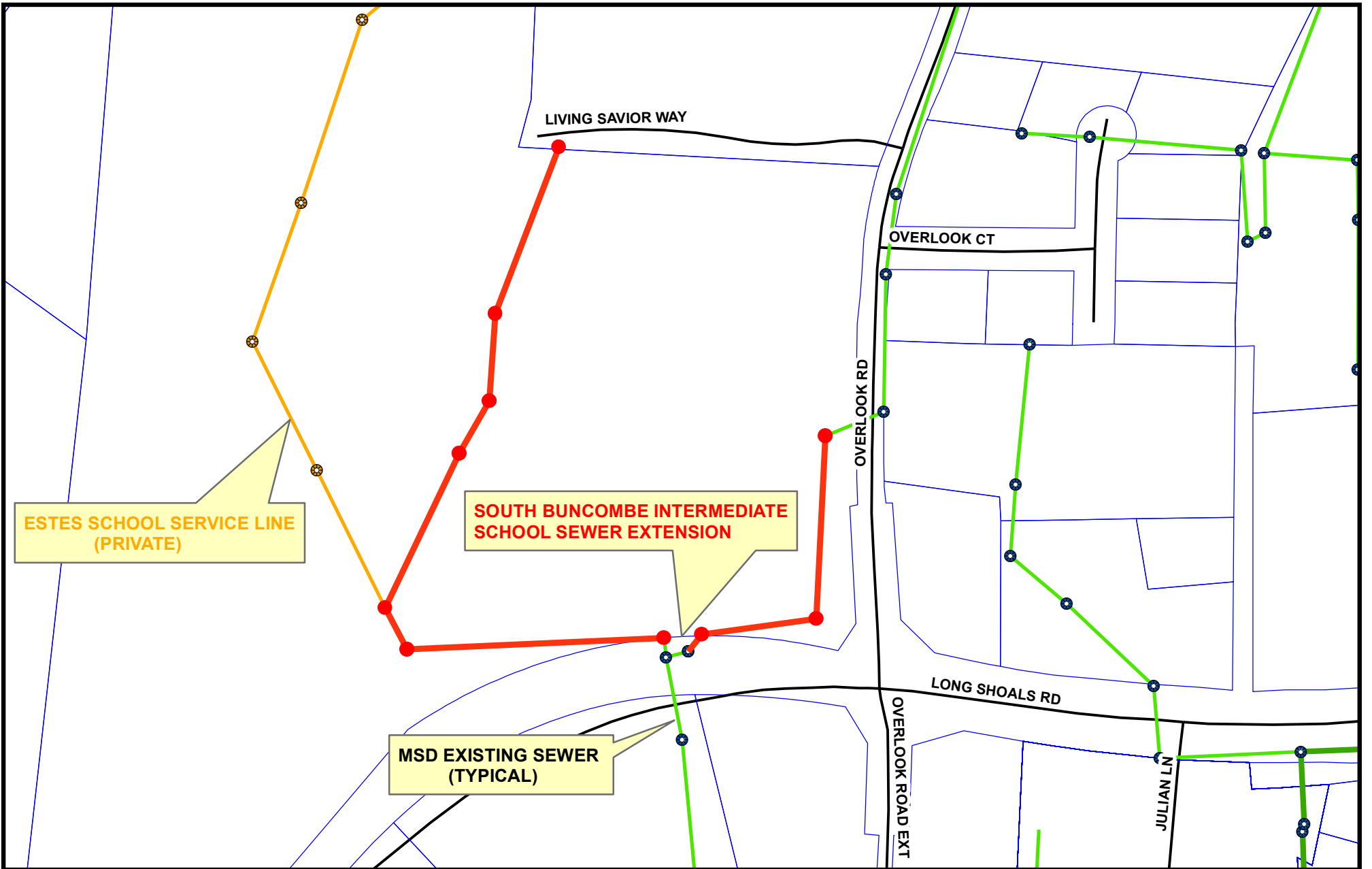
REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the South Buncombe Intermediate School Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary at the intersection of Long Shoals Road and Overlook Road in Buncombe County. The developer of the project is the Buncombe County Board of Education. The project included the installation of approximately 1,703 linear feet of 8" gravity sewer to serve a public school. A wastewater allocation was issued in the amount of 13,500 GPD for the project. The estimated cost of the sewer extension is \$125,000.00.

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:	



**ESTES SCHOOL SERVICE LINE
(PRIVATE)**

**SOUTH BUNCOMBE INTERMEDIATE
SCHOOL SEWER EXTENSION**

**MSD EXISTING SEWER
(TYPICAL)**



Project # 2009065

Not To Scale



METROPOLITAN SEWERAGE DISTRICT
of
BUNCOMBE COUNTY, NORTH CAROLINA

**S. Buncombe Intermediate School
Sewer Extension**

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: February 15, 2012

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

PREPARED BY: David Monteith, Kevin Johnson

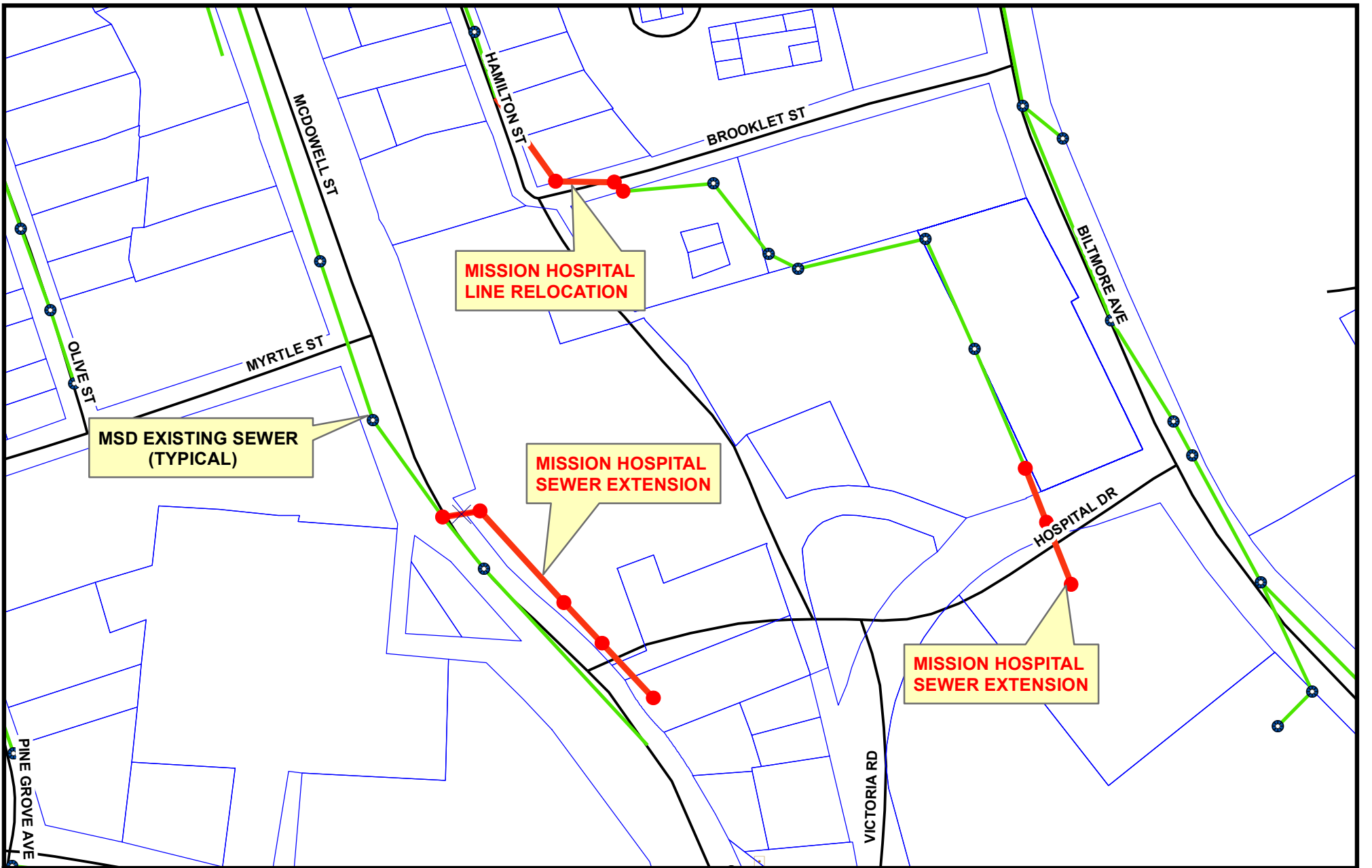
REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Mission Hospital Systems Sewer Improvements Project.

BACKGROUND: This project is located inside the District boundary at McDowell Street and Hospital Drive and also on Brooklet Street in the City of Asheville. The developer of the project is Mission Health System, Inc. The project included the installation of approximately 785 linear feet of 8" gravity sewer to serve medical buildings. A wastewater allocation was issued in the amount of 13,000 GPD for the project. The estimated cost of the sewer extension is \$60,000.00.

