

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT**  
**APRIL 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, April 18, 2012. Chairman Aceto presided with the following members present: Bryson, Creighton, Haner, Kelly, Manheimer, Pelly, Root, Stanley, Watts and VeHaun. Mr. Russell was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Joseph Martin, Woodfin Sanitary Water & Sewer District, Gary Jackson, Asheville City Manager, Ron Kerns, City of Asheville Water Resources, Dr. Milton Byrd, Candidate Buncombe County Board of Commissioners, Joel Burgess, Asheville Citizen Times, Ed Bradford, John Kiviniemi, Stan Boyd, Scott Powell, Peter Weed, Mike Stamey, Ken Stines, Jim Hemphill, Angel Banks, Shaun Armistead, Hunter Carson and Sondra Honeycutt, MSD.

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

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

**3. Approval of Minutes of the March 21, 2012 Board Meeting:**

Mr. Aceto asked if there were any changes to the Minutes of the March 21, 2012 Board Meeting. With no changes, the Minutes were approved as presented.

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

Mr. Aceto stated that the Legislative Issue will be discussed under New Business.

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

Mr. Aceto welcomed Mr. Martin, Mr. Kerns, Dr. Byrd and Mr. Burgess. There was no public comment.

**6. Report of General Manager:**

Mr. Hartye gave an update on the System Services crew who were injured in a recent accident while working along Montford Avenue. He reported that Carl Ellington, who sustained most of the injuries, is recovering and doing well and Scott Graham is back at work but is receiving therapy.

Mr. Hartye reported that John Kiviniemi, Plant Director is leaving MSD after 14 years of service. He stated that John will relocate to Carrboro, NC to re-unite with his family and has accepted a position as Plant Manager for OWASA. He further stated that John brought about many improvements to the Plant. Besides the Clean Compliance record for Air and Discharge, he brought about the ISO 14001 Certification and has been an outstanding representative for MSD in the wastewater community. He was actively involved with Water for People and won the Asheville Operator of the Year award and has served as President of the Association. Mr. Hartye stated that on behalf of the Division heads, we have enjoyed working with John and he will be sorely missed. Mr. Kiviniemi stated that it is hard to believe 14 years has gone by so quickly and feels like he's moving back to one family, but leaving another. John expressed his appreciation to the Board for its support over the years. Mr. Aceto stated that the Board is very appreciative of John's service to the MSD and community. Mr. Haner stated that he knew John before he was appointed to the Board and that the job John did was top notch and he enjoyed working with him.

Mr. Hartye introduced Shaun Armistead who recently received his Professional Engineer's Certification. He stated that Shaun will give a short video presentation on the "Operations Challenge" that was held at the 2011 NC AWWA-WEA State Conference in Concord, NC. Mr. Armistead reported that the members of the Operations Challenge Team "Flow Motion" are Gilbert Karn, Jason Brigmon (Captain), Ben Reeves (Coach), himself, Jason Price and Mike Rice (Alternate). He further reported that there were three (3) events; the Collection System Event; the Laboratory Event and the Pump Maintenance Event. He presented a video showing each event and how they were performed. He stated that the time on the Collections Event was 90 seconds, which earned 1<sup>st</sup> place; 6 minutes on the Pump Maintenance Event, which earned 1<sup>st</sup> place, and 8 minutes on the Laboratory Event, which earned 2<sup>nd</sup> place. All three events won MSD 1<sup>st</sup> place overall for the competition. Mr. Armistead reported that the 2012 National Competition will have five events, which include the three previously mentioned events and the Process Control Event and Safety Event. He stated that one thing the team is especially proud of was the times they turned in at the State conference which compared favorably with the times at the National conference; meaning they would have been in the top five across the board in all three events they participated in. Mr. Hartye stated that the team practices mostly on their own time in order to build up their skills. Also, because they won at the State conference, the organization will pay for them to attend the National conference in New Orleans in October.

Mr. Hartye presented an email account of a call from Phillip Ray of Riceville Road expressing his appreciation for the customer service provided by Wayne Rice and the crew from the System Services Division.

Mr. Hartye reported that the LRC will hold its last meeting in Raleigh on April 19<sup>th</sup>. He stated that in a recent Asheville Citizen-Times article, there was some rate information quoted that was inaccurate and that he would like to clarify. He presented a slide showing the bi-monthly bill for Asheville Water Customers for the last ten (10) years. He explained that there is a flat rate and a volumetric rate. Flat rates are fixed rates for a period of time. Volumetric rates are rates based on the amount of flow. The Water portion of the bill includes the Base Billing Charge, Consumption Charge, based on ccf's, which is a volumetric rate, and a Capital Improvements Fee, which is a flat rate. In addition there is a MSD Sewer Treatment Charge, which is a volumetric rate, and the MSD Sewer Maintenance Charge that includes the billing charge based on the meter size, which is flat rate. He stated that a lot of bills across the US are a combination of flat and volumetric rates, because most of the costs for a utility are fixed costs.

With regard to the quoted 285.9 percent industrial rate increase, Mr. Hartye presented a 20-year (FY01-FY20) Industrial Rate Parity Plan. He stated that the first year, the domestic flow rate was \$2.75/ccf. The Industrial Flow Rate portion/ccf consists of two components (flow and strength). The strength component includes a BOD rate and a TSS rate. He explained that most wastewater companies in the US charge on the strength of domestic waste then add a surcharge based on strength. He stated that what MSD is trying to do over the twenty years is to go from a reduced flow rate and a higher BOD & TSS strength rate, to a cost plus. In the beginning, industry was paying 60% of the domestic rate. Currently they are paying 105%, and by FY20 115%. Mr. Hartye further reported that the article talked about rate increases, but not the rates themselves. He stated that MSD rates are not only competitive with other wastewater providers in the region, but local water service providers as well. In addition, MSD has one of the highest capital reinvestment rates in the region and country by putting \$15 million per year back into system rehabilitation. Mr. Aceto asked why it will take twenty years to achieve industrial rate parity. Mr. Hartye stated because some types of industry have different chemistry, the changes in rates would affect them differently. The industry representatives asked the MSD Board to keep the rate increases to single digits by spreading them out over time.

Mr. Hartye presented a Hendersonville Times-News article on the Cane Creek Water & Sewer District.

Mr. Hartye reported that the Right of Way Committee will meet April 25<sup>th</sup> at 9am. The Personnel Committee will meet April 26<sup>th</sup> at 9am. The Annual Capital Improvement Program Committee will meet on May 3<sup>rd</sup> at 8:30am. The Finance Committee will meet May 9<sup>th</sup> at 2pm, and the next regular Board Meeting will be held May 16<sup>th</sup> at 2pm.

**7. Report of Committees:**

**Planning Committee**

Mr. Root reported that the Planning Committee met March 21, 2012, immediately following the regular Board Meeting. He stated that Mr. Hartye gave a presentation regarding the Preliminary Impact Study of Water/Sewer Consolidation and a presentation on the Cane Creek Water and Sewer District (CCWSD). The Committee recommended changes to the MSD Statute with regard to representation on the Board and that in the letter to the Legislative Research Committee (LRC) the conditions previously set forth, be addressed should CCWSD become a part of MSD voluntarily or otherwise. Mr. Hartye reported that the Board endorsed the content of the letter to the (LRC) in a telephone poll. Mr. Clarke stated that although most of the Board Members were present at the Planning Committee meeting, the full Board needs to endorse the letter that was sent to the LRC. Mr. Root moved that the Board endorse the letter sent to the LRC. Mr. VeHaun seconded the motion. Voice vote in favor of the motion was unanimous.

**Right of Way Committee**

Mr. Kelly reported that the Right of Way Committee met March 28, 2012 to consider Compensation Budgets on the Dilling Avenue GSR, Meadow Lark Road GSR, Old US 70 @ Pine Circle GSR and Mt. Vernon Place GSR Projects. The Committee also considered Condemnation on the Givens Estate GSR Project. The recommendations of the Committee are part of the Consolidated Motion Agenda.

**8. Consolidated Motion Agenda:**

**a. Consideration of Compensation Budgets – Dilling Avenue GSR; Meadow Lark Road GSR; Old US 70 @ Pine Circle GSR, and Mt. Vernon Place GSR:**

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

**b. Consideration of Condemnation – Givens Estates GSR:**

Mr. Hartye reported that the Right of Way Committee recommends authority to obtain appraisal and proceed with condemnation.

**c. Cash Commitment Report for Month Ended February 29, 2012:**

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 February. The Weighted Average Maturity of the invest portfolio is 461 days. The yield to maturity is .78% and exceeds the benchmarks of the 6 month T-Bill and NCCMT cash portfolio. Page 4 is the Analysis of Cash Receipts. Monthly and YTD domestic sewer revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods. As noted in past months, the City implemented a new billing system which has had an impact on billing cycles and cash receipts patterns.

Monthly and YTD Industrial Sewer Revenue is considered reasonable based on historical trends and YTD Facility and Tap Fees are above historical trends due to the timing of a cash receipt of \$610,000 as well as impact fees being budgeted conservatively. Page 5 is an Analysis of the District's Expenditures. Monthly and YTD expenditures are considered reasonable based on historical trends. Page 6 is the MSD Variable Debt Service report for the month of February. Both the 2008 A&B Series are continuing to perform better than budgeted expectations. As of the end of March, both issues have saved District ratepayers approximately \$5.2 million dollars in debt service.

**d. UNC Environmental Finance Center – FY2011 Financial Performance Benchmarks:**

Mr. Powell reported that in preparation for the FY2013 Budget, he supplied the Board with a financial analysis of MSD compared to AA and AAA utilities in North Carolina as of June 30, 2011. He stated that this information is provided by the Environmental Finance Center of NC. The analysis addresses how well an entity can meet liquidity, debt service, cost recovery, leverage, and condition of its physical assets. He further stated that MSD is performing at or near the highest levels in comparison to its peer group for every benchmark. Mr. Aceto asked why MSD's Quick Ratio and Days Cash on Hand were highest compared to the other entities shown. Mr. Powell stated that what affects this is the timing of the debt issuance. Typically, MSD issues debt and 90 percent of that debt comes back to the MSD and is spent over the upcoming 2 to 5 years on the Capital Improvement Plan, which amounts to \$15 - \$16 million a year. Therefore, depending on where MSD is in relation to the debt service, those numbers will be high at that time and then they will strategically draw down until another debt service is issued, then those numbers will come back up.

Mr. Watts 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: 10 Ayes; 0 Nays

**9. Old Business**

None

**10. New Business:**

With regard to the Legislative Research Committee's draft report, Mr. Clarke reported that the following recommendations were made: 1.) That the MSD Act be amended to (a.) reflect population shifts in single-county districts; (b.) modify representation in multicounty districts, and (c.) allow metropolitan sewerage districts to exercise the same authority as metropolitan water district. 2.) "The 2013 Session of the North Carolina General Assembly consolidate the Public Utility Water System with the Metropolitan Sewerage District of Buncombe County. Should the interested governments craft their own solution for consolidation, which achieves all the objectives of the Committee, before the 2013 North Carolina General Assembly convenes, due consideration would be given to the local plan. Action will not be taken if the parties are engaged in good faith negotiations on this matter." 3.) "That the Conservation Trust for North Carolina continue to work with the City of Asheville as the parties consider clarifying the 1996 Asheville Watershed Conversation Easement."

Mr. Aceto stated that there are three (3) things the Board will need to consider. First, MSD and Henderson County can combine their sewers if they choose to do so. Second, MSD will have the authority to take on the Water System, and Third, Engage in good faith negotiation regarding Water System transfers, but not sewer systems.

Mr. Aceto suggested the Board consider the Henderson County component first and what MSD needs to be doing at this time or whether this matter should be referred to the Planning Committee. Mr. Watts asked if Henderson County has to ask first. Mr. Clarke stated that the Planning Committee had a lot of discussion about how Henderson County might become a part of MSD. At that time, the Statute required that Henderson County has to ask and MSD has to say yes and this part of the Statute still applies. It was the consensus of the Board that no further action be taken at this time.

With regard to the Water Issue, Mr. Aceto recognized Ms. Manheimer. Ms. Manheimer stated that she is speaking to the Board on her own behalf, since City Council has not had a chance to meet as a body to chart out a plan. She reported that she had met with a couple of the Council members, Mr. Gary Jackson, City Manager and Mr. Bob Oast, City Attorney to quickly review the report, which Representative Moffitt had delivered to her.

Mr. Manheimer reported that April 19<sup>th</sup> is the last meeting of the Legislative Subcommittee and Councilman Jan Davis, the City Manager and City Attorney plan to attend. The LRC will receive the final report in May and decide whether or not they will adopt it. She further reported that at the last meeting of City Council, it was decided to have a public meeting at the April 24<sup>th</sup> Council meeting to hear from the citizenry on this issue. She stated that from her perspective, the first line of business is to hear from the citizens, because Council is elected by them and they need to make sure that whatever is done is in keeping with the majority of the citizenry. She further stated that they have been entrusted with running of the Water System and managing its assets; which are considerable. She stated that she feels it's important to keep up communications with City Council and the MSD Board to let you know what is being done. In this outreach process, they will also reach out to the business community, manufacturers, industrial users, the Chamber of Commerce, trying to get a handle on its commercial users and what they want. Also, they will go to Raleigh to arrange to meet with the Speaker of the House and the President Pro-tem to have some constructive dialogue with them and to engage a lobbyist in order to monitor what they are doing, so the City is better informed and to help interact more effectively with the Legislature.