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:	



**MSD EXISTING SEWER
(TYPICAL)**

**MISSION HOSPITAL
LINE RELOCATION**

**MISSION HOSPITAL
SEWER EXTENSION**

**MISSION HOSPITAL
SEWER EXTENSION**



Project # 2009022

Not To Scale



METROPOLITAN SEWERAGE DISTRICT
of
BUNCOMBE COUNTY, NORTH CAROLINA

**Mission Hospital
Sewer Extension**

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

BOARD MEETING DATE: February 15, 2012

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

PREPARED BY: Jon van Hoff, MSD Industrial Waste – Pretreatment Program
John Kiviniemi, Director of Water Reclamation

SUBJECT: Declaration of Intent to Adopt Revised MSD Sewer Use Ordinance

BACKGROUND: The Sewer Use Ordinance was last adopted in October 21, 2009. Upon approval by the North Carolina Environmental Management Commission (EMC) and the Rules Review Commission (RRC), the revised Pretreatment Rules NCAC 15A 02H .0900 became effective April 1, 2011. This revision was influenced when the Pretreatment, Emergency Response, and Collection Systems (PERCS) Unit of the North Carolina Division of Water Quality (DWQ) adopted the EPA’s Streamlining Rule. In addition, the PERCS Unit took efforts to match, more closely, the EPA’s 40 CFR 403 definitions and implementations for pretreatment programs.

The changes to the Pretreatment Rules prompted the PERCS Unit to revise the Model Sewer Use Ordinance, which was finalized on August 26, 2011.

Required Changes to the SUO:

Description	Related Section(s) in the SUO
Judging compliance based on Daily Maximum and Monthly Average limits separately rather than collectively and removed Maximum Monthly Average from “Fixed Upper Limits for Constituents”.	4.02.07 B.i. and ii. 5.03.05 A.
“Permit Synopsis” and its accompanying information have been replaced with “Rationale” as part of the “Permit Supporting Documentation”.	1.03.46 4.02.05
Significant changes to operations or wastewater characteristics must be approved by MSD prior to incorporating those changes.	10.07
“MSD” instead of “General Manager or duly authorized representatives/pretreatment staff” shall be permitted to enter property to inspect or sample and if refused access to the facility, may seek issuance of a search warrant.	11.01 11.05

Recommended Changes Significant to the Pretreatment Program:

Description	Related Section(s) in the SUO
Incorporation of the newly defined Non-Significant Categorical Users and Middle Tier Significant Categorical Industrial User.	1.03.65 F. 1.03.65 G.
Following the recommendation of the State, changes in the definition of Significant Noncompliance or SNC were made. Under these new changes, MSD will not force publish in the local newspaper, any non-SIUs with Chronic or Technical Review Criteria violations.	1.03.66

Continued

Submittal time of applications for permits to new industries will be reduced from 180 days to 90 days prior to proposed date of discharge of process wastewater. Renewal permits will remain at 180 days.	4.02.01 4.04.02
Review of Permit Application by MSD for renewed permits will be increased from 30 days to 90 days. Review of Permit Applications by MSD for new permits will remain at 30 days.	4.02.03 D. 4.02.03 C.
The FOG program has evolved over the years. Being a relatively new program, the FOG program has been modified due to the development of the program. The sections relating to the FOG program have been modified to exemplify the current implementation.	5.04 5.05 5.06
In preparation for future expectations of receiving and submitting data with electronic signatures, this section has been added.	10.06.01 A.
Prevents IUs from having to become State certified before analyzing and reporting pH.	10.10

FISCAL IMPACT: Limited to reproduction and postage costs.

STAFF RECOMMENDATION: For the MSD Board to endorse this declaration of intent to adopt the revised MSD sewer use ordinance, after which the SUO will be sent out to the local governing bodies within the District for review & comment. Staff will take comments and suggestions into consideration before bringing the SUO back to the Broad for final adoption.

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:	

DECLARATION OF INTENT TO AMEND SEWER USE ORDINANCE

PURSUANT TO G.S. § 162 A-81

The District Board of the Metropolitan Sewerage District of Buncombe County, North Carolina, hereby declares its Intent to Amend the Sewer Use Ordinance of the Metropolitan Sewerage District of Buncombe County, North Carolina. A copy of the proposed Amended Sewer Use Ordinance is attached to this Declaration of Intent to Amend. The District Board further directs that, upon its passage, this Declaration of Intent and a copy of the proposed Amended Sewer Use Ordinance be circulated to its member political subdivisions for review and comment. Adopted by the Board in Open Session this 15th day of February, 2012.

METROPOLITAN SEWERAGE
DISTRICT OF BUNCOMBE COUNTY,
NORTH CAROLINA

By: _____
Steve Aceto, Chairman of the Board

ATTEST:

Jackie W. Bryson, Secretary

(Corporate Seal)

* * * * *

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

Meeting Date: February 15, 2012

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

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

Subject: Adoption of Budget Calendar – FY2012-2013

Background

The District's budget process must satisfy requirements in the North Carolina General Statutes as well as the 1999 Amended and Restated Bond Order. NC statutes require an annual balanced budget ordinance based upon expected revenues, along with a budget message to be presented to the governing board no later than June 1. Thereafter, the budget must be adopted no earlier than 10 days after the budget is first presented to the Board and not later than July 1. The Bond Order calls for the budget to be adopted by the Board on or before June 15.

Discussion

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

The Finance Committee meeting to discuss the proposed budget is scheduled for May 9th with the expectation that fairly firm estimates of health and other insurance renewal care costs will be available by the middle of April.

This calendar is a guide and committee meetings may be added and/or rescheduled as necessary to accommodate the preliminary budget being presented on May 16th and the final budget being adopted on June 13th.

Fiscal Impact

None.

Staff Recommendation

Approval of the proposed Budget Calendar.

Action Taken

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

Budget Calendar FY 2013

APRIL

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

MAY

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

JUNE

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

JULY

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

DATE	TIME	SUBJECT
April 26	9:00 a.m.	Personnel Committee Meeting
		◆ Cost of Living & Merit Pay
		◆ Benefit Allocations
May 3	8:30 a.m.	CIP Committee Meeting
		◆ Update of Ten-Year Capital Improvement Program
		◆ Update Construction Program Financing
		◆ 2012-2013 Construction Fund Budget
May 9	2:00 p.m.	Finance Committee Meeting
		◆ Nine Month Revenue/Expenditure Report
		◆ Self-Funded Medical & Dental Program
		◆ Proposed FY13 Construction Fund Budget
		◆ Proposed FY13 Operating Budget & Sewer Rates
May 16	2:00 p.m.	Board Meeting
		◆ Preliminary FY13 Budgets & Sewer Rates
June 13	2:00 p.m.	Board Meeting
		◆ Public Hearing
		◆ Adoption of FY13 Budgets & Sewer Rates
July 1		Start of Fiscal Year 2012-2013

Metropolitan Sewerage District of Buncombe County Board Action Item

Meeting Date: February 15, 2012
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, CLGFO, Director of Finance
Subject: Consideration of Auditing Services for FY 2012

Background

In FY 2003, the District issued an RFP for audit services. The scope of the contract was for a minimum of three years covering the fiscal years ending June 30, 2004 through 2006. The RFP specified that after the first year of the contract, it could be continued on the basis of annual negotiation. On September 15, 2006, the Finance Committee accepted staff's recommendation that if the General Manager and Director of Finance were satisfied with the quality of the auditor's work and service that they be allowed to negotiate a proposed amount for future audits. An RFP would be issued only upon failure to arrive at a mutually agreeable fee amount.

Discussion

For this year's engagement, the auditors proposed the same fee as last year of \$48,670. The auditor's experience and the District's preparedness on previous engagements have helped in containing cost. Mr. Burke also expressed that Cherry, Bekaert & Holland, LLP will be glad to work hard to control expenses and pass on any additional savings to the District.

Fiscal Impact

The FY 2012 fee of \$48,670(see attached engagement letter and audit contract) will be included in the FY 2012-2013 budget.

Staff Recommendation

Staff recommends approval of the FY 2012 audit contract with Cherry, Bekaert & Holland, LLP.

Action Taken

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



Cherry, Bekaert & Holland, L.L.P.

The Firm of Choice.

www.cbh.com

1111 Metropolitan Avenue – Suite 1000
Charlotte, North Carolina 28204
phone 704.377.1678
fax 704.377.6063

January 30, 2012

Mr. W. Scott Powell, Director of Finance
Metropolitan Sewerage District of Buncombe County, North Carolina
2028 Riverside Drive
Asheville, North Carolina

Dear Mr. Powell:

This letter of arrangement between Metropolitan Sewerage District (the “District”) and Cherry, Bekaert & Holland, L.L.P. sets forth the nature and scope of the services we will provide, the District’s required involvement and assistance in support of our services, the related fee arrangements and other terms and conditions designed to assure that our professional services are performed to achieve the mutually agreed upon objectives of the District.

SUMMARY OF SERVICES

We will audit the statement of net assets of the District as of and for the year ended June 30, 2012 and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended.

Accounting standards generally accepted in the United States provide for certain required supplementary information (“RSI”), such as management’s discussion and analysis (MD&A), to accompany the District’s basic financial statements. As part of our engagement, we will apply certain limited procedures to the District’s RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter.

Supplementary information other than RSI, also accompanies the District’s basic financial statements. We will subject such supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements.

Additional information, such as the letter of transmittal and statistical section will not be subjected to the auditing procedures applied in our audit of the financial statements, and, accordingly, our auditor’s report will disclaim an opinion on such information.

SUMMARY OF SERVICES (CONTINUED)

Any additional services that you may request, and that we agree to provide, will be the subject of separate written arrangements. Should the District wish to include or incorporate by reference these financial statements and our report thereon into any official statement or any other document related to the offering of debt securities at some future date, we would consider our consent to the inclusion of our report into another such document at that time. However, we are required by auditing standards generally accepted in the United States of America to perform certain procedures before we can give our permission as to the inclusion of our report into another such document. You agree that you will not include or incorporate by reference these financial statements and our report thereon into any other document without our prior written consent.

YOUR EXPECTATIONS

As part of our planning process, we will discuss with you your expectations of CBH, changes that occurred during the year, your views on risks facing you, any relationship issues with CBH, and specific engagement arrangements and timing. Our service plan, which includes our audit plan, is designed to provide a foundation for an effective, efficient, and quality-focused approach to accomplish the engagement objectives and to meet or exceed your expectations. Our service plan will be reviewed with you periodically and will serve as a benchmark against which you will be able to measure our performance.

Eddie Burke, who will be responsible for assuring the overall quality, value, and timeliness of our services to you, will lead the engagement.

AUDIT OBJECTIVES

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the Summary of Services section when considered in relation to the basic financial statements taken as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements and grants, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and will include test of accounting records, and other procedures as deemed necessary to enable us to express such an opinion and to render the required reports. If any of our opinions resulting from the procedures described above are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue a report as a result of this engagement.

MANAGEMENT RESPONSIBILITIES

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; for the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

Management is responsible for making all financial records and related information available to us, including identifying significant vendor relationships in which the vendor has the responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the District involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying to us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

At the conclusion of the engagement, the District's management will provide to us a representation letter that, among other things, (1) addresses management's responsibilities related to the audit and confirms certain representations made during the audit, including, management's acknowledgement of its responsibility for the design and implementation of programs and controls to prevent and detect fraud; (2) management's knowledge of fraud or suspected fraud affecting the entity involving management, employees who have a significant roles in internal control or others where fraud could have a material effect on the financial statements; and (3) management's knowledge of any allegations of fraud or suspected fraud affecting the entity, received in communications from employees or others. The representation letter will also affirm to us that management believes that the effects of any uncorrected misstatements aggregated pertaining to the current year financial statements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

CBH will rely on the District's management providing these representations to us, both in the planning and performance of the audit, and in considering the fees that we will charge to perform the audit.

AUDIT PROCEDURES – GENERAL

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve professional judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and fraud, or illegal acts that come to our attention during the course of our audit. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

AUDIT PROCEDURES – INTERNAL CONTROLS

Our audit will include obtaining an understanding of the entity and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards, and *Government Auditing Standards*.

AUDIT PROCEDURES - COMPLIANCE

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the District's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

COMMUNICATIONS

At the conclusion of the audit engagement, we will provide Management and those charged with governance our recommendations designed to help the District make improvements in its internal control structure and operations, and other matters that may come to our attention.

As part of this engagement we will ensure that certain additional matters are communicated to the appropriate members of management and the District's governing body. Such matters include (1) our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards*; (2) the initial selection of and changes in significant accounting policies and their application; (3) our independence with respect to the District; (4) the process used by management in formulating particularly sensitive accounting estimates and the basis for our conclusion regarding the reasonableness of those estimates; (5) audit adjustments that could, in our judgment, either individually or in the aggregate be significant to the financial statements or our report; (6) any disagreements with management concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements; (7) our views about matters that were the subject of management's consultation with other accountants about auditing and accounting matters; (8) major issues that were discussed with management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards; and (9) serious difficulties that we encountered in dealing with management related to the performance of the audit.

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report. Our most recent peer review report, letter of comment and our response accompanies this letter.

ACCESS TO WORKING PAPERS

The working papers for the engagement are the property of CBH and constitute confidential information. We have a responsibility to retain the documentation for a period of time to satisfy legal or regulatory requirements for retention. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties.

We may be requested to make certain documentation available to regulators, state or federal governmental agencies or their representatives pursuant to laws or regulations. Further, these regulators or agencies may intend to distribute to others, including other governmental agencies, without our knowledge or express permissions. You hereby acknowledge and authorize us to allow regulators access to and copies of documentation as requested.

ACCESS TO WORKING PAPERS (CONTINUED)

In addition, our Firm, as well as all other major accounting firms, participates in a "peer review" program, covering our audit and accounting practices. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.

ELECTRONIC TRANSMITTALS

During the course of our engagement, we may need to electronically transmit confidential information to each other, within the Firm, and to other entities engaged by either party. Although email is an efficient way to communicate, it is not always a secure means of communication and thus, confidentiality may be compromised. You agree to the use of email and other electronic methods to transmit and receive information, including confidential information between the Firm, the District and other third party providers utilized by either party in connection with the engagement.

SUBPOENAS

In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such a request.

TERMS AND CONDITIONS SUPPORTING FEE

As a result of our planning process, the District and CBH have agreed to a fee, subject to the following conditions:

The estimated fees set forth below are based on anticipated full cooperation from your personnel, timely delivery of requested audit schedules and supporting information, timely communication of all significant accounting and financial reporting matters, the assumption that unexpected circumstances will not be encountered during the audit, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances. We strive to ensure that we have the right professionals scheduled on each engagement.

As a result, sudden District requested scheduling changes or scheduling changes necessitated by the agreed information not being ready on the agreed upon dates can result in expensive downtime for our professionals. Any last minute schedule changes that result in downtime for our professionals could result in additional fees. Our estimated fee also does not include assistance in bookkeeping or other accounting services not previously described. If any such additional accounting or bookkeeping assistance is necessary to complete the accounting for the year under audit, we will discuss this with you and arrive at a new fee estimate before we incur the additional costs. Any modification to the fee shall be in writing and signed by both parties.

TERMS AND CONDITIONS SUPPORTING FEE (CONTINUED)

In providing our services, we will consult with the District with respect to matters of accounting, financial reporting, or other significant business issues. Accordingly, time necessary to affect a reasonable amount of such consultation is reflected in our fee. However, should a matter require research, consultation, or audit work beyond that amount, CBH and the District will agree to an appropriate revision in services and fee.

Except for any changes in fees, which may result from the circumstances described above, our fees will be limited to those set forth below.

FEE

Financial Audit - Our fees for these services will be based upon our customary billing practices at the time of the engagement. Bills for services will be rendered as work progresses and are due on presentation. A service charge will be added to past due accounts equal to 1 1/2% per month (18% annual rate) on the previous month's balance less payments received during the month, with a minimum charge of \$2.00 per month. The fee for our audit as described in this letter will not exceed \$48,670.

DISPUTE RESOLUTION PROCEDURES

If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, on written notice to the other party, request that the matter be mediated. Such mediation would be conducted by a mediator appointed by and pursuant to the rules of the American Arbitration Association (AAA) or such other neutral facilitator acceptable to both parties. Both parties would exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute, controversy, or claim.

CBH and the District both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the AAA. Any award rendered by the Arbitrator pursuant to this Agreement may be filed and entered and shall be enforceable in the Superior Court of the County in which the arbitration proceeds. *In agreeing to arbitration, we both acknowledge that, in event of a dispute over fees charge by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.*

The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

Metropolitan Sewerage District of Buncombe County, North Carolina

January 30, 2012

Page 8

If the foregoing is in accordance with your understanding, please sign a copy of this letter in the space provided and return it to us. If you have any questions, please call Eddie Burke at (910) 273-6000.

Very truly yours,

Cherry, Rickett & Hahn LLP.

Enclosure

RESPONSE:

This letter correctly sets forth the understanding of the District

W. Scott Powell, CLGFO
Director of Finance

Date

August 27, 2010

System Review Report

To the Partners of Cherry, Bekaert & Holland L.L.P.
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Cherry, Bekaert & Holland L.L.P. (the firm) applicable to non-SEC issuers in effect for the year ended April 30, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, and an audit performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Cherry, Bekaert & Holland L.L.P., applicable to non-SEC issuers in effect for the year ended April 30, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Cherry, Bekaert & Holland L.L.P. has received a peer review rating of *pass*.