Ms. Manheimer reported that this study encourages the City to engage the MSD Board in a dialogue about consolidation or merger. She stated that she advises that the City should not be in the habit of ignoring the Legislature and will recommend that the City engage the MSD in a constructive dialogue about merger/consolidation and what that would look like. She stated that she feels the stage has been set to work constructively with the MSD through the Taskforce and interfaced with the Legislature through the study process and it's the City's hope that it continue to work with MSD through the negotiation process. Ms. Manheimer stated that one of the City's primary concerns is the ownership of the assets of the system. She stated that it would be more attractive to her to discuss a lease concept, which has been discussed in the past, but reiterated that she was speaking on her own behalf, not what City Council would want to examine as a final concept.

Ms. Manheimer reported that the Bent Creek property the City deeded to Henderson County for the purpose of building a treatment plant will expire this summer. The Mayor, on behalf of City Council sent a letter to Henderson County offering to extend the deed term for a couple of years and Henderson County responded positively to that offer. Mr. Aceto asked what kind of action, if any, does the Board need to consider on this issue. Mr. Clarke stated that the Board does not have a say in this matter.

Mr. Aceto called for comments from the Board. Mr. Kelly suggested the Board have access to the Supreme Court's opinion handed out in 1958 about Sullivan Act 1 and to the Court of Appeals opinion that was handed out five years ago regarding Sullivan Acts I, II and III, which does trace the history of how Asheville came to own systems

outside the City. Mr. Clarke stated that he would be happy to provide a copy of the draft report and supporting documentation. Mr. Stanley stated that during the previous water dispute between the City and County, nothing was resolved, but feels with the change in City Council something can be worked out. Mr. Haner asked how the compensation of assets is resolved without legislative action. Ms. Manheimer stated that the framework for a discussion would have to be in the context of an interlocal agreement. Mr. Aceto challenged Board Member with the fact that they represent the ratepayers, which demands that they be prepared to examine the impact of such a consolidation deal on the ratepayers and the broader community. He stated that he hopes that this process will bring the right stakeholders together, that it's fair and transparent and ends with no recriminations or basis for lawsuits. He asked whether it was the sense of the Board that it refer this matter to the Planning Committee so that they can begin to examine what it means to negotiate in good faith and what that process should look like and to consider specifically, what the impact is on the ratepayers. Mr. VeHaun moved that the Board refer this matter to the Planning Committee. Mr. Stanley seconded the motion. Voice vote in the favor of the motion was unanimous.

**11. Adjournment:**

With no further business, Mr. Aceto called for adjournment at 3:06 p.m.

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Jackie W. Bryson, Secretary/Treasurer

# MSD

## Regular Board Meeting

Metropolitan Sewerage District  
of Buncombe County, NC

## AGENDA FOR 4/18/12

✓	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 March 21, 2012 Board Meeting.	Aceto	2:10	
	03. Discussion and Adjustment of Agenda	Aceto	2:15	
	04. Informal Discussion and Public Comment.	Aceto	2:20	
	05. Report of General Manager	Hartye	2:25	
	06. Committee Reports: a. Planning Committee – 3/21/12 – Al Root b. Right of Way Committee – 3/28/12 – Glenn Kelly	Aceto	2:40	
	07. Consolidated Motion Agenda	Hartye	2:55	
	a. Consideration of Compensation Budgets – Dilling Avenue GSR; Meadow Lark Road GSR; Old US 70 @ Pine Circle GSR, and Mt. Vernon Place GSR.	Hartye		
	b. Consideration of Condemnation – Givens Estates GSR.	Hartye		
	c. Cash Commitment Investment Report as of February 29, 2012.	Powell		
	d. UNC Environmental Finance Center – FY2011 Financial Performance Benchmarks.	Powell		
	08. Old Business	Aceto	3:10	
	09. New Business:	Aceto	3:15	
	10. Adjournment (Next Meeting May 16, 2012)	Aceto	3:20	

# **APPROVAL OF MINUTES**



**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
MARCH 21, 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, March 21, 2012. Chairman Aceto presided with the following members present: Bryson, Haner, Manheimer, Pelly, Root, Russell, Stanley, Watts and VeHaun. Mr. Creighton and Mr. Kelly were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Gary Jackson, City of Asheville, Ron Kerns, Asheville Water, Valerie Hoh, Barbara McCutchen, Linda Smathers, Samuel Specials, concerned citizens. Also in attendance were Ed Bradford, John Kiviniemi, Stan Boyd, Scott Powell, Peter Weed, Mike Stamey, Ken Stines, 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 February 15, 2012 Board Meeting:**

Mr. Aceto asked if there were any changes to the Minutes of the February 15, 2012 Board Meeting. With no changes, the Minutes were approved as presented.

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

None

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

Mr. Aceto welcomed Mr. Jackson, Mr. Kerns, Ms. Hoh, Ms. McCutchen, Ms. Smathers and Mr. Specials.

Mr. Aceto called for public comment. Mr. Aceto recognized Ms. Hoh. Ms. Hoh stated that after two public forums and one public hearing, Asheville-Buncombe citizens and elected officials have sent a resounding message to keep the Water System in local control. She further stated that from Representative McGrady's remarks in Blue Ridge Now, it sounds like a few thousand Henderson County customers could end up with an equal voice with the 70,000 customers in Buncombe County. Ms. Hoh questioned how this would work out for the customers in Buncombe County. Secondly, what is the true cost of a takeover of the water system to MSD? Ms. Hoh stated that Asheville would not give up a billion dollar water system without a fight, so how much will it cost MSD and ratepayers to compensate for the system and for the litigation involved to settle it. Mr. Aceto directed Ms. Hoh to the Planning Committee meeting where many of her questions will be specifically addressed.

**6. Report of General Manager:**

Mr. Hartye presented an email from Courtney Maloney expressing her appreciation for customer service provided by Grady Brooks of the System Services Division.

Mr. Hartye reported that the Legislative Research Committee (LRC) held its third meeting in Raleigh on March 14<sup>th</sup>. The primary subject was the Cane Creek Sewer Issue, which is on the MSD Planning Committee agenda.

Mr. Hartye reported that the District once again received the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). He expressed his thanks to Scott Powell and Teresa Gilbert for their continued excellent work.

Mr. Hartye presented an Asheville Citizen Times Question and Answer article regarding grease disposal and a New York Times article on “toilet to tap.”

Mr. Hartye reported that The Home Show was held at the Civic Center last weekend where MSD had a booth with over 7,000 in attendance over the 3-day period. He expressed his appreciation to Jackie Bryson, Kathy Meeks, Mary Alice Hunter, Mike Rice, Linda Phillips, Sandra Moore and Brenda Parker who worked the booth, and a special thanks to Kay Farlow who has organized this event each year.

Mr. Hartye reported that the Planning Committee will meet immediately following the Board Meeting. The March Right of Way Committee will meet at 9 a.m., on March 28<sup>th</sup> and the next regular Board Meeting will be held April 18<sup>th</sup> at 2 p.m.

**7. Consolidated Motion Agenda:**

**a. Consideration of Bids – Four-Inch Main, Dillingham Road, and Roebling Circle:**

Mr. Hartye reported that the Dillingham Road sewer replacement project is located in East Asheville, in the Haw Creek area. This project will replace the existing undersized four-inch VCP and PVC line with 923 LF of 8-inch DIP and will improve the stream crossing at Haw Creek. The Roebling Circle Sewer replacement is located in Biltmore Village and consists of 205 LF of 8-inch DIP. This project will increase the line size from 6-inch VCP and is necessary due to repeated maintenance issues with the existing line. Mr. Hartye further reported that the following bids were received on March 8, 2012: Cooper Construction Co., with a total bid of \$401,022.00; Cana Construction Co., with a total bid of \$322,381.50; Huntley Construction Co., with a total bid of \$244,954.00; T&K Utilities with a total bid of \$234,210.00 and Terry Brothers Construction Co., Inc. with a total bid of \$202,143.00. Staff recommends award of this contract to Terry Brothers Construction Co., Inc. in the amount of \$202,143.00, subject to review and approval by District Counsel.

**b. Consideration of Developer Constructed Sewer Systems: Beaucatcher Heights and Weaver Village Phase II:**

Mr. Hartye reported that the Beaucatcher Heights project is located inside the District boundary in the Kenilworth Community in the City of Asheville and included the installation of approximately 7,913 linear feet of 8” gravity sewer to serve a sixty-four (64) unit residential development. The Weaver Village Phase II project is located inside the District boundary off Weaver Boulevard in Weaverville and included the installation of approximately 1,234 linear feet of 8” gravity sewer to serve twenty (20) residential and five (5) commercial unit developments. Staff recommends approval of the developer constructed sewer systems. All MSD requirements have been met. Ms. Manheimer asked who the owner is of the Beaucatcher Heights project, since she may have a conflict of interest with this project. Mr. Aceto excused Ms. Manheimer from deliberation and vote on this project.

**c. Cash Commitment Investment Report as of January 31, 2012:**

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 January. The weighted average maturity of the investment portfolio is 418 days. The yield to

maturity is .79% and exceeds the 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 their respective periods. Monthly and YTD Industrial Sewer Revenue are considered reasonable based on historical trends and the YTD Facility and Tap Fees are above historical trends due to the timing of cash receipt of \$610,000 as well as impact fees being budgeted conservatively. Page 5 is an Analysis of the District's Expenditures. Monthly and YTD expenditures are considered reasonable based on historical trends and budgeted items for this fiscal year. 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 February, both issues have saved the District ratepayers approximately \$4.9 million dollars in debt service since April, 2008. Mr. Aceto congratulated Mr. Powell and Ms. Gilbert for receiving the GFOA award and expressed his appreciation to Mr. Powell for his analysis of trends that he provides the Board each month.

Mr. Russell moved that the Board approve Item a. of the Consolidated Motion Agenda as presented. Mr. Watts seconded the motion. With no discussion, Mr. Aceto called for the question. Roll call vote was as follows: 10 Ayes; 0 Nays.

Mr. Haner moved that the Board approve Item b. of the Consolidated Motion Agenda as presented. Mr. Stanley seconded the motion. With no discussion, Mr. Aceto called for the question. Roll call vote was a follows: 9 Ayes; 0 Nays. Ms. Manheimer was excused from voting.

**8. Old Business:**

None

**9. New Business:**

None

**10. Adjournment:**

With no further business, Mr. Aceto called for adjournment at 2:15 p.m.

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Jackie W. Bryson, Secretary/Treasurer

# **REPORT OF GENERAL MANAGER**

## MEMORANDUM

TO: MSD Board  
FROM: Thomas E. Hartye, P.E., General Manager  
DATE: April 12, 2012  
SUBJECT: Report from the General Manager

- Kudos

Attached is an email account of a call from Phillip Ray of Riceville road expressing his appreciation for the customer service provided by Wayne Rice and the crew from the System Services Division.

- Update on Water Study

The LRC will hold their last meeting in Raleigh on April 19th. The letter that appears under the Planning Committee Report was sent to Representative Moffitt regarding the recommended conditions for Cane Creek to become part of the District.

- Operations Challenge Event

Staff will show a 3 minute video of MSD's "Flow Motion" operations team performing at the State Conference and winning the chance to represent North Carolina at the National Event this October in New Orleans.

- Reading

- Hendersonville Times article on potential sewer merger with Cane Creek WSD.

- Board/Committee Meetings/Events

The April Right of Way Committee will be held April 25th at 9am. The Personnel Committee will meet on April 26<sup>th</sup> at 2 pm. The annual Capital Improvement Program committee will be held on May 3<sup>rd</sup> at 8:30 am. The Finance Committee will meet May 9<sup>th</sup> at 2 pm. The next Regular Board Meeting will be May 16<sup>th</sup>, at 2 pm.

**Subject:** FW: Customer Pleased

**Date:** Monday, March 19, 2012 5:29:34 PM Eastern Daylight Time

**From:** Hemphill, Jim

**To:** Hartye, Tom

**From:** Tolley, Lisa

**Sent:** Monday, March 19, 2012 5:24 PM

**To:** Hemphill, Jim; Thomas, Pam

**Cc:** Stines, Ken; Bryant, Eric; Capizzi, Jason; Stamey, Mike; Gass, Keith

**Subject:** FW: Customer Pleased

WO# 458645 – Wayne Rice, John Gosnell, Anthony England

WO# 440828 (gravel) – Shane Meadows, Dale Dillingham, Eric Dawson, Billy Cantrell, Marvin Felder

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**From:** Phillips, Linda

**Sent:** Wednesday, February 08, 2012 1:14 PM

**To:** Tolley, Lisa

**Subject:** Customer Pleased

Phillip Ray – 994 Riceville Rd.

Called and said that Wayne Rice was out there 2/7 and he wanted to let MSD know that Wayne was very professional, very nice and did a wonderful job. Wayne said he was going to have someone put gravel on his drive because the big truck messed it up and when he came home today (2/8) he had gravel. Also, whoever did the gravel job did a wonderful job. He just wanted to thank all the guys who were involved. He was very pleased and wanted their supervisors to know what kind of employees they have.

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## Sewer district merger debated; would bills drop?

By [Gary Glancy](#)

Times-News Staff Writer

Published: Thursday, March 22, 2012 at 11:44 p.m.

Customers in the Cane Creek Water and Sewer District in northern Henderson County would save \$10 per month on sewer bills under conditions MSD has established for any future merger between MSD and Cane Creek, the Metropolitan Sewerage District of Buncombe County Planning Committee said this week.