EisnerAmper LLP

AICPA Peer Review Program
Administered by the
National Peer Review Committee

October 7, 2010

Howard Joseph Kies, CPA
Cherry Bekaert & Holland LLP
1700 Bayberry Ct Ste 300 Ste 300
Richmond, VA 23226

Dear Mr. Kies:

It is my pleasure to notify you that on September 16, 2010 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is October 31, 2013. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,



Robert Rohweder
Chair—National PRC
nprc@aicpa.org 919 402-4502

cc: Lawrence Gray, CPA

Firm Number: 10011816 Review Number: 309298

CONTRACT TO AUDIT ACCOUNTS

of Metropolitan Sewerage District of Buncombe County
Governmental Unit

On this 30th day of January, 2012, Cherry, Bekaert & Holland
Auditor

1111 Metropolitan Avenue, Suite 1000, Charlotte, North Carolina 28204
Mailing Address

_____, hereinafter referred to as
the Auditor, and Commissioners of Metropolitan Sewerage District of Buncombe County, hereinafter referred
Governing Board Governmental Unit
to as the Governmental Unit, agree as follows:

1. The Auditor shall audit all statements and disclosures required by generally accepted accounting principles and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit for the period beginning July 1, 2011, and ending June 30, 2012. The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion will be rendered in relation to (as applicable) the governmental activities, the business-type activities, the aggregate discretely presented component units, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).
2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with generally accepted auditing standards. The Auditor shall perform the audit in accordance with *Government Auditing Standards* if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB Circular A-133 and the State Single Audit Implementation Act, the auditor shall perform a Single Audit. This audit and all associated workpapers may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the LGC. If the audit and/or workpapers are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners.
3. This contract contemplates an unqualified opinion being rendered. If financial statements are not prepared in accordance with generally accepted accounting principles (GAAP), or the statements fail to include all disclosures required by GAAP, please provide an explanation for that departure from GAAP in an attachment.
4. This contract contemplates an unqualified opinion being rendered. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract
5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, July 2007 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of their most recent peer review report regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the Local Government Commission prior to the execution of the audit contract. (See Item 21) If the audit firm received a peer review rating other than pass, the auditor shall not contract with any Local Government Units without first contacting the Secretary of the Local Government Commission for a peer review analysis that may result in additional contractual requirements.

If the audit engagement is not subject to *Government Accounting Standards*, the Auditor shall provide an explanation as to why in an attachment.

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to the SLGFD within four months of fiscal year end. audit report is due on: October 31, 2012. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay must be submitted to the Secretary of the Local Government Commission for approval.
7. It is agreed that generally accepted auditing standards include a review of the Governmental Unit's systems of internal control and accounting as the systems relate to accountability of funds, adherence to budget requirements, and adherence to law requirements. In addition, the Auditor will make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his findings, together with his recommendations for improvement. That written report must include all matters defined as "significant deficiencies and material weaknesses" in AU 325 of the *AICPA Professional Standards*. The Auditor shall file a copy of that report with the Secretary of the Local Government Commission.
8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the Local Government Commission. This includes annual or special audits, agreed upon procedures related to Internal Control, bookkeeping or other assistance necessary to prepare the Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. Invoices for services rendered under these contracts

Contract to Audit Accounts (cont.) Metropolitan Sewerage District of Buncombe County

(Name of unit)

shall not be paid by the Governmental Unit until the invoice has been approved by the Secretary of the Local Government Commission. (This also includes any progress billings.) [G.S. 159-34 and 115C-447] The process for invoice approval has changed. All invoices for Audit work must be submitted by email in PDF format to the Secretary of the Local Government Commission for approval. The invoices must be emailed to: lge.invoice@nctreasurer.com Email Subject line should read "unit name – invoice. The PDF invoice marked approved with approval date will be returned by email to the Auditor for them to present to the Local Government Unit for payment. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.

9. In consideration of the satisfactory performance of the provisions of this agreement, the Governmental Unit shall pay to the Auditor, upon approval by the Secretary of the Local Government Commission, the following fee, which includes any cost the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (Federal and State grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts:

Year-end bookkeeping assistance – [For audits subject to Government Auditing Standards, this is limited to bookkeeping services permitted by revised Independence Standards] N/A

Audit \$44,080 + expenses not to exceed \$4,590; total not to exceed \$48,670

Preparation of the annual financial statements N/A

10. The auditor working with a local governmental unit that has outstanding revenue bonds will include in the notes to the audited financial statements, whether or not required by the revenue bond documents, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the auditor should be aware that any other bond compliance statements or additional reports required in the authorizing bond documents need to be submitted to the Local Government Commission simultaneously with the local government's audited financial statements unless otherwise specified in the bond documents.
11. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include but not be limited to the following information: (a) Management's Discussion and Analysis, (b) the financial statements and notes of the governmental unit and all of its component units prepared in accordance with generally accepted accounting principles, (c) supplementary information requested by the client or required for full disclosure under the law, and (d) the Auditor's opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Governing Board as soon as practical after the close of the accounting period.
12. If the audit firm is required by the NC CPA Board or the Secretary of the Local Government Commission to have a pre-issuance review of their audit work, there must be a statement added to the engagement letter specifying the pre-issuance review including a statement that the Unit of Government will not be billed for the pre-issuance review. The pre-issuance review must be performed **prior** to the completed Audit being submitted to the Local Government Commission. The pre-issuance report must accompany the audit report upon submission to the Local Government Commission.
13. The Auditor shall electronically submit the report of audit to the Local Government Commission when (or prior to) submitting the invoice for services rendered. The report of audit, as filed with the Secretary of the Local Government Commission, becomes a matter of public record for inspection and review in the offices of the Secretary by any interested parties. Any subsequent revisions to these reports must be sent to the Secretary of the Local Government Commission. These audited financial statements are used in the preparation of Official Statements for debt offerings (the auditors' opinion is not included), by municipal bond rating services, to fulfill secondary market disclosure requirements of the Securities and Exchange Commission, and other lawful purposes of the government, without subsequent consent of the auditor. If it is determined by the Local Government Commission that corrections need to be made to the unit's financial statements they should be provided within three days of notification unless, another time frame is agreed to by the Local Government Commission.

The Local Government Commission's process for submitting audit reports is subject to change. Auditors should use the submission process in effect at the time of submission.

In addition, if the North Carolina Office of the State Auditor designates certain programs to be audited as major programs, a turnaround document and a representation letter addressed to the State Auditor shall be submitted to the Local Government Commission.

14. The auditor can be reached for matters concerning this contract at the following email address: eburke@cbh.com

The finance officer or other responsible employee/official can be reached for matters concerning this contract at the following email address: spowell@msdbc.org

15. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the Secretary of the Local Government Commission, this agreement

may be varied or changed to include the increased time and/or compensation as may be agreed upon by the Governing Board and the Auditor.

- 16. If an approved contract needs to be varied or changed for any reason, the change must be made in writing, signed and dated by all parties and pre-audited if the change includes a change in audit fee. This document and a written explanation of the change must be submitted by email in PDF format to the Secretary of the Local Government Commission for approval. The portal address to upload your amended contract and Letter of explanation documents is <http://nctreasurer.slgfd.leapfile.net> No change shall be effective unless approved by the Secretary of the Local Government Commission, the Governing Board, and the Auditor.
- 17. Whenever the Auditor uses an engagement letter with the client, Item 18 is to be completed by referencing the engagement letter and attaching a copy of the engagement letter to the contract to incorporate the engagement letter into the contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract will control. Engagement letter terms are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item 23 of this contract. Engagement letters containing indemnification clauses will not be approved by the Local Government Commission.
- 18. Special provisions should be limited. Please list any special provisions in an attachment.
See attached engagement letter
- 19. A separate contract should not be made for each division to be audited or report to be submitted. A separate contract must be executed for each component unit which is a local government and for which a separate audit report is issued.
- 20. The contract must be executed, pre-audited, physically signed by all parties and submitted in PDF format including unit and auditor signatures to the Secretary of the Local Government Commission. The portal address to upload your contractual documents is <http://nctreasurer.slgfd.leapfile.net> Electronic signatures are not accepted at this time.
- 21. The contract is not valid until it is approved by the Local Government Commission. The staff of the Local Government Commission shall notify the unit and auditor of contract approval by email. The audit should not be started before the contract is approved.
- 22. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the Local Government Commission.
- 23. All of the above paragraphs are understood and shall apply to this agreement, except the following numbered paragraphs shall be deleted: (See Item 17.)

Audit Firm Signature:

Firm Cherry, Bekaert & Holland

By Eddie Burke
(Please type or print name)



(Signature of authorized audit firm representative)

Email Address: eburke@cbh.com

Date 1/30/2012

Unit Signatures (continued):

By _____
(Chair of Audit Committee- please type or print name)

(Signature of Audit Committee Chairperson)

Date _____
(If unit has no audit committee, this section should be marked "N/A.")

Email address _____

Unit Signatures:

By _____
(Please type or print name and title)

(Signature of Mayor/Chairperson of governing board)

Date _____

Email Address _____

Date Governing Body Approved Audit Contract _____

This instrument has been preaudited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act. Additionally, the following date is the date this audit contract was approved by the governing body.

Governmental Unit Finance Officer (Please type or print name)

(Signature)

Date _____

(Preaudit Certificate must be dated.)

Email address _____

Checklist for Contracts To Audit Accounts (Form LGC-205) (Most Common Errors Resulting in Contract Being Returned)

- Item No. 1 - Is the fiscal year-end date correct?
- Item No. 6 - Is the due date correct? For all units, the contract due date can be no later than 4 months after the end of the fiscal year, even though amended contracts may not be required until a later date.
- For variable fees for services, are the hourly rates or other rates clearly stated? If issued separately (detailed by position's hourly rates) has the separate page been acknowledged by the government?
- For fees for services that are a combination of fixed and variable fees, are the services to be provided for the fixed portion of the fee clearly stated? Are the hourly rates or other rates clearly stated for the variable portion of the fee?
- If the auditor is performing an audit under the yellow book or single audit rules, has year-end bookkeeping assistance been limited to those areas permitted under the revised GAO Independence Standards? Although not required, we encourage units and auditors to disclose the nature of these services in the contract or an engagement letter.
- Item No. 18- If there is a reference to an engagement letter or other document, has the engagement letter or other document been acknowledged by the governmental unit and attached to the contract submitted to the SLGFD?
- Does the engagement letter contain an indemnification clause?
If so, the clause must comply with Memo # 986.
- Has the preaudit certificate been **Signed** and **Dated**?
- Has the name and title of the Mayor or Chairperson of the governing board been typed or printed on the contract?
- Have all parties **Signed** and **Dated** the contract and included email addresses for communications?
- Has the most recent peer review report been included with the contract?

Metropolitan Sewerage District of Buncombe County

BOARD INFORMATIONAL ITEM

Meeting Date: February 15, 2012

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

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

Subject: Second Quarter Budget to Actual Review

Background

At the end of each quarter, actual revenue and expenditure amounts are compared with the budget to evaluate the District's financial performance. The attached schedule includes year-to-date actual amounts as of December 31, 2011 as well as the adopted budget for FY 11-12.

Discussion

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

- ★ Domestic and Industrial User Fees are at budget expectations. Staff monitors consumption trends as they have a direct effect on the District's current and future revenue projections.
- ★ Facility and Tap Fees, also conservatively budgeted, can be significantly higher than budget. The unusually large variance as of the end of the second quarter is due to receiving unanticipated revenue of \$610,000 from one development.
- ★ Interest and miscellaneous income are above budgeted expectations. This is a direct result of the District selling renewable energy credits associated with the Hydro-electric facility. Investment income is still experiencing recessionary pressure on the fixed income market.
- ★ Rental income reflects expected earnings.
- ★ O&M expenditures are at 51.06% of budget. The expenditures include encumbered amounts, which has elevated the budget to actual ratio slightly above 50%. The aforementioned encumbrances will be spent in the future.
- ★ Bond principal and interest actually spent is less than 50% of budget. This is due to the timing of the District's debt service payments. The District is required to make a semi-annual interest payment on December 1, 2011 and a principal and semi-annual interest payment on July 1, 2012.
- ★ Amounts budgeted for capital equipment and capital projects are rarely expended proportionately throughout the year and are expected to be fully spent prior to the end of the year.

Staff Recommendation

None. Information only.

Action Taken

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

Board Meeting

February 15, 2012

Subject: Second Quarter Budget to Actual Review

Page -2-

Metropolitan Sewerage District Budget to Actual Revenue and Expenditure Report

For the six months ending 12/31/2011

UNAUDITED--NON-GAAP

	Budget	Actual to Date	% Budget to Actual
REVENUES			
Domestic User Fees ¹	\$ 25,030,400	\$ 13,468,643	53.81%
Industrial User Fees	1,602,660	854,247	53.30%
Facility Fees ²	1,250,000	1,244,624	99.57%
Tap Fees ³	105,000	112,950	107.57%
Billing and Collection	657,810	322,968	49.10%
Interest and Misc. Income	601,064	376,472	62.63%
Grant Revenue	119,675	38,963	32.56%
Employee Contribution to Health Ins.	460,079	222,363	48.33%
City of Asheville (Enka Bonds) ⁴	37,000	-	0.00%
Rental Income	67,872	35,178	51.83%
Use of Available Funds ⁵	13,483,225	-	0.00%
Total Revenues ⁶	\$ 43,414,785	\$ 16,676,407	38.41%
EXPENDITURES			
Operations and Maintenance ⁷	\$ 14,545,544	\$ 7,427,436	51.06%
Bond Principal and Interest ⁸	8,371,858	1,414,692	16.90%
Capital Equipment (Other than O&M) ⁷	809,607	557,273	68.83%
Capital Projects ⁷	18,687,776	15,523,400	78.85%
Contingency	1,000,000	-	0.00%
Total Expenditures	\$ 43,414,785	\$ 24,922,801	57.41%

Notes:

¹ Revenues are on the cash basis

² Increase due to unanticipated revenue from a development

³ Increase in number of Taps requiring Bore Fees

⁴ Payment to be received in May

⁵ Pay-as-go funds to be used for CIP

⁶ Budget-to-Actual Ratio does not include use of available funds

⁷ Includes encumbered amounts as well as actual insurance expenditures

⁸ Below 50% because 100% of principal payments due on July 1, 2012 for the entire FY12

Metropolitan Sewerage District of Buncombe County

BOARD INFORMATIONAL ITEM

Meeting Date: February 15, 2012
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, CLGFO, Director of Finance
Subject: Cash Commitment/Investment Report-Month Ended December 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 December 31, 2011 were \$35,666,454. The detailed listing of accounts is available upon request. The average rate of return for all investments is 1.099%. These investments comply with North Carolina General Statutes, Board written investment policies, and the District's Bond Order.

The attached investment report represents cash and cash equivalents as of December 31, 2011 does not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of December 31, 2011 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is \$5,318,849.

Total Cash & Investments as of 12/31/2011	35,666,454
Less:	
Budgeted Commitments (Required to pay remaining FY12 budgeted expenditures from unrestricted cash)	
Construction Funds	(9,521,496)
Operations & Maintenance Fund	(7,655,857)
	(17,177,353)
Bond Restricted Funds	
Bond Service (Funds held by trustee):	
Funds in Principal & Interest Accounts	(975,438)
Debt Service Reserve	(2,695,955)
Remaining Principal & Interest Due	(5,948,542)
	(9,619,935)
District Reserve Funds	
Fleet Replacement	(612,071)
WWTP Replacement	(710,774)
Maintenance Reserve	(813,696)
	(2,136,541)
Post-Retirement Benefit	(743,999)
Self-Funded Employee Medical	(669,777)
Designated for Capital Outlay	5,318,849

Staff Recommendation

None. Information Only.

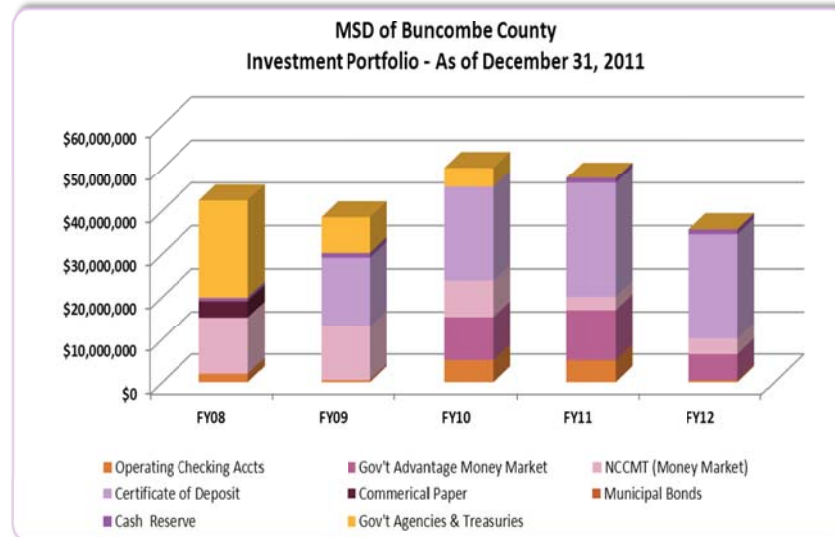
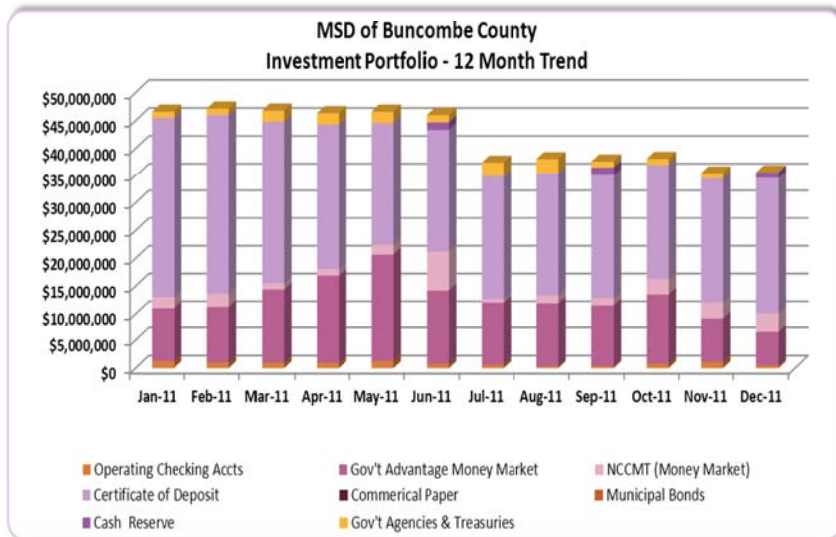
Action Taken

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

Metropolitan Sewerage District of Buncombe County Investment Portfolio

	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	\$ -	\$ -	\$ 2,526,393	\$ -	\$ -	\$ -	\$ 1,145,000	\$ -	\$ 3,671,393
Held by MSD	450,894	6,042,493	1,110,250	24,391,424	-	-	-	-	31,995,061
	\$ 450,894	\$ 6,042,493	\$ 3,636,643	\$ 24,391,424	\$ -	\$ -	\$ 1,145,000	\$ -	\$ 35,666,454