The conditions, previously presented to Henderson County officials in 2010 during talks between the two sides about a possible merger, were discussed again Wednesday at an MSD Planning Committee meeting.

The two utilities already have an agreement by which MSD provides treatment services for up to 1.35 million gallons of wastewater from Cane Creek customers. Under the proposed conditions for a merger, however, MSD would take over ownership, operations and maintenance of Cane Creek facilities.

It would also use Cane Creek's existing fund balance to pay for capital improvements needed to the Cane Creek system to bring it up to par with MSD, and to fund projects identified in Cane Creek's master plan.

MSD Director Tom Hartye, who called such a scenario a "win-win" for Henderson County and Cane Creek customers, said Thursday that MSD officials never heard back from county officials after the proposed agreement was made in 2010, and that the offer was still on the table.


Henderson County officials have suggested that MSD revisited the issue only after county commissioners initiated a wastewater treatment study to build a plant in the Cane Creek district.

"In my opinion, if we hadn't hired Davis and Floyd (engineering firm) to come in and do a sewer study, this wouldn't be on the table right now," said Commissioner Charlie Messer, who started talks of a wastewater treatment study along with Commissioner Larry Young.

As MSD's largest sewer customer, Messer said, the building of a treatment plant to serve Cane Creek's own needs would leave MSD "hurting," and "they realize that now."

During recent board meetings, commissioners and county staff have alluded to the fact that they believe the subject of regional water and sewer has come to the forefront — including the establishment of a special legislative committee to study the issue — largely because of the wastewater treatment study.

"This Board of Commissioners has gotten serious about this issue, and with that you're seeing a lot of things happen," County Manager Steve Wyatt said.



Blue Ridge Community Health Services Presents:

Are you smarter than a 5?

March 29  
 North Henderson HS • 6:30 pm  
 Click for Tickets/Info

Wyatt added that the county has not seen a new proposal or offer from MSD, and that "if we do see one, we would give that serious thought and consideration and respond in a timely fashion." But Hartye said the ball is in Henderson County's court, and that it's up to county officials to request a possible merger with MSD.

Messer said it is important the county wait until the wastewater treatment study is complete to consider its options. His biggest concern, he said, would be future implications should the MSD system someday approach maximum capacity and/or require necessary improvements.

"You have to look at it long-term," Messer said. "Even if they lower those rates by \$10 per customer (from \$36 to \$26), which would be good, then what would it be after that thing gets to 90 percent capacity? That would be my next major question, whether we would have to pay half the bill, (since) half the system now runs through Henderson County. What would the rates be if they had to update that facility?"

The major concern for both Messer and Wyatt, however, is a lack of meaningful representation they fear the county would have under the proposed conditions of a merger. Messer has cited numerous times the fact that under the current agreement, the county has no control over sewer rates, which he thinks are too high for Cane Creek customers compared to Buncombe customers.

MSD is working with the legislative committee to change language in the law that would allow Henderson County — which currently has no official board representation — two voting members while protecting larger Buncombe's three, and prohibiting municipalities in either county that do not currently have ownership of a sewer system from gaining a spot on the board.

That would include the towns of Fletcher and Mills River, though Hartye said he thinks the effort to get Henderson County the ability to have two seats is "pretty righteous" on MSD's part because it would ensure equitable representation. Messer did not agree.

"One or two positions on a nine-member board is not going to do any good for Henderson County, in my opinion," he said, "because you're going to get outvoted on everything."

With talk of raising overall board membership to 10, Messer said Henderson County should get five spots — including one each from Fletcher and Mills River — to give the county equal say.

Wyatt agreed that even MSD's proposal of one member each from the county, Fletcher and Mills River — which would not apply under the proposed legislative fixes — "falls a little short."

"Going forward, if there is an opportunity for meaningful representation, rather than token representation, that might be something the commissioners are interested in looking at," Wyatt said. However, he added, "If we go down the path of building a wastewater treatment plant, obviously the door closes on a merger with MSD."

Reach Glancy at 828-694-7860 or [gary.glancy@blueridgenow.com](mailto:gary.glancy@blueridgenow.com).

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# **REPORT OF COMMITTEES**

Thursday, April 12, 2012 2:03:57 PM Eastern Daylight Time

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**Subject:** LRC Committee - MSD

**Date:** Thursday, March 29, 2012 2:09:49 PM Eastern Daylight Time

**From:** Hartye, Tom

**To:** Tim Moffitt

**CC:** Chuck McGrady, BoardMembers, heather.fennell@ncleg.net, Gerry Cohen (Bill Drafting, Director)

Representative Moffitt,

Please find attached letter from Steve Aceto, MSD Chairman which is being sent via regular mail as well.

The MSD Board of Directors wishes to express its position to the Legislative Research Committee concerning the proposed amendments to the MSD Statute and the conditions that MSD believes should be met for any potential inclusion of the Cane Creek Water and Sewer District (CCWSD) into MSD.

Billy Clarke, MSD counsel, will be available to work with legislative staff to address any concerns that the Legislators may have.

It should be noted that the inclusion of CCWSD into MSD would cause a more than 25% reduction in the current residential rates, as a result of bringing them in line with current MSD customers.

The recommendations on the current debt and fund balance are designed to both bring the CCWSD system up to standard service levels and to begin the future Master plan expansions identified by their Consultants.

Thank you for your consideration in these matters and for your service to the community.

Tom Hartye

Thomas E. Hartye, PE  
General Manager  
Metropolitan Sewerage District of Buncombe County  
2028 Riverside Drive  
Asheville, NC 28804  
828.225.8399  
Thartye@msdbc.org





# Metropolitan Sewerage District

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## OF BUNCOMBE COUNTY, NORTH CAROLINA

March 29, 2012

Representative Tim Moffitt  
Chair, Legislative Research Committee  
NC House of Representatives  
16 W. Jones Street, Room 1025  
Raleigh, NC 27601-1096

*Via Electronic Mail (tim.moffitt@ncleg.net)  
and Regular Mail*

*Re: House Bill 925*

Dear Representative Moffitt:

I am writing on behalf of the Metropolitan Sewerage District of Buncombe County (MSD). MSD understands the Legislative Research Committee dealing with water and sewer issues will be meeting in Raleigh on April 19, 2012 and that the Committee may discuss the inclusion of the Cane Creek Water and Sewer District (CCWSD) into the Metropolitan Sewerage District. This letter is to express the current sense of the MSD Board regarding financial and operational considerations pertaining specifically to CCWSD, and also to express the current sense of the MSD Board regarding proposed amendments to the MSD statute regarding new representation in general, all of which the MSD Board considers material to, and in the best interests of, MSD ratepayers.

As you are aware the current statute makes inclusion of a new political subdivision conditional upon the MSD Board's approval of resolution or petition for inclusion from the political subdivision. Consequently, in anticipation of the Committee's action resulting in such a resolution, and at the direction of the MSD Board, MSD staff has developed a plan of inclusion with potential effects of CCWSD membership on MSD's current ratepayers, and counsel has developed proposed text of amendments to representational provisions of the MSD statute which the MSD Board believes would fairly reflect the proportional impact of any new political subdivisions on revenues and operations going forward and not just CCWSD. The proposed plan of inclusion and proposed text of amendments have both previously been made available to the Committee by MSD.

As you may be aware, MSD has treated wastewater from the Cane Creek Water and Sewer District pursuant to contract since 1988. Customers in the CCWSD pay the same sewer service charges to MSD as customers within the boundaries of MSD.

In 2010, MSD, in response to a request from CCWSD, agreed to revisit the existing contract to accommodate future wastewater needs in north Henderson County. In the course of those discussions, CCWSD expressed some interest in becoming a part of MSD and having representation on the MSD Board. MSD staff reviewed the existing CCWSD system and a master plan prepared by Lapsley Engineering. Based on the review and the plans, MSD staff

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prepared a ten year capital plan with estimated costs for the CCWSD. MSD staff further identified certain conditions which would have to be satisfied in order for CCWSD to become a part of MSD without adversely affecting MSD operations or finances.

One of the issues identified by both MSD and Henderson County was the matter of representation on the MSD Board. Under existing legislation, were CCWSD to become a part of MSD, Buncombe County would lose one of its three board members, and the City of Asheville would lose two of its three members. Henderson County would have two board members, and the towns of Fletcher and Mills River would each have a board member, even though the towns have never owned or operated a sewer system.

To address representation and other potential issues, the Planning Committee of the MSD Board met on March 21, 2012. At the meeting, the Committee voted to recommend changes to the MSD statute. A copy of the proposed changes is attached. In addition, the Planning Committee voted that each of the following conditions be included as a part of CCWSD's becoming a part of MSD voluntarily or otherwise.

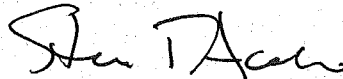
- MSD would assume ownership, operation and maintenance of CCWSD facilities.
- Current CCWSD fund balance (approximately \$4.7 M) would be transferred to MSD. The fund balance will be used to fund Capital Improvement Projects ("CIP") to CCWSD system needed to bring service level up to par with MSD and to fund projects identified in the CCWSD Master Plan.
- Henderson County will continue paying off \$2.4 million of CCWSD debt.
- All economic development incentives and partnerships would apply in CCWSD.

Incorporating the CCWSD system and its related operational, maintenance and capital needs into MSD without the current fund balance would be an unfair burden on existing MSD customers.

The Planning Committee made its recommendation to the full MSD Board. Although the full board is not scheduled to meet until April 18, 2012, a majority of the board members were present at the Planning Meeting. The Board endorsed the content of this letter in a telephone poll. Because the LRC is scheduled to meet on April 19<sup>th</sup>, MSD wanted the Committee and staff to have this letter in advance of that meeting.

Sincerely,

METROPOLITAN SEWERAGE DISTRICT



Steve Aceto, Chair

cc: Representative Chuck McGrady  
Heather Fennell (via e-mail: heather.fennell@ncleg.net)  
Gerry Cohen (via e-mail: Gerry.cohen@ncleg.net)  
MSD Board

## Proposed Changes to MSD Statute – Draft – For Discussion Only

- **G.S. 162A-67(a)(2a) [new section]** - Upon the expansion of the district into another county so that the district lies in two counties, the three board members appointed by the county in which the largest portion of the district lies (determined with reference to the land area of the district lying within the county as a percentage of the land area of the entire district at the time such appointment or reappointment is made) shall continue to serve on the district board, and the board of commissioners of the county in which the largest portion of the district lies shall, upon completion of their respective terms, reappoint such members or appoint other qualified voters residing in the county and district as their successors such that the county in which the largest portion of the district lies shall always have three members on the district board. The board of commissioners of the county in which the lesser portion of the district lies (determined with reference to the land area of the district lying within the county as a percentage of land area of the entire district at the time such appointment or reappointment is made), shall appoint to the district board two qualified voters residing in the county and district to serve for a term of three years, and shall, upon completion of the board members' respective terms, reappoint such members or appoint other qualified voters residing in the county and district as their successors such that the county in which the lesser portion of the district lies, shall always have two members on the district board.
- **G.S. 162A-67(a)(4) [rewritten]** – The governing body of each political subdivision, other than counties, lying in whole or in part within the district, shall appoint one member of the district board, except that no appointment shall be made by or in behalf of a political subdivision which has not appointed a member to the district board on the effective date of G.S. 162A-67(a)(2a) and which does not own or operate a public system for the collection of wastewater at the time of such appointment.. If any city or town within the district shall have a population, as determined from the latest decennial census, more than one-half the combined population of all other political subdivisions (other than counties) and unincorporated areas within the district, the governing body of any such city or town shall appoint three members to the district board. For purposes of determining district board representation of political subdivisions other than counties, population shall be determined by reference to the most recent decennial census population of such political subdivisions and unincorporated areas of counties within the district which have district board representation at the time of such appointment and not merely that portion of the population residing within the district boundary itself.

## PLANNING COMMITTEE

March 21, 2012

2:25 p.m.

### Chairman

Al Root

### Members

Jon Creighton

Esther Manheimer

Chris Pelly

Bill Stanley

Jerry VeHaun

Bob Watts

The Planning Committee of the Board of the Metropolitan Sewerage District met on Wednesday, March 21, 2012 in the Boardroom of the Administration Building. Chairman Al Root presided with the following Committee Members present, Esther Manheimer, Chris Pelly, Bill Stanley, Jerry VeHaun and Bob Watts. Others present were Steve Aceto, Jackie Bryson, Max Haner, Bill Russell, Tom Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Gary Jackson, Asheville City Manager, Ron Kerns, Asheville Water, Marcus Jones, Henderson County, Joel Burgess, Asheville Citizen Times, Dwight Buckner, Valerie Hoh, Barbara McCutchen, Linda Smathers, Samuel Specials, Michael Blankenship and Ken Brame, concerned citizens. Also in attendance were Scott Powell, Peter Weed, Mike Stamey, Ken Stines, Ed Bradford, John Kiviniemi, Stan Boyd and Sondra Honeycutt, MSD.

#### 1. Call to Order:

Mr. Root called the meeting to order at 2:25 p.m. and welcomed guests. He called on Mr. Hartye for a Powerpoint presentation on Cane Creek Water and Sewer District (CCWSD) issues.