<u>Investment Policy Asset Allocation</u>	<u>Maximum Percent</u>	<u>Actual Percent</u>	
U.S. Government Treasuries, Agencies and Instrumentalities	100%	3.21%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	68.39%	The District's YTM of .79% 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%	10.20%	
Checking Accounts:	100%		All funds invested in CD's, operating checking accounts, Gov't Advantage money market are fully collateralized with the State Treasurer.
Operating Checking Accounts		1.26%	
Gov't Advantage Money Market		16.94%	



Board Meeting

February 15, 2012

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

Page -3-

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

Summary of Asset Transactions

	Original Cost	Market	Interest Receivable
Beginning Balance	\$ 31,094,247	\$ 31,094,247	\$ 184,537
Capital Contributed (Withdrawn)	(296,465)	(296,465)	-
Realized Income	13,948	13,948	(13,042)
Unrealized/Accrued Income	-	-	10,836
Ending Balance	<u>\$ 30,811,730</u>	<u>\$ 30,811,730</u>	<u>\$ 182,331</u>

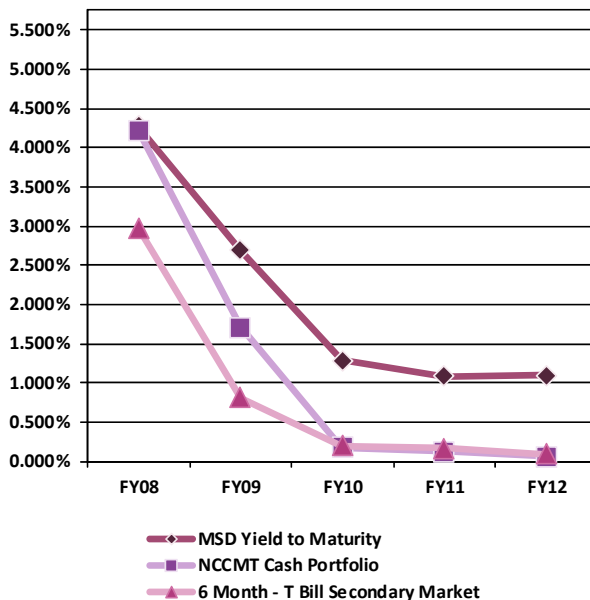
Value and Income by Maturity

	Original Cost	Income
Cash Equivalents <91 Days	\$ 6,420,306	\$ 2,447
Securities/CD's 91 to 365 Days	24,391,424	\$ 9,295
Securities/CD's > 1 Year	-	\$ -
	<u>\$ 30,811,730</u>	<u>\$ 11,742</u>

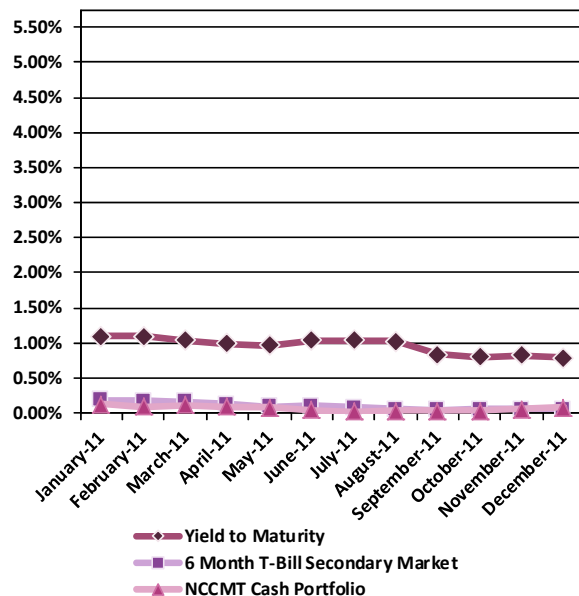
Month End Portfolio Information

Weighted Average Maturity	439
Yield to Maturity	0.79%
6 Month T-Bill Secondary Market	0.05%
NCCMT Cash Portfolio	0.08%

**Metropolitan Sewerage District
Annual Yield Comparison**



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



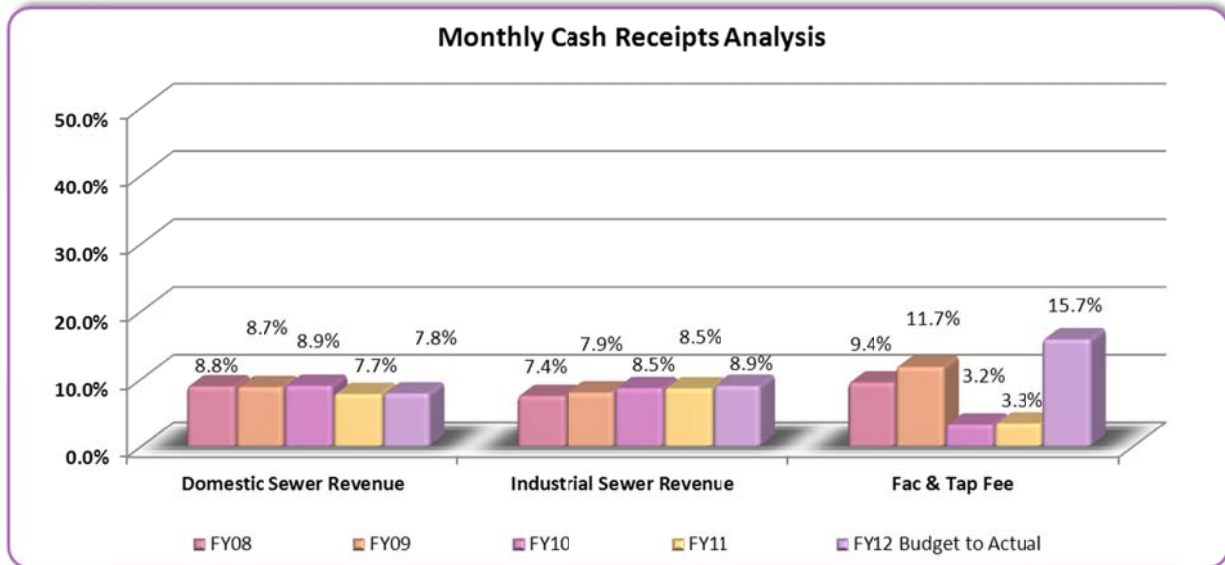
Board Meeting

February 15, 2012

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

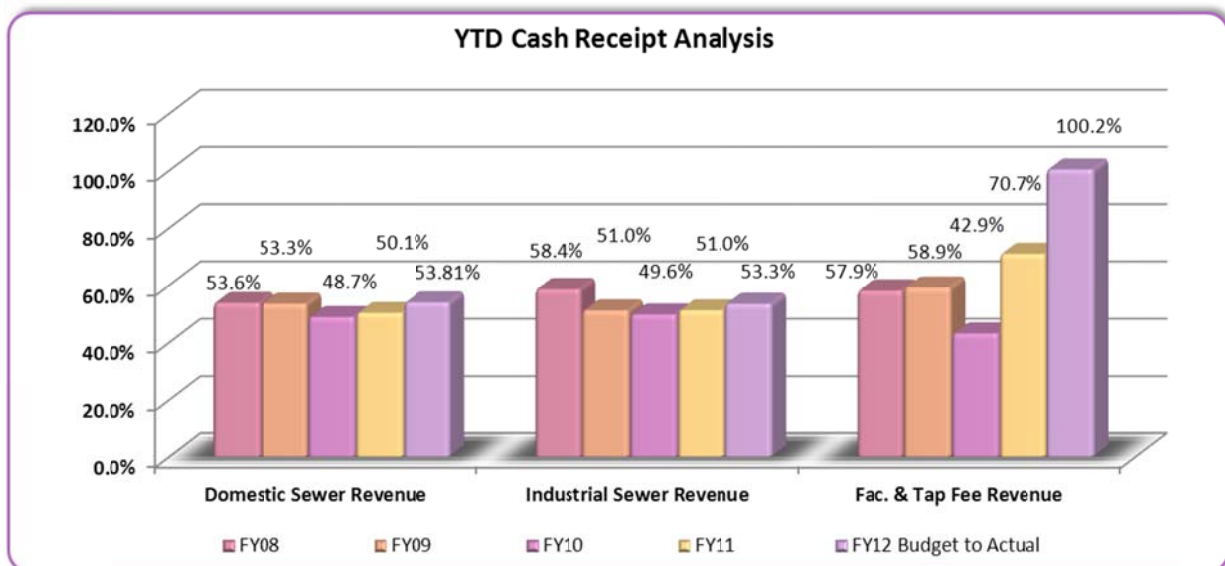
Page -4-

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



Monthly Cash Receipts Analysis:

- Due to the City of Asheville’s implementation of their Munis Billing System, cash receipts were delayed. This has impacted receipts and will be resolved in the following months.
- 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:

- Due to the City of Asheville’s implementation of their Munis Billing System, cash receipts were delayed. This has impacted receipts and will be resolved in the following months.
- YTD 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.

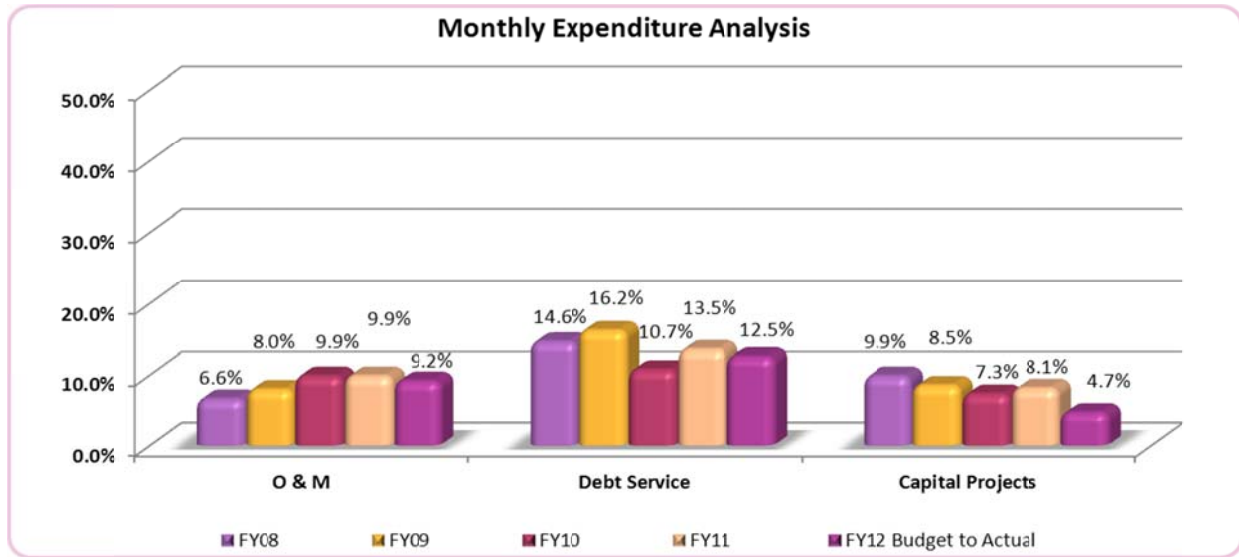
Board Meeting

February 15, 2012

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

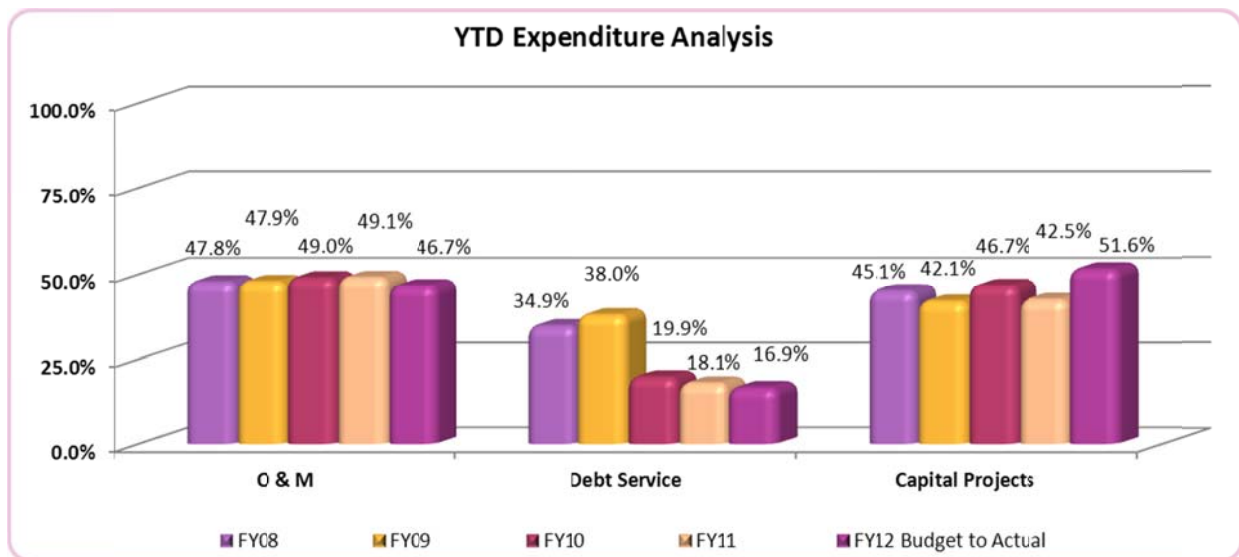
Page -5-

**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF EXPENDITURES
AS OF DECEMBER 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.

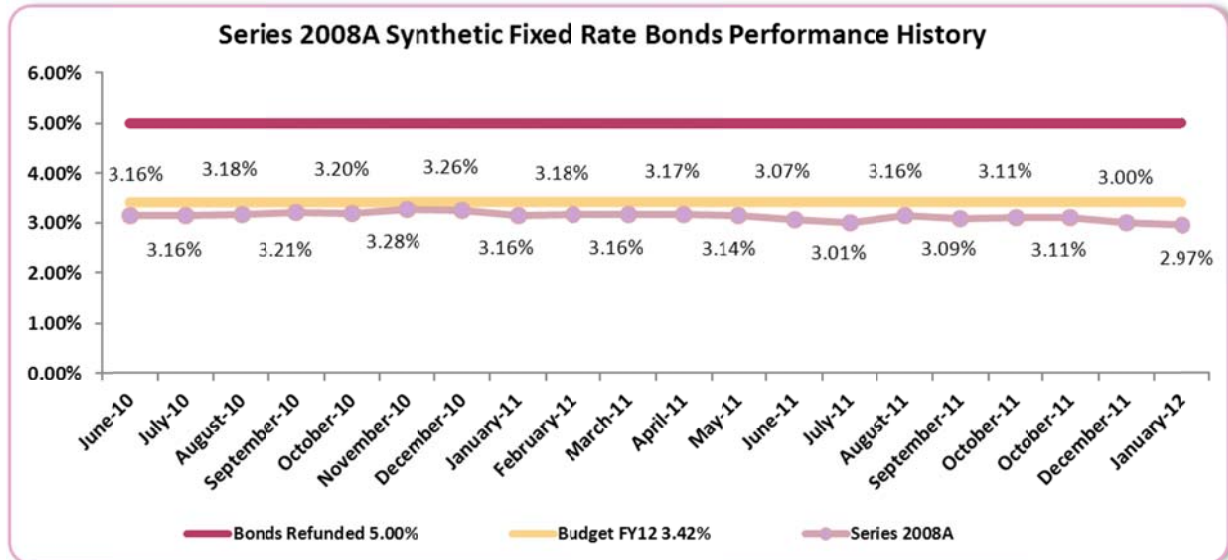
Board Meeting

February 15, 2012

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

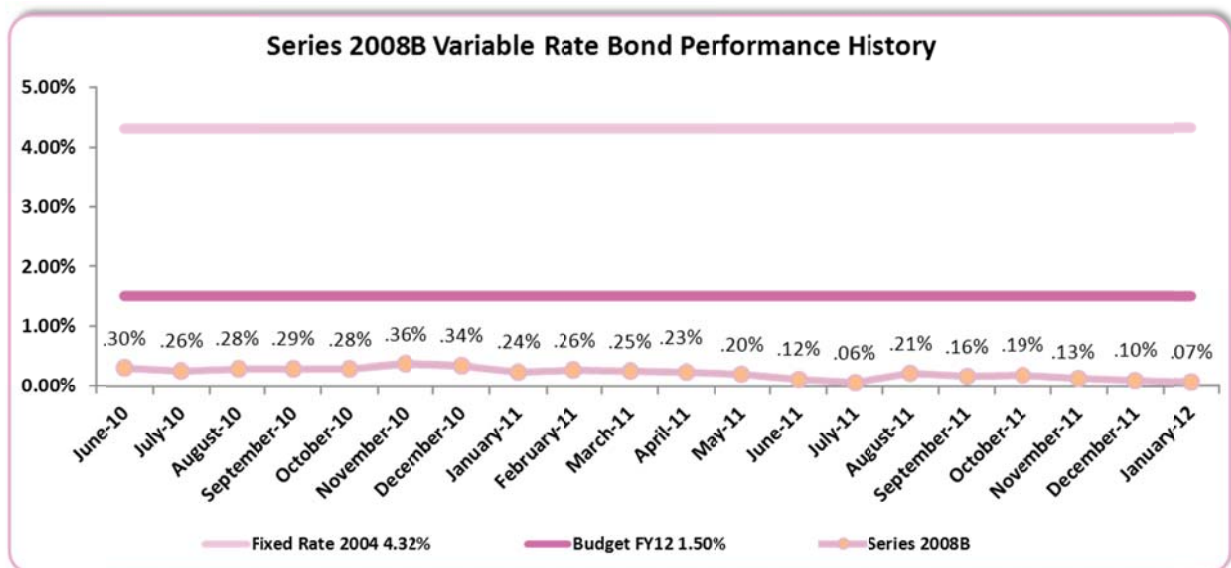
Page -6-

**METROPOLITAN SEWERAGE DISTRICT
Variable Debt Service Report
As of January 30, 2012**



Series 2008A:

- ⊗ Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$2,010,419 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 \$4,730,000 over the life of the bonds.
- ⊗ MSD would pay \$6,275,000 to terminate the existing Bank of America Swap Agreement.