#### 2. Cane Creek Water and Sewer District:

Mr. Hartye presented a copy of a letter to the Chairman of the Henderson County Commissioners providing a history of conversations with, now Representative, Chuck McGrady and Marcus Jones, County Engineer. Mr. Hartye presented a slide of the Henderson County 2020 Comprehensive Plan, showing sewer service areas and districts, and a slide showing the existing and potential CCWSD service areas. He reported that the CCWSD system consists of approximately 63 miles of sewer lines, 11 pump stations, approximately 3,100 residential customers, 254 commercial customers, and 6 industrial customers. Water service is provided by the City of Asheville and City of Hendersonville. He presented a slide showing the percentage of MSD member agency accounts, with CCWSD being 6% of the accounts and flow slightly less than 6%.

Mr. Hartye reported that MSD has an agreement with CCWSD to provide treatment services for up to 1.35 million gallons per day ("MGD") of wastewater.

CCWSD's current average daily flow is approximately 0.7 MGD. He stated that the CCWSD Master Plan/Basin Study identified a future build-out-flow of 3.0 MGD. He further stated that CCWSD approached MSD with its Master Plan. MSD incorporated this into its Master Plan and expressed its willingness to update the current agreement to provide for the 3.0 MGD average flow with a 7.5 MGD peak hour flow. Other conditions were discussed, but MSD wanted to fashion the agreement to treat CCWSD customers like MSD customers. He further reported that MSD provided CCWSD with conditions for an updated agreement centered around the build-out flow estimates and putting CCWSD on par with the rest of the District in terms of the cost of future growth, level of service, and customer rates.

Following CCWSD's request about what would be involved with formally joining the District, MSD set about performing a due diligence investigation of CCWSD facilities and operations. As a result, with the assistance from Mr. McGill, Mr. Hartye developed a CIP. Mr. Hartye reported that the sewer mains are generally in good shape, but there is a significant amount of line cleaning, CCTV-ing, GIS mapping and pipe rating required. He stated that field reconnaissance of the pump stations was conducted to assess conditions. MSD found that a significant amount of rehab would need to be done to bring the level of service up to MSD standards. Necessary work includes instrumentation, SCADA, generator work, site and mechanical work. He further reported that Lapsley & Associates developed CCWSD's Master Plan outlining future projects. MSD further prioritized projects out of that Master Plan that needed to be done first. Mr. Hartye presented a slide from CCWSD Master Plan showing the existing system, future lines and prioritized projects; line extensions and pump stations, etc. He presented a slide showing a preliminary 10-year Capital Improvement Program for the CCWSD area of approximately \$5.5 million.

Mr. Hartye presented a slide showing current sewer revenue from Cane Creek customers for FY10 – FY12. Mr. Hartye stated that if CCWSD came into the District, MSD could not charge Cane Creek residents a differential rate. Currently, a typical bill in Cane Creek is about \$36.00 per month for 5ccf. The customers in the District currently pay about \$27.00 a month for 5ccf, so if Cane Creek came into the District, the typical customer's bill would be lowered to the level of the rest of the District. This information was worked into the MSD's financial plan, using the same rate increases, the same assumptions that were in the budget. He explained that what MSD is trying to do is "do no harm" by keeping the District at the same rate, then work their CIP, work their operations, and then bring in their meter fees. He presented a slide showing the MSD Business Plan with the addition of CCWSD. He stated that the District would realize about \$200,000 in meter revenue and initially spend about \$400,000 in O&M. Ms. Manheimer questioned the current situation with CCWSD and how it will be different if they come into the District. Mr. Hartye stated that in addition to a reduction in the average residential bill for Cane Creek customers, the current fund balance of approximately \$5 million would be needed to fund CIP improvements to the CCWSD

system and to fund projects identified in the CCWSD Master Plan. Henderson County would continue to be responsible for and pay off \$2.4 million of current debt. All MSD economic development incentives and partnerships would apply.

Mr. Hartye reported that under current MSD legislation, three representatives from Henderson County would come in; one from the County, one from Fletcher, and one from Mills River. As a result, Asheville would lose two Board Members and Buncombe County would lose one, under the current legislation. He stated that he has been working with the Chairman and Counsel on the wording of the legislation to allow expansion into Henderson County to allow them two representatives on the MSD Board while maintaining existing representation of the current Board. He further reported that the other provision is for newly incorporated areas to get representation on the MSD Board only if they transfer ownership of a sewer system to MSD. If they are incorporating over an existing system, they would not get representation.

Mr. Clarke stated that for any additional political subdivision such as CCWSD to come into the District, CCWSD would have to ask, and MSD would have to say yes. If MSD says yes, there is a hearing process that follows. He further stated that the purpose of the changes to G.S. 162A-67(a)(4) was a request from Representative McGrady to address the representation issue. Mr. Haner asked if MSD can put conditions on saying yes. Mr. Clarke said it could. Mr. Root asked if any discussion was held in 2010 about the representation issue and how that would play out as far changing the law. Mr. Hartye stated that it was discussed and what the ramifications were, and that they were probably not desirable. Ms. Manheimer stated that because CCWSD's system is not up to par with the MSD's system, MSD should reserve the opportunity to ask for the fund balance. However, in talking to Representative McGrady, Henderson County is having a difficult time deciding on how it should proceed. She further stated that Representative McGrady may need to impose a legislative solution upon the county in order for a resolution to be reached. As a result, MSD may need language in place that includes conditions for that possibility. Mr. Root asked if the language drafted by Mr. Clarke has been circulated to the full Board. Mr. Clarke stated that he would be happy to circulate this to the Planning Committee and full Board. Mr. Hartye stated that the question is whether the Committee wants to endorse the proposed changes, then bring the language to the next Board meeting. He further stated that at the time MSD was discussing this with CCWSD, they had a consultant looking at siting a wastewater treatment plant as an option, which never came to fruition, and now they are doing another engineering study to determine the feasibility of a treatment plant versus coming into the District. A discussion was held regarding the Study Committee's Report and whether any action can be done in the upcoming legislative short session. Ms. Manheimer explained the process and stated that the report must be adopted to be eligible for the short session. Mr. Watts stated that when the Water Agreement was made with Henderson County, the definition of water was not well defined so MSD needs to make sure Henderson County is aware of MSD's expansion policy. Mr. Hartye stated that all of this information was shared with CCWSD



in 2010 and recently with the Legislative Research Committee (LRC). Mr. Aceto stated that this is why the Board should consider expressing these conditions in the form of a recommendation. Mr. Stanley moved that the Board accept the recommended changes in the MSD legislation and that Mr. Clarke make the necessary amendment to be presented at the next meeting of the Board. Mr. Clarke asked Mr. Stanley if he wants the recommendation that the legislation be changed, or the recommendation including the conditions presented by Mr. Hartye as a condition of bringing CCWSD into MSD. Mr. Stanley said the motion is to accept the recommendation of staff. Ms. Manheimer seconded the motion, but suggested that the letter to the LRC should say if you anticipate broader legislation, include the conditions. Mr. Root stated that Mr. Stanley's motion is to adopt this particular set of suggestions including representation on the Board with Counsel drawing up specific legislation. Mr. Haner asked for a clarification on the Planning Committee's position. Mr. Root stated that what the Planning Committee is saying is that this would be a good change to MSD's governing Statutes to cover that situation should it ever occur. Mr. Hartye stated that CCWSD still has to ask to come into MSD, and MSD still has to approve it. If the Board were to approve a request, then the issue of representation would be solved. Mr. Root called for any public comment. Mr. Brame said his understanding of the timing is that the LRC subcommittee will have a recommendation on April 19<sup>th</sup> and that they will make their recommendation public on April 13<sup>th</sup>. With no further comment, Mr. Root called for a vote. By a show of hands, the motion carried. Mr. Pelly voted against the motion.

With regard to the recommended Conditions, Mr. Root asked if these were talked about in 2010. Mr. Hartye said yes, but not officially with the County Commission. Ms. Manheimer moved that when MSD corresponds with the LRC sub-committee regarding its representative legislation, MSD include in that correspondence its concern, on behalf of the ratepayers, that the conditions previously set forth by Mr. Hartye, be addressed should the Cane Creek Water and Sewer District become a part of MSD through the current process or by other legislative action. Mr. Watts seconded the motion. Following a discussion regarding representation, Mr. Root called for the question. By a show of hands, the motion was approved.

### **3. Preliminary Impact Study of Water/Sewer Consolidation:**

Mr. Hartye reported that at the February Board meeting, he was asked to do an impact study of the proposed water and sewer merger. He stated that the premise of the merger study is that the City of Asheville runs an excellent water system operation. He further stated that MSD works very closely and very well with the City of Asheville and that Gary Jackson has been leading the organization with a relationship that has drastically improved their customer service over the last few years, and MSD wants to continue that relationship.

Mr. Hartye stated that the reason for the merger study was a request at the last Board meeting that the impact to rates and current employees, if the merger should happen, be evaluated. Also, the MSD Board was interested in any negative impacts that a merger with water might have and what conditions might make such a merger difficult. He expressed his appreciation to Scott Powell and Peter Weed for their help in putting this information together.

Mr. Hartye reported that the City of Asheville Water System consists of 20,000 acres of protected watershed; two reservoirs holding roughly 7 billion gallons of stored water; two water treatment facilities treating water from those reservoirs and one “run of the river” water treatment facility in Mills River in Henderson County. He further reported that the permitted treatment capacity is 43.7 MGD with a current average day demand of approximately 21 MGD, which is very similar to MSD with 40 MGD and 18 MGD respectively. The system area is 183 sq. miles; MSD is 180 sq. miles. There is 1,661 miles of water lines; MSD just under 1,000, and there are 40 pump stations and 32 storage tanks. He presented a slide showing the location of the pump stations and storage tanks throughout the system.

Mr. Hartye reported that the Water Department has 146 employees broken down into Administration, Customer Service, Engineering, Maintenance, Meter Services and Production, but does not include support personnel from the City General Fund for support functions provided by Personnel, IT, etc. He stated that Water Resources pays indirect costs for support functions such as Human Resources, Finance, Legal, Information Technology and General Administration into the General Fund. With regard to the General Fund, Mr. Aceto asked if it is easy to bring that out on the basis on which it was established versus MSD understanding what this cost. Mr. Hartye said that information is not readily available; it would be part of a detailed study. Mr. Hartye presented a slide showing the water/sewer service area boundaries.

Mr. Hartye presented a slide showing MSD’s Fixed Assets. He reported that MSD’s current book value for the collection system, buildings, improvements, mechanical, vehicle, office & computer equipment, and land & easements is \$346,903,558; obtained from the 6/30/11 CAFR. This is the number the bond rating agencies and bond holders look at to determine the amount of debt; not the replacement value. He stated that the replacement value shown is a fictitious number. He explained that this is an engineering number created to show the estimated cost of replacing the system today. This is used to determine the level of capital reinvestment necessary based upon the “useful life” of the particular assets. For instance, if the assets are worth \$1 billion, and now have a useful life of 100 years (most are much less) then one would expect to put at least \$10 million back into the system each year. MSD averages \$15 million/year. He presented a slide showing the COA Water Department Fixed Asset Values. The book value as of June 30, 2011 was \$173,550,945 per the COA CAFR and the replacement value is \$1,300,000,000. Similarly one would expect to put around \$13

million/year back into the water system. The City currently puts around \$7 million/year. He presented a slide showing a Statement of Revenues, Expenses, and Changes in Net Assets. In total revenues, the Water Department makes approximately \$3 million more than MSD. On the expense side, Operations & Maintenance is \$16,516,978 for the water and \$13,522,468 for the sewer. Construction is \$6,527,523 for the water and \$16,082,779 for the sewer. The total expenses for the water are \$30,937,691 and \$38,279,163 for the sewer. The difference is largely due to the Capital Improvement Program.

Mr. Hartye reported that Areas of Potential Efficiencies for Common Functions include; Human Resources, IT, Fleet, GIS, Finance and Accounting, Safety, Management, Health Plan, CIP Coordination and Funding, In-house Construction, Billing and Customer Service. He stated that if you have a stand-alone water and stand-alone sewer and merge them there would be a great amount of efficiencies. Currently the Water Department is being supported by the City of Asheville so there are efficiencies there because they are using support functions of other departments, so just moving the Water over to the MSD there would not be a major amount of efficiencies, except for the CIP coordination/funding. Mr. Aceto stated that the City is funding the cost of these and they get reimbursed for that, but if you merged the water and sewer then there would not be any separate reimbursement and would have to stand on their own. He further stated that the Water Department is paying something to the City general fund that represents their share. Mr. Hartye said yes, but the Water Department would not have the support staff, i.e., Finance, IT or Personnel, therefore, MSD would have to add a small amount of this support staff. He stated that there could be some efficiencies but, for the sake of this study, MSD is not going to assume any. The purpose of this short study is to identify major impacts.

Mr. Hartye presented a slide of the MSD Business Plan/Financial Model showing current sewer rates and assumptions. The next slide shows the General Assumptions for a Merger which include: Keep all Water Department employees; add support staff for common functions (preference to COA); Match rate increases with current MSD Business Plan; Increase Water Capital Improvement Program by more than 50%; Initial 2-3 years CIP differential to cover new building costs, and all current and fixed assets transferred with customers. He presented a slide showing the existing Water Capital Improvements Plan, which runs \$6-7 million per year and a slide showing the Combined Utilities Business Plan/Financial Model. He stated that model shows the water system revenues combined with MSD revenues; combined fund balance that carries over for construction; operational expenses; combined debt; MSD CIP at about \$15 million per year and Asheville Water current CIP and additional monies for an accelerated CIP up to \$10-12 million/year.

Mr. Hartye reported that the Preliminary Findings include: Maintaining existing Water Department employees; maintaining same rate increases already identified in the current MSD Business Plan, and there is a potential opportunity to enhance efficiency

and accelerate Water CIP. He further reported that critical issues for Board consideration include: Community and Member agency support; Detailed Merger Study and the process on how it's carried out, and the most important, the Disposition of Assets. He stated that if the customers are required to pay for the assets twice then this would throw off the balance sheet, which would send up a red flag to the Board. Under those conditions, money that would ordinarily go back in the Water System would go to the City's General Fund and rates would have to be adjusted accordingly. Mr. Root called for comments. Ms. Hoh asked if Henderson County is brought into the MSD Board with the water system included, will higher rates be charged for the water. Mr. Root stated that this is something that will be determined. With regard to Sierra Nevada, Ms. Hoh asked if their taxes will be going to Henderson County or to Asheville. Ms. Manheimer stated that Sierra Nevada will be using well water. Ms. Hoh asked if the well will be able to support what they will use or will they drain it and come onto the system. Mr. Root stated that this is not an issue that can be answered by this Board. Mr. Brame asked if Asheville is reimbursed in some way for its assets, for which Mr. Moffitt is quoted as saying he supported, would that change the equations. Also, if there is a legislative move toward a merger, there would be legal action going on for years, which is something MSD might want to consider in terms of the impact on ratepayers who would have to support the matter. Mr. Root stated that Mr. Hartye was only asked to make a generalized study. Mr. Brame stated that his only concern is something will happen, then the study will be done, and the ratepayers will get stuck with the cost.

**4. Other Business**

None

**5. Adjournment:**

With no further business, Mr. Root called for adjournment at 3:40 p.m.

**RIGHT OF WAY  
COMMITTEE RECOMMENDATIONS  
AND MINUTES  
March 28, 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, March 28, 2012. The following Right of Way Committee members were present: Glenn Kelly, Jerry VeHaun, Jackie Bryson, Esther Manheimer & Chris Pelly.

Others present were: Steven Aceto, Chairman of the Board; Bill Stanley, Max Haner and Al Root, Board members; Ellen McKinnon, Martin-McGill; Ed Bradford, Angel Banks, Shaun Armistead, Hunter Carson, Wesley Banner and Pam Nolan, M.S.D.

**II. Inquiry as to Conflict of Interest**

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

**III. Consideration of Compensation Budgets–**

Dilling Avenue GSR, Project No. 2009138  
Meadow Lark Road GSR, Project No. 2008085  
Old US 70 @ Pine Circle GSR, Project No. 2010007  
Mt. Vernon Place GSR, Project No. 2010085

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

**STAFF RECOMMENDATION: Approval of Compensation Budgets.**

Ms. Banks explained the location of the projects. The Dilling Avenue project is comprised of approximately 700 linear feet of 8" DIP to replace 4" and 8" VCP. The Meadow Lark Road project is comprised of approximately 300 linear feet of 8" DIP to replace 6" VCP. The Old US 70 @ Pine Circle project consists of 2800 linear feet of 8" and 12" DIP to replace 8" and 10" VCP. The Mount Vernon Place project consists of 1700 linear feet of 8" DIP to replace 6" VCP. There was no discussion. Mr. VeHaun made the motion to accept staff's recommendation. Mr. Pelly seconded the motion. Voice vote was unanimous.

**COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.**

**IV. Consideration of Condemnation – Givens Estates GSR, Project No. 2006014**

**PIN 9655-18-4240-** Subject parcel is developed with mixed use commercial/retail center. The proposed easement area crosses a private road providing secondary access to the rear of the center (i.e. not the main entrance). The point at which MSD's disturbance will occur is approximately 450 linear feet from the nearest intersecting public road.

Owner acknowledges the road is in poor condition and stated their concern was with MSD's repair to the road; owner mandated the road be overlaid with .25 to .50-inch of asphalt. Our engineer explained that the area disturbed by trench excavation would be rebuilt to subgrade and the entire width of the roadway in the area of disturbance would be resurfaced with a 1.5-inch asphalt overlay. MSD also offered standard compensation in the amount of \$5969 for the proposed easement, much of which is in the same trench as the existing line.

This offer was not satisfactory to the owner and he further mandated that MSD repave the approximate 450 linear feet of road between the point of MSD's disturbance and the nearest intersecting public road. Per the engineer's estimate, it would cost approximately \$90,000 to repave that portion alone. The owner will not agree to grant the easement unless MSD paves the additional linear footage between point of disturbance and nearest public road, outside of the construction zone.

Total Contacts: 5

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

Ms. Banks reviewed the above condemnation. There was no discussion. Jackie Bryson made the motion to accept staff's recommendation. Jerry VeHaun seconded the motion. Voice vote was unanimous.

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

**There being no further business the meeting adjourned at approximately 9:15 am.**

# **CONSOLIDATED MOTION AGENDA**

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

COMMITTEE MEETING DATE: 3/28/2012      BOARD MEETING DATE: 4/18/2012

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--**

Dilling Avenue GSR, Project No. 2009138  
Meadow Lark Road GSR, Project No. 2008085  
Old US 70 @ Pine Circle GSR, Project No. 2010007  
Mt. Vernon Place GSR, Project No. 2010085

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

**STAFF RECOMMENDATION: Approval of Compensation Budgets.**

Ms. Banks explained the location of the projects. The Dilling Avenue project is comprised of approximately 700 linear feet of 8" DIP to replace 4" and 8" VCP. The Meadow Lark Road project is comprised of approximately 300 linear feet of 8" DIP to replace 6" VCP. The Old US 70 @ Pine Circle project consists of 2800 linear feet of 8" and 12" DIP to replace 8" and 10" VCP. The Mount Vernon Place project consists of 1700 linear feet of 8" DIP to replace 6" VCP. There was no discussion. Mr. VeHaun made the motion to accept staff's recommendation. Mr. Pelly seconded the motion. Voice vote was unanimous.

**COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.**

COMMITTEE ACTION TAKEN	
Motion by: Jerry VeHaun	To: XX Approve <input type="checkbox"/> Disapprove
Second by: Chris Pelly	<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



# Dilling Avenue GSR

Project Number 2009138

## Compensation Budget

19-Mar-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.	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
	0619139469	0.56	24,393.60	\$37,700.00	\$1.55	287.20	\$445.16	\$222.58	783.00	\$1,213.65	\$121.37	3	\$30.34	\$253

**TOTALS:** \$253

**Staff Contingency:** \$5,000

**GM's Contingency** \$5,000

**Amendment**

**Total Budget:** \$10,253

# Meadow Lark Road GSR

Project Number 2008085

## Compensation Budget

19-Mar-12

Pin Number and Name		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)
27 Pin	83 Pin													
	9659912503	1.11	48,351.60	\$29,100.00	\$0.60	4,859.90	\$2,915.94	\$1,457.97	7,525.30	\$4,515.18	\$451.52	3	\$112.88	\$1,571
													<b>TOTALS:</b>	\$1,571
													<b>Staff Contingency:</b>	\$5,000
													<b>GM's Contingency</b>	\$5,000
													<b>Amendment</b>	
													<b>Total Budget:</b>	\$11,571

# Old US 70 @ Pine Circle GSR

Project Number 2010007

## Compensation Budget

19-Mar-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)
	0609236167	0.42	18,295.20	\$36,600.00	\$2.00	0.00	\$0.00	\$0.00	1,282.99	\$2,565.98	\$256.60	6	\$128.30	\$128
	0609235323	7.10	309,276.00	\$269,000.00	\$0.87	12,936.32	\$11,254.60	\$5,627.30	30,766.25	\$26,766.64	\$2,676.66	6	\$1,338.33	\$6,966
	0609237285	0.32	13,939.20	\$35,700.00	\$2.56	0.00	\$0.00	\$0.00	1,374.13	\$3,517.77	\$351.78	6	\$175.89	\$176
	0609138099	23.56	1,026,273.60	\$508,900.00	\$0.50	435.68	\$217.84	\$108.92	18,617.27	\$9,308.64	\$930.86	6	\$465.43	\$574
	0609248868	106.73	4,649,158.80	\$0.00	\$0.00	7,026.29	\$0.00	\$0.00	23,775.22	\$0.00	\$0.00	6	\$0.00	\$0

<b>TOTALS:</b>	\$7,844
<b>Staff Contingency:</b>	\$5,000
<b>GM's Contingency</b>	\$5,000
<b>Amendment</b>	
<b>Total Budget:</b>	\$17,844

PIN 0609.24-8868 belongs to the State of North Carolina and MSD does not compensate state agencies, county agencies, municipalities, etc.

**Mt. Vernon Place GSR**

Project Number 2010085

**Compensation Budget**

19-Mar-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)
	9740215752	0.92	40,075.20	\$110,800.00	\$2.76	5,190.40	\$14,325.50	\$7,162.75	6,370.90	\$17,583.68	\$1,758.37	6	\$879.18	\$8,042
	9740229504	0.66	28,749.60	\$61,100.00	\$2.13	128.60	\$273.92	\$136.96	249.30	\$531.01	\$53.10	6	\$26.55	\$164
	9740320047	0.52	22,651.20	\$59,900.00	\$2.64	3,235.30	\$8,541.19	\$4,270.60	3,857.20	\$10,183.01	\$1,018.30	6	\$509.15	\$4,780
	9740322208	0.31	13,503.60	\$50,700.00	\$3.75	190.90	\$715.88	\$357.94	1,135.30	\$4,257.38	\$425.74	6	\$212.87	\$571
	9740321395	0.34	14,810.40	\$51,100.00	\$3.45	1,264.90	\$4,363.91	\$2,181.95	3,033.10	\$10,464.20	\$1,046.42	6	\$523.21	\$2,705
	9740322025	0.26	11,325.60	\$50,100.00	\$4.42	143.30	\$633.39	\$316.69	1,129.40	\$4,991.95	\$499.19	6	\$249.60	\$566
	9740322210	0.30	13,068.00	\$50,600.00	\$3.87	193.50	\$748.85	\$374.42	1,135.30	\$4,393.61	\$439.36	6	\$219.68	\$594
	9740310973	0.50	21,780.00	\$53,200.00	\$2.44	28.30	\$69.05	\$34.53	2,041.90	\$4,982.24	\$498.22	6	\$249.11	\$284
	9740218649	1.52	66,211.20	\$89,400.00	\$1.35	1,471.80	\$1,986.93	\$993.47	1,876.20	\$2,532.87	\$253.29	6	\$126.64	\$1,120
	9740217838	0.73	31,798.80	\$61,700.00	\$1.94	1,607.40	\$3,118.36	\$1,559.18	2,829.70	\$5,489.62	\$548.96	6	\$274.48	\$1,834
	9740322113	0.29	12,632.40	\$50,400.00	\$3.99	196.00	\$782.04	\$391.02	1,134.70	\$4,527.45	\$452.75	6	\$226.37	\$617
	9740312936	0.26	11,325.60	\$50,100.00	\$4.42	0.00	\$0.00	\$0.00	160.50	\$709.41	\$70.94	6	\$35.47	\$35
	9740320554	0.61	26,571.60	\$60,700.00	\$2.28	944.10	\$2,152.55	\$1,076.27	1,778.50	\$4,054.98	\$405.50	6	\$202.75	\$1,279
	9740229360	0.28	12,196.80	\$56,500.00	\$4.63	1,366.80	\$6,328.28	\$3,164.14	3,075.20	\$14,238.18	\$1,423.82	6	\$711.91	\$3,876
	9740229327	0.50	21,780.00	\$59,700.00	\$2.74	560.30	\$1,535.22	\$767.61	756.80	\$2,073.63	\$207.36	6	\$103.68	\$871
	9740229282	0.70	30,492.00	\$61,400.00	\$2.01	367.90	\$739.48	\$369.74	2,250.10	\$4,522.70	\$452.27	6	\$226.14	\$596
	9740215543	1.10	47,916.00	\$122,800.00	\$2.56	5.67	\$14.52	\$7.26	1,396.90	\$3,576.06	\$357.61	6	\$178.80	\$186

<b>TOTALS:</b>	\$28,120
<b>Staff Contingency:</b>	\$10,000
<b>GM's Contingency</b>	\$10,000
<b>Amendment</b>	
<b>Total Budget:</b>	\$48,120

# Metropolitan Sewerage District of Buncombe County

## Board Action Item - Right-of-Way Committee

COMMITTEE MEETING DATE: 3/28/2012

BOARD MEETING DATE: 4/18/2012

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 Condemnation – Givens Estates GSR, Project No. 2006014**

**PIN 9655-18-4240-** Subject parcel is developed with mixed use commercial/retail center. The proposed easement area crosses a private road providing secondary access to the rear of the center (i.e. not the main entrance). The point at which MSD's disturbance will occur is approximately 450 linear feet from the nearest intersecting public road.

Owner acknowledges the road is in poor condition and stated their concern was with MSD's repair to the road; owner mandated the road be overlaid with .25 to .50-inch of asphalt. Our engineer explained that the area disturbed by trench excavation would be rebuilt to subgrade and the entire width of the roadway in the area of disturbance would be resurfaced with a 1.5-inch asphalt overlay. MSD also offered standard compensation in the amount of \$5969 for the proposed easement, much of which is in the same trench as the existing line.

This offer was not satisfactory to the owner and he further mandated that MSD repave the approximate 450 linear feet of road between the point of MSD's disturbance and the nearest intersecting public road. Per the engineer's estimate, it would cost approximately \$90,000 to repave that portion alone. The owner will not agree to grant the easement unless MSD paves the additional linear footage between point of disturbance and nearest public road, outside of the construction zone.

Total Contacts: 5

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

Ms. Banks reviewed the above condemnation. There was no discussion. Jackie Bryson made the motion to accept staff's recommendation. Jerry VeHaun seconded the motion. Voice vote was unanimous.

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

COMMITTEE ACTION TAKEN	
Motion by: Jackie Bryson	To: XX Approve <input type="checkbox"/> Disapprove
Second by: Jerry VeHaun	<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

# Metropolitan Sewerage District of Buncombe County

## BOARD INFORMATIONAL ITEM

**Meeting Date:** April 18, 2012

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

**Prepared By:** W. Scott Powell, CLGFO, Director of Finance  
Cheryl Rice, Accounting Manager

**Subject:** Cash Commitment/Investment Report-Month Ended February 29, 2012

### 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 February 29, 2012 were \$35,340,242. The detailed listing of accounts is available upon request. The average rate of return for all investments is 1.002%. 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 February 29, 2012 do not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of February 29, 2012 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is \$10,527,137.

<b>Total Cash &amp; Investments as of 02/29/2012</b>	35,340,242
<b>Less:</b>	
Budgeted Commitments (Required to pay remaining FY12 budgeted expenditures from unrestricted cash)	
Construction Funds	(7,383,649)
Operations & Maintenance Fund	(5,556,023)
	(12,939,672)
Bond Restricted Funds	
Bond Service (Funds held by trustee):	
Funds in Principal & Interest Accounts	(10,579)
Debt Service Reserve	(2,696,162)
Remaining Principal & Interest Due	(5,747,620)
	(8,454,361)
District Reserve Funds	
Fleet Replacement	(410,011)
WWTP Replacement	(676,527)
Maintenance Reserve	(832,763)
	(1,919,301)
Post-Retirement Benefit	(789,072)
Self-Funded Employee Medical	(710,699)
<b>Designated for Capital Outlay</b>	<b>10,527,137</b>

### Staff Recommendation

None. Information Only.

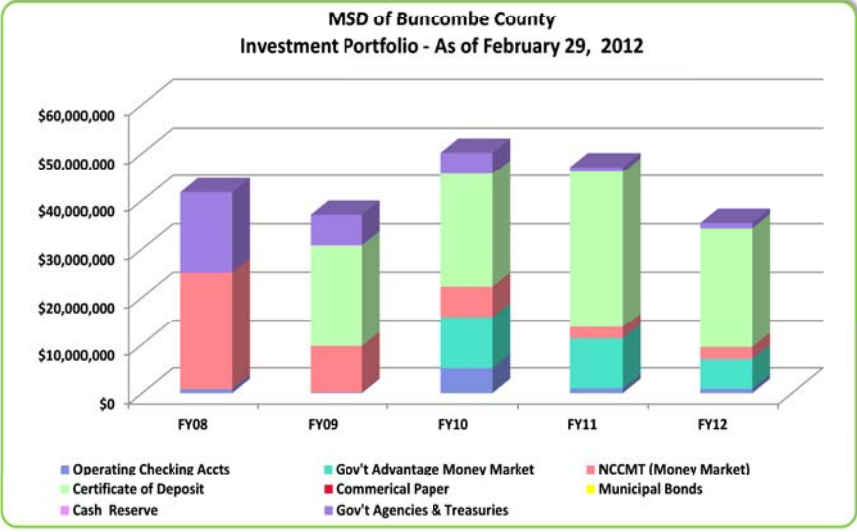
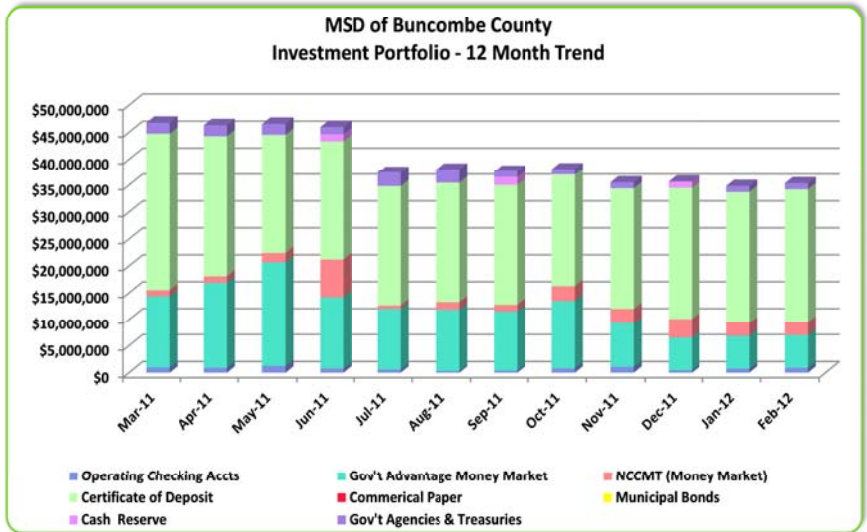
#### Action Taken

**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
<b>Held with Bond Trustee</b>	\$ -		\$ 1,589,938				\$ -	\$ 1,116,802	\$ 2,706,740
<b>Held by MSD</b>	916,661	6,043,995	927,141	24,745,705	-	-	-	-	32,633,502
	<u>\$ 916,661</u>	<u>\$ 6,043,995</u>	<u>\$ 2,517,079</u>	<u>\$ 24,745,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,116,802</u>	<u>\$ 35,340,242</u>

Investment Policy Asset Allocation	Maximum Percent	Actual Percent	
U.S. Government Treasuries, Agencies and Instrumentalities	100%	3.16%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	70.02%	The District 's YTM of .78% 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%	7.12%	
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		2.59%	
Gov't Advantage Money Market		17.10%	



**Board Meeting**

April 18, 2012

Subject: Cash Commitment/Investment Report-Month Ended February 29, 2012

Page -3-

**METROPOLITAN SEWERAGE DISTRICT  
INVESTMENT MANAGERS' REPORT  
AT FEBRUARY 29, 2012**

**Summary of Asset Transactions**

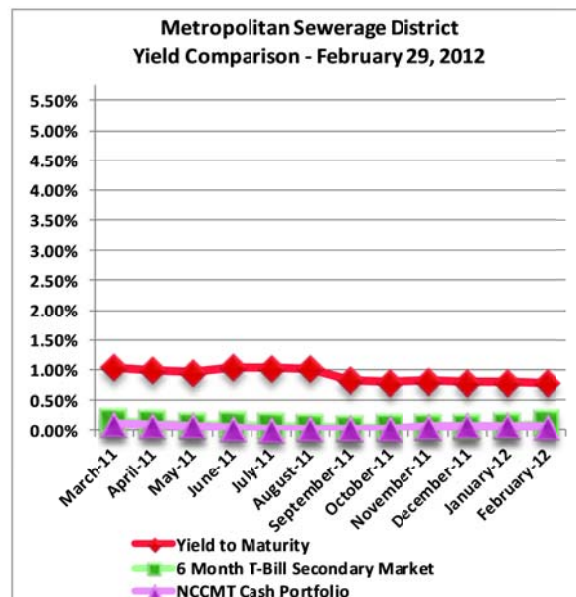
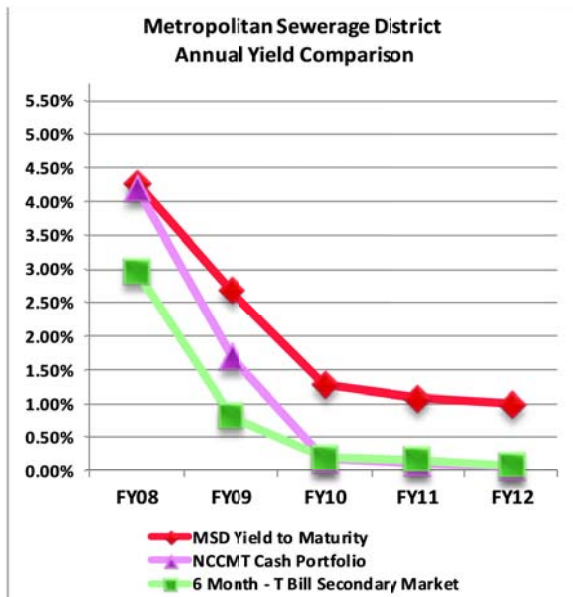
	Original Cost	Market	Interest Receivable
Beginning Balance	\$ 30,640,192	\$ 30,640,192	\$ 202,900
Capital Contributed (Withdrawn)	590,584	590,584	
Realized Income	29,390	29,390	(28,649)
Unrealized/Accrued Income	-	-	18,582
Ending Balance	\$ 31,260,166	\$ 31,260,166	\$ 192,833

**Value and Income by Maturity**

	Original Cost	Income
Cash Equivalents <91 Days	\$ 6,514,461	\$ 4,027
Securities/CD's 91 to 365 Days	24,745,705	\$ 15,296
Securities/CD's > 1 Year	-	-
	\$ 31,260,166	\$ 19,323

**Month End Portfolio Information**

Weighted Average Maturity	461
Yield to Maturity	0.78%
6 Month T-Bill Secondary Market	0.12%
NCCMT Cash Portfolio	0.06%





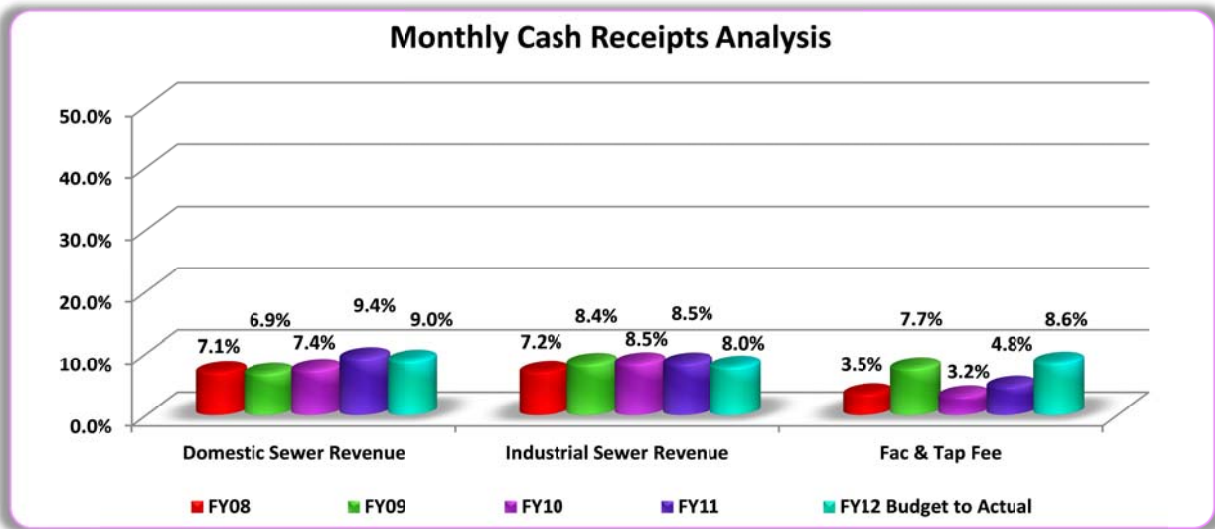
**Board Meeting**

April 18, 2012

Subject: Cash Commitment/Investment Report-Month Ended February 29, 2012

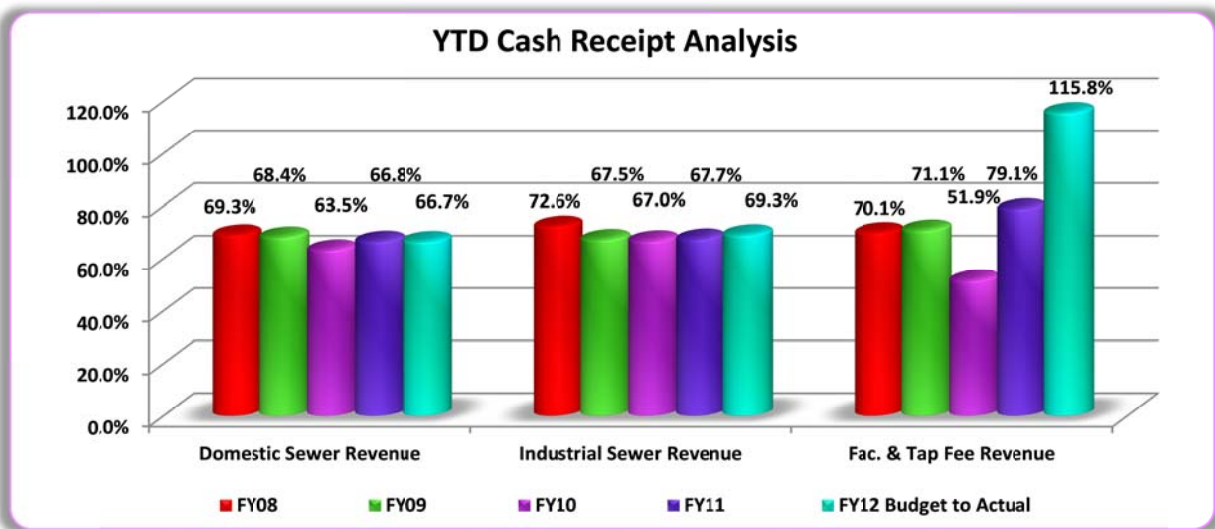
Page -4-

**METROPOLITAN SEWERAGE DISTRICT  
ANALYSIS OF CASH RECEIPTS  
AS OF FEBRUARY 29, 2012**



**Monthly Cash Receipts Analysis:**

- \* Due to the City of Asheville’s implementation of their Munis Billing System, billing cycles have been affected, and has impacted timing of cash receipts. Billing cycles should resume to normal trends by the end of FY12.
- \* 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, billing cycles have been affected, and has impacted timing of cash receipts. Billing cycles should resume to normal trends by the end of FY12.
- \* 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.

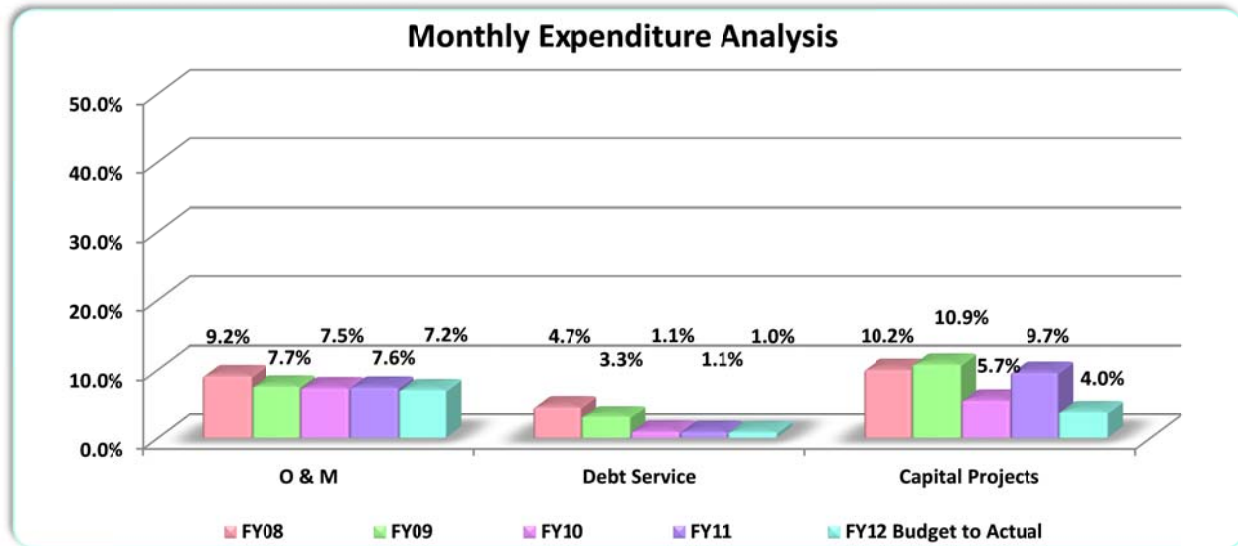
**Board Meeting**

April 18, 2012

Subject: Cash Commitment/Investment Report-Month Ended February 29, 2012

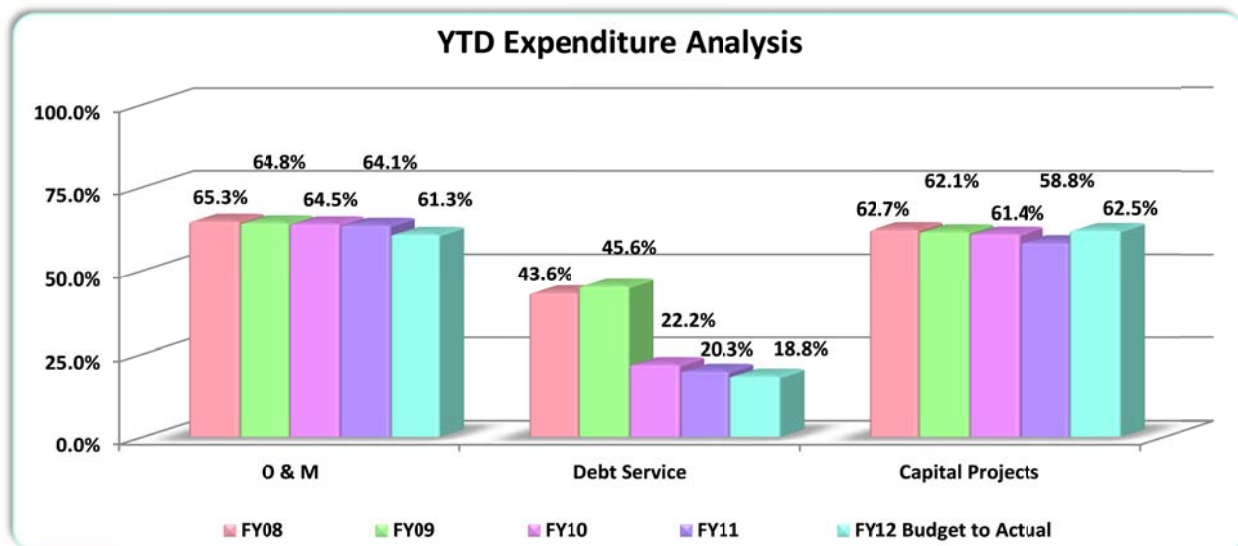
Page -5-

**METROPOLITAN SEWERAGE DISTRICT  
ANALYSIS OF EXPENDITURES  
AS OF FEBRUARY 29, 2012**



**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.

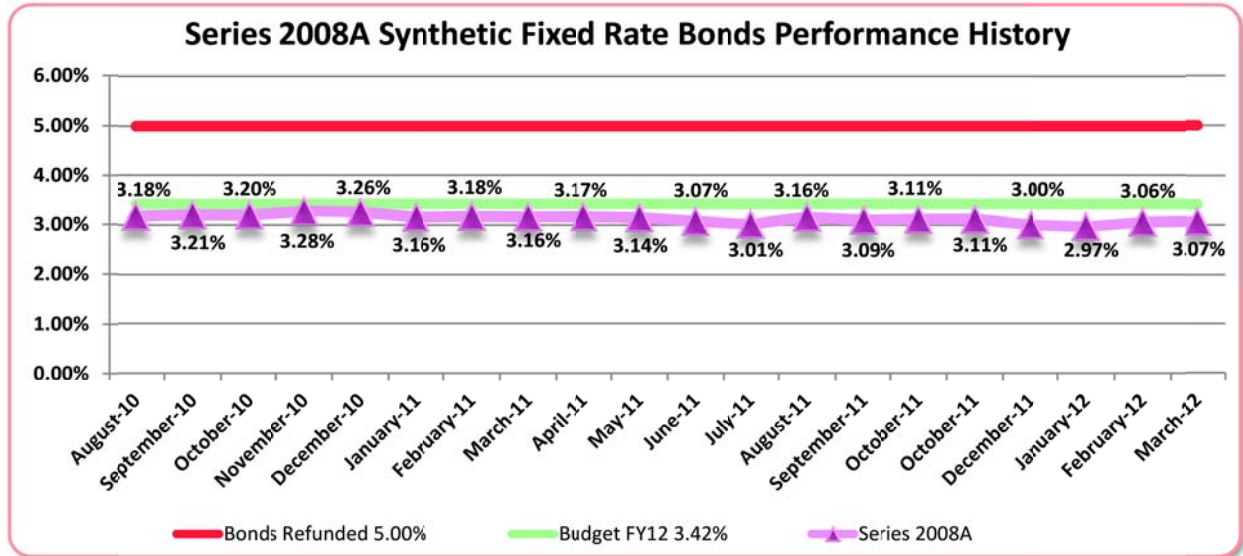
**Board Meeting**

April 18, 2012

Subject: Cash Commitment/Investment Report-Month Ended February 29, 2012

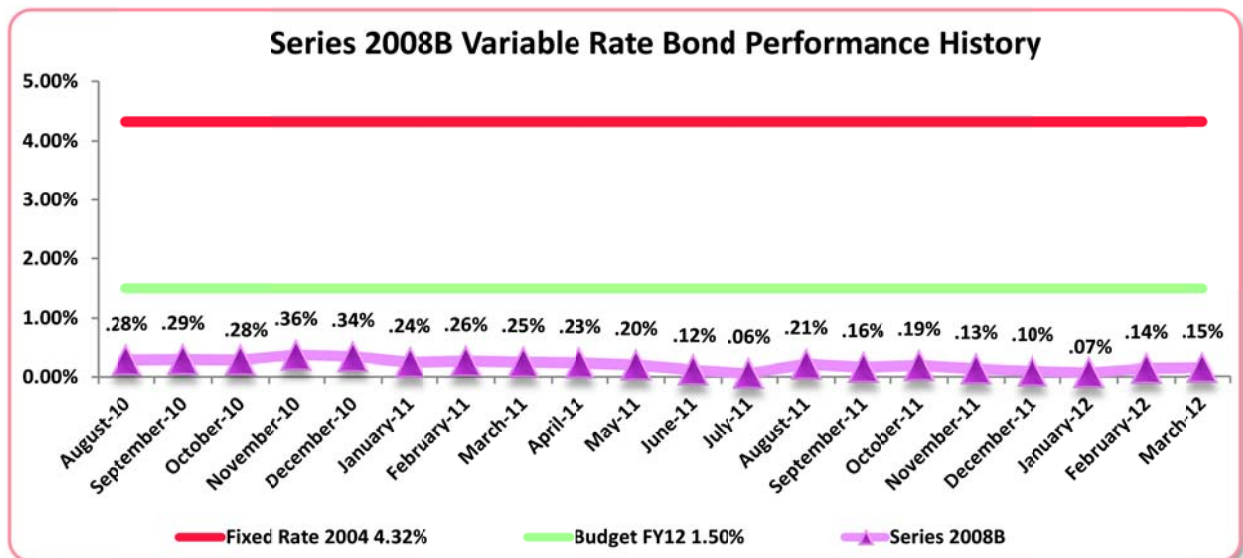
Page -6-

**METROPOLITAN SEWERAGE DISTRICT  
Variable Debt Service Report  
As of March 31, 2012**



**Series 2008A:**

- ◆ Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$2,110,831 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 \$5,560,000 to terminate the existing Bank of America Swap Agreement.



**Series 2008B:**

- ◆ Savings to date on the 2008B Variable Rate Bonds is \$3,035,762 as compared to 5/1 fixed rate of 4.32%.
- ◆ Since May 1, 2008, the Series 2008B Bonds average variable rate has been 0.58%.
- ◆ MSD will achieve \$8,810,000 in cash savings over the life of the bonds at the current average variable rate.

# Metropolitan Sewerage District of Buncombe County

## BOARD INFORMATIONAL ITEM

**Meeting Date:** April 18, 2012  
**Submitted By:** Thomas E. Hartye, PE., General Manager  
**Prepared By:** W. Scott Powell, CLGFO, Director of Finance  
**Subject:** UNC Environmental Finance Center  
FY2011 Financial Performance Benchmarks

### **Background**

On April 5<sup>th</sup>, the University of North Carolina Environmental Finance Center ([www.efc.unc.edu/RatesDashboards/nc.html](http://www.efc.unc.edu/RatesDashboards/nc.html)) announced their 2010 Water and Wastewater Rate Dashboard update. The dashboard provides a quick comparison of the District to other utilities on rates. New to the rate dashboard was the addition of a performance benchmark tab. This tab provided six financial indicators using data collected and provided by the Local Government Commission.

The aforementioned financial indicators assessed the financial condition of 493 North Carolina water and wastewater utilities. They analyzed liquidity (the ability to meet short-term obligations), debt service (the ability to meet long-term obligations), operations (the ability to address day-to-day obligations), and condition of physical assets (the ability to determine future replacement or rehabilitation of infrastructure) to determine if there are current and/or future economic concerns of the surveyed utilities.

### **Discussion**

Staff has provided a brief explanation of each financial indicator as well as graphical representation of performance. Staff chose top performing utilities with a credit rating of AA and/or AAA. Included in the analysis is the upper (yellow line) and lower (red line) tolerance levels which provides the basis of performance. Based on the attached analysis, the District was the only utility, which exceeded all financial indicators' upper tolerance levels.

The financial success of the District, as indicated in the attached analysis, is attributed to two key elements.

- \* First is the budgetary forecast, commonly referred to by staff as the business plan. The Board established a financial policy, which called for a ten-year projected operating budget and capital improvement program for long-term planning purposes. Revenue and expenditure projections are integrated with anticipated capital expenditures to anticipate rate increases. Timing of debt issuances are based on cash flow levels and debt coverage ratios. The business plan is used as a tool to plan for the future and in an effort to cover operating costs, infrastructure needs, meet all regulatory permit requirements, and debt service with minimal, uniform rate increases.

**Meeting Date:** April 18, 2012  
**Subject:** UNC Environmental Finance Center  
FY2011 Financial Performance Benchmarks

Page 2

- \* Second is the District's Capital Improvement Program (CIP). The District has established an aggressive ten-year CIP program, which addresses repairing and replacing sewer mains to increase service levels throughout the sewer network, improving performance at the wastewater treatment plant, and preparing the system to handle projected wastewater flows over the upcoming decade. The high level of capital reinvestment in the system continually strengthens MSD's physical and financial well-being.

**Staff Recommendation**

None. Information only.

**Action Taken**

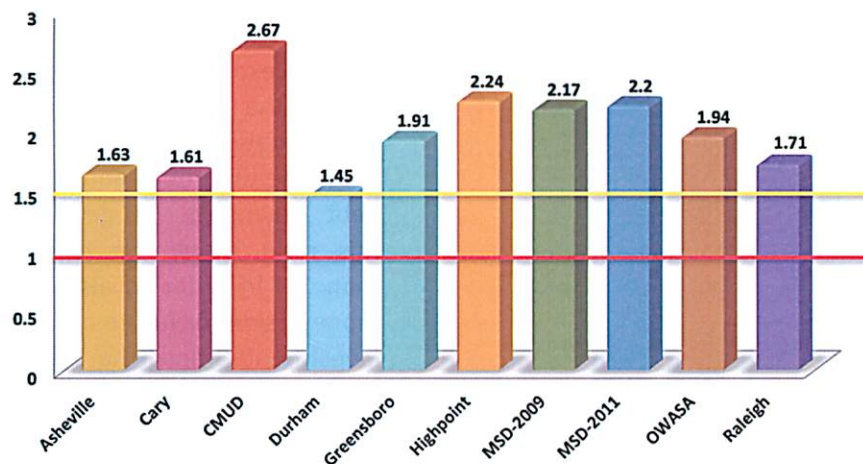
Motion by: \_\_\_\_\_ to Approve Disapprove  
Second by: \_\_\_\_\_ Table Send to Committee  
Other: \_\_\_\_\_  
Follow-up required: \_\_\_\_\_  
Person responsible: \_\_\_\_\_ Deadline: \_\_\_\_\_

## Financial Performance Benchmarks

### Non-Capital Operating Ratio:

This non-capital operating ratio measures the ability to cover day-to-day expenditures, excluding depreciation, using operating revenues. A ratio of less than one indicates that revenues were insufficient

**Non-Capital Operating Ratio  
June 30, 2011**



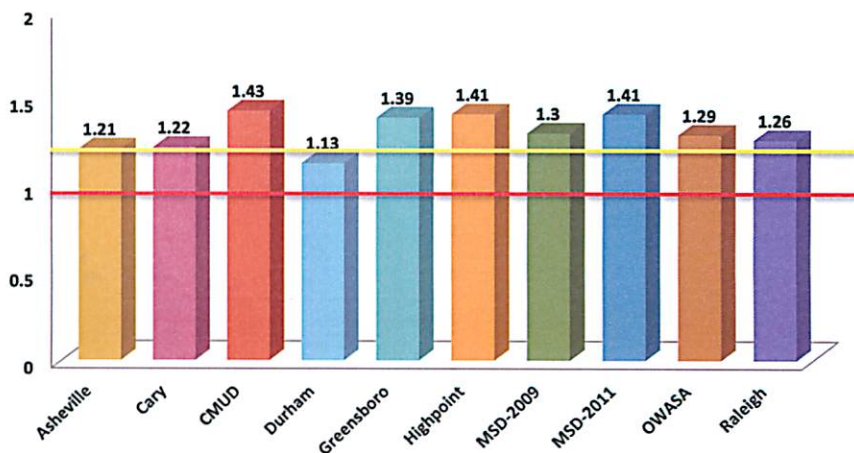
to cover the utility's day-to-day expenditures, let alone debt service or future capital expenses. In general, this ratio should be significantly higher than 1.0 to accommodate capital investments.

Among 420 utilities, 89% had a ratio  $\geq 1$ , and 32% had a ratio  $>1.5$ .

### Operating Ratio:

This operating ratio indicates whether operating revenues were sufficient to cover operations and capital (in the form of depreciation) for the water and/or wastewater utility in the fiscal year. It is calculated by dividing operating revenues by operating expenses including depreciation. A ratio of less than 1.0 could be a sign of financial concern. In general, this ratio should be higher than 1.0 to accommodate future capital investments.

**Operating Ratio  
June 30, 2011**



Among 420 utilities, 59% had a ratio  $\geq 1$ , and 25% had a ratio  $\geq 1.2$ .

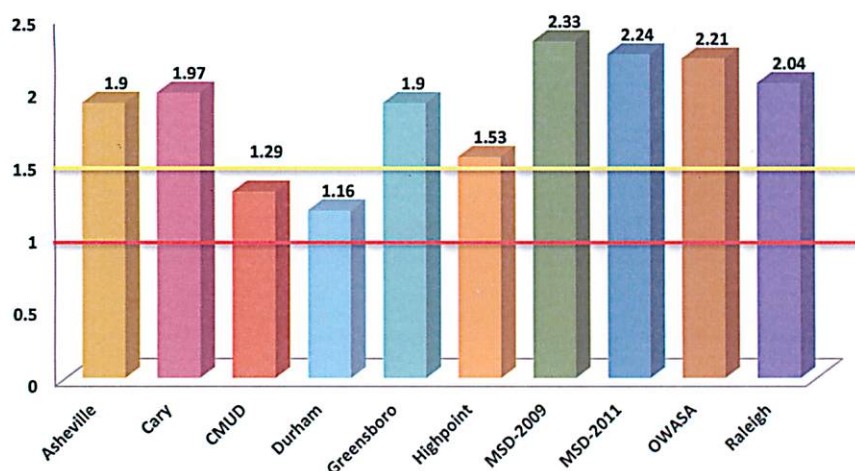
## Financial Performance Benchmarks

### Total Debt Coverage Ratio:

Total Debt Coverage Ratio measures the ability to pay for debt service and day-to-day expenditures using operating revenues. A ratio of less than 1.0 indicates that revenue were insufficient to cover the utility's day-to-day expenditures and payments on principal and interest on existing long term debt, and

the utility runs the risk of going into default. A negative ratio indicates that operating revenues were less than day-to-day expenditures alone, forcing the utility to look to non-operating revenues to cover the difference and their debt payments. In general, this ratio should be higher than 1.0 in order to also set money aside for future capital investments, and the 2008 Drought Bill requires that utilities achieve a ratio greater than 1.0 in order to be eligible for state grants and loans.

**Total Debt Coverage Ratio  
June 30, 2011**

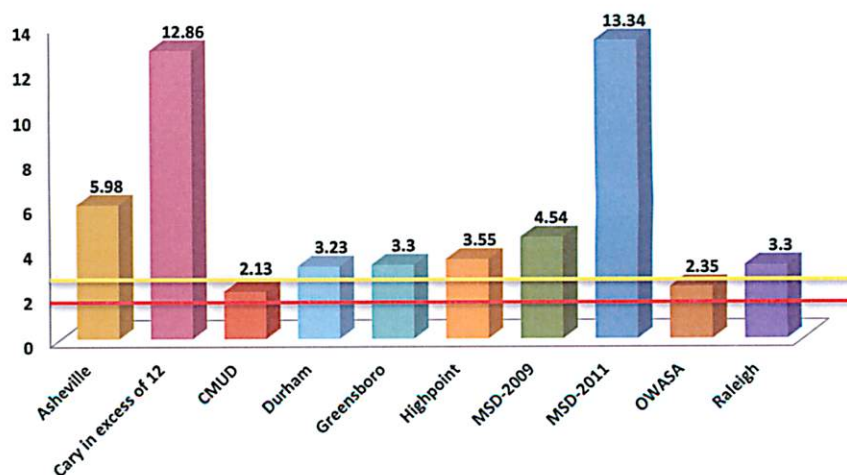


Among 359 utilities with long-term debt, 75% had a ratio  $\geq 1$ , and 64% had a ratio  $\geq 1.5$ .

### Quick Ratio:

Quick Ratio is a measure of short-term liquidity. That is a utility's ability to pay its current bills. It is a ratio of unrestricted current assets to current liabilities. The industry-accepted minimum benchmark for this ratio is 2.0, although utilities should strive to achieve a higher ratio for financial security.

**Quick Ratio  
June 30, 2011**

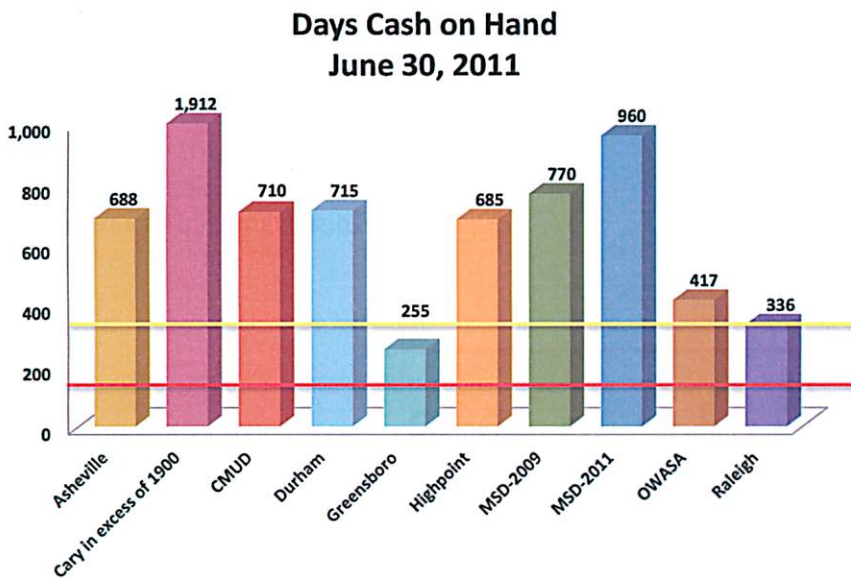


Among 412 utilities, 72% had a ratio  $\geq 2$ , and 59% had a ratio  $\geq 3$ .

## Financial Performance Benchmarks

### Days Cash on Hand:

Days Cash on Hand measures the level of unrestricted cash (reserves) your utility maintains relative to day-to-day expenditures. In sum, this estimates the number of days your utility can pay its daily



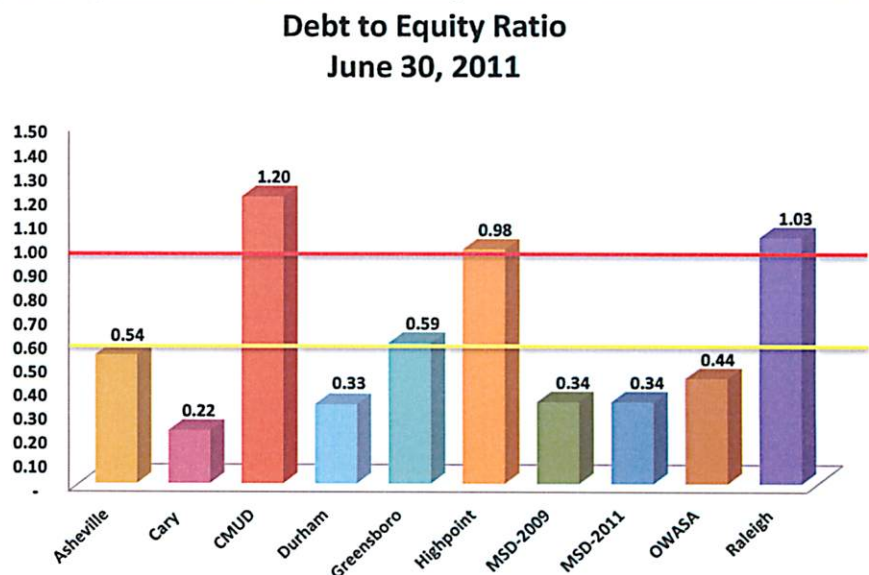
expenditures with no revenue coming in. There are no natural benchmarks for this indicator although the higher the number, the more protected your utility is against revenue shocks. Generally, a utility should aim to maintain several months' worth of cash on hand. AA-rated utilities and beyond maintain over one year's worth of days cash on hand.

Among 413 utilities, 74% had a ratio >180 days of cash on hand, and 48% had >365 days of cash on hand.

### Debt to Equity Ratio:

This indicator measures the existing level of leveraging of assets, and is used by funders and bond rating agencies to evaluate the risk of providing additional loans to the utility. The ratio indicates the amount

of long-term debt that exists for every \$1 of assets (fund equity). A utility with a ratio greater than 1.0 has more long-term debt than equity in the systems assets. There are no natural benchmarks for this indicator and funders and bond rating agencies will assess the ratio in various ways. In general, the higher the ratio, the more likely the utility will be considered to be over-leveraged and the more difficult it will be for the utility to obtain additional funding.



Among 422 utilities, 64% had a ratio lower than 0.3, and 93% had a ratio lower than 0.6.



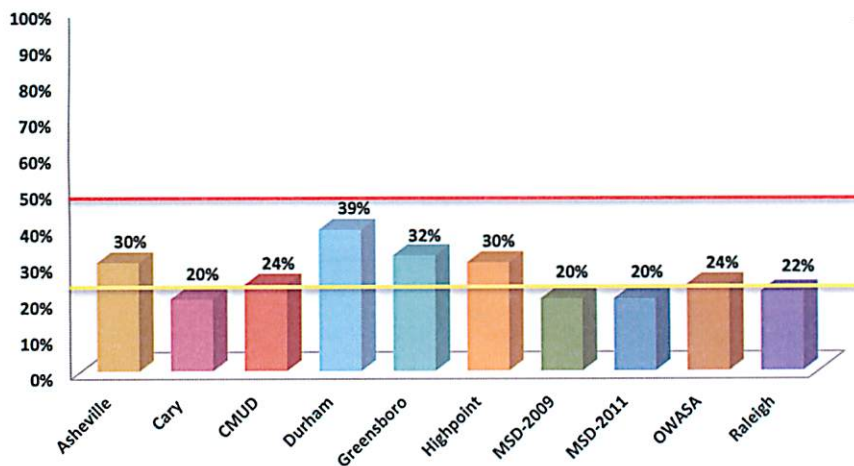