Series 2008B:

- ⊗ Savings to date on the 2008B Variable Rate Bonds is \$2,899,706 as compared to 5/1 fixed rate of 4.32%.
- ⊗ Since May 1, 2008, the Series 2008B Bonds average variable rate has been 0.60%.
- ⊗ MSD will achieve \$8,750,000 in cash savings over the life of the bonds at the current average variable rate.

STATUS REPORTS

***Right of Way Section
2nd Quarter Summary
Open Projects***

<i>Project</i>	<i>Total ROW Budget</i>	<i>Total Expends to Date</i>	<i>Comment</i>
165 Old County Home Road SS Rehabilitation	\$10,478	\$300	Access 20% complete with 3% of Total Budget expended to date.
Black Mountain Ingles @ I-40 Emergency Rehab	\$17,688	\$7,688	Project 100% complete with 43% of Total Budget expended and no condemnations.
Bradley Branch Road GSR	\$59,229	\$35,934	Project 80% complete with 61% of Total Budget expended to date.
Central Avenue GSR	\$25,424		Just sent intro letters.
Dingle Creek Interceptor (formerly Ph II)	\$64,657	\$48,004	Access 100% complete with 74% of Total Budget expended to date. One condemnation filed with judgment pending.
Forest Hill Drive #2 PRP	\$90,058	\$75,030	Access 100% complete with 82% of Total Budget expended to date. Two condemnations filed with judgments pending.
Givens Estate Sanitary Sewer Rehabilitation	\$49,137	\$16,418	Access 50% complete with 33% of Total Budget expended to date.
Liberty Street Sewer Rehabilitation	\$22,093	\$2,551	Access 100% complete with 12% of Total Budget expended to date. Two condemnations filed; one dismissed; one pending judgment.
Long Shoals Road PRP	\$340,584	\$219,443	Access 100% complete with 64% of Total Budget expended to date. Three condemnations filed; two settled prior to trial; one pending trial.
Lower Smith Mill Creek Rehabilitation	\$350,324	\$315,620	Access 100% complete with 90% of Total Amended Budget expended to date. Ten condemnations filed; two have been dismissed, seven settled prior to trial and one pending judgment.
Merrimon Avenue @ Stratford Road GSR	\$55,854	\$44,030	Access 100% complete with 79% of Total Budget expended to date. One condemnation filed with judgment pending.
Moore Circle PRP 45001	\$23,896	\$9,140	Access 86% complete with 38% of Total Budget expended to date.
Old Home @ Weaverville Highway PRP	\$100,394	\$99,277	Access 100% complete with 99% of Total Budget expended to date. Market values much greater than tax values in this corridor and appraised damages were high. One condemnation filed with judgment pending.

<i>Project</i>	<i>Total ROW Budget</i>	<i>Total Expenditures to Date</i>	<i>Comment</i>
Short Coxe @ Southside	\$165,652	\$109,953	Access 67% complete with 66% of Total Budget expended to date. Five condemnations/declaratory judgments filed. Two settled for appraised damages; three judgements pending.
Town Mountain Road 4" Main Rehabilitation	\$14,992	\$5,500	All three parcels owned by the same person who is unwilling to grant easement. Condemnations filed with judgments pending. 37% of Total Budget expended to date.
West French Broad Interceptor Extension			Master Plan project. Held initial meetings with owners; received authority to survey and proceed with design. Summary report of market values from appraiser indicates pricing in the \$40,000 to \$65,000 per acre range.
Willowbrook Road Sanitary Sewer Rehabilitation	\$27,105		Owners have not agreed to grant easements; condemnations likely.

CAPITAL IMPROVEMENT PROGRAM

STATUS REPORT SUMMARY

February 7, 2012

PROJECT	CONTRACTOR	AWARD DATE	NOTICE TO PROCEED	ESTIMATED COMPLETION DATE	*CONTRACT AMOUNT	*COMPLETION STATUS (WORK)	COMMENTS
DILLINGHAM ROAD - 4 INCH MAIN	TBA	TBA	TBA	TBA	TBA	0%	Informal Project is scheduled to bid on March 8th, 2012.
DINGLE CREEK INTERCEPTOR @ CROWFIELDS, PHASE II	T & K Utilities	9/21/2011	10/7/2011	2/14/2012	\$175,854.00	95%	Informal Project is ready for final clean up.
FIBER OPTIC CONDUIT INSTALLATION	P & S Underground	2/8/2012	TBA	TBA	\$24,723.10	0%	Informal Bids were opened on February 6th. P & S Underground, LLC is the low bidder.
PATTON AVENUE @ PARKWOOD ROAD	Huntley Construction	1/18/2012	TBA	TBA	\$243,718.16	0%	Informal Project was awarded to Huntley Construction Company.
PIPE RATING CONTRACT #6 (LINING)	Improved Technologies Group	10/19/2011	12/5/2011	7/2/2012	\$808,846.50	20%	Formal Repairs and manhole replacement are nearly complete. Lining has begun in the Oakley area.
ROEBLING CIRCLE	TBA	TBA	TBA	TBA	TBA	0%	Informal Project is scheduled to bid on March 8th, 2012.
ROLLINGWOOD ROAD	Huntley Construction	8/17/2011	9/19/2011	2/17/2012	\$206,957.50	95%	Informal Mainline construction is complete. Working on clean up and service lines. Paving will be done in the Spring.
TOWN BRANCH INTERCEPTOR PHASE II	Moore & Son	6/15/2011	7/18/2011	2/16/2012	\$556,273.80	92%	Formal Mainline construction is complete; working on clean up, restoration and binder installation. Depot Street paving has been relinquished to COA.
TOWN MOUNTAIN ROAD (4-INCH MAIN)	Terry Brothers	1/18/2012	TBA	TBA	\$284,847.00	0%	Informal Project was awarded to Terry Brothers Construction Company.
VA HOSPITAL (PRP 28001)	Huntley Construction	12/14/2011	2/6/2012	6/5/2012	\$200,786.99	0%	Informal Surveying has begun and construction is imminent.
WRF - FINAL MICROSCREEN REPLACEMENT	Hickory Construction	10/20/2010	1/3/2011	7/1/2012	\$8,972,321.36	53%	Formal Urethane liners have been problematic and have slowed progress to a crawl. All is well, just unexpected. Crane work complete and equipment installation ongoing.
WRF - ROOF REPLACEMENT ON FINAL MICROSCREEN BUILDING	Carolina Specialties	2/3/2012	TBA	TBA	\$110,719.00	0%	Informal Bids were opened on February 2nd. Carolina Specialties is the low bidder. Contracts have been mailed; construction is imminent.

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

Planning and Development Projects Status Report
February 15, 2012

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	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	Redesign
	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
	MWB Sewer Extension	2008046	Asheville	Comm.	285	5/12/2008	Complete - Waiting on final documents
	Black Mtn Annex: Avena Rd.	1999026	Black Mtn.	24	4,300	8/19/2010	Complete - Waiting on final documents
	Black Mtn Annex: McCoy Cove	1992174	Black Mtn.	24	2,067	8/19/2010	Complete - Waiting on final documents
	Black Mtn Annex: Blue Ridge Rd.	1992171	Black Mtn.	24	2,560	8/19/2010	Complete-Waiting on final documents
	Kenilworth Healthy Built	2011030	Asheville	5	252	8/23/2011	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
	Greeley Street	2011053	Asheville	2	119	9/15/2011	Complete - Waiting on final documents
	Momentum Health Adventure	2008097	Asheville	Comm.	184	8/19/2009	Complete - Waiting on final documents
	North Point Baptist Church	2008105	Weaverville	Comm.	723	5/20/2009	Complete - Waiting on final documents
	Lutheridge - Phase I	2009112	Arden	Comm.	330	3/16/2010	Complete-Waiting on final documents
	AVL Technologies	2010018	Woodfin	Comm.	133	5/21/2010	Complete-Waiting on final documents
	Ridgefield Business Park	2004188	Asheville	18	758	2/16/2005	Complete-Waiting on final documents

Subtotal	559	18,144
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Planning and Development Projects Status Report
February 15, 2012

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	UNC-A New Residence Hall	2011047	Asheville	304	404	8/29/2011	Testing
	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
	Emergency Services Training Center	2009027	Woodfin	Comm.	2,512	2/7/2011	Punchlist pending
	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	Punchlist pending
	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	Ready for final inspection
	Thom's Estate - Phase II	2008071	Asheville	40	3,701	2/9/2011	Testing
	Berrington Village Apartments	2008164	Asheville	308	4,690	5/5/2009	Redesign
	Cottonwood Townhomes	2009110	Black Mtn.	8	580	10/20/2009	Testing
	Camp Dorothy Walls - Ph. 2	2007294	Black Mtn.	Comm.	593	6/16/2009	Pre-con held, ready for construction
	Thoms Estate 3A	2011022	Asheville	8	457	10/24/2010	Pre-con held, ready for construction
	Olive Garden	2011074	Asheville	Comm.	500	12/12/2011	Installing
	Fairview Road Property	2010043	Asheville	10	542	11/9/2011	Installing
	Larchmont Apartments	2011014	Asheville	60	26	6/23/2011	Installing

Subtotal	2047	88,918
Total Units:	2,606	
Total LF:		107,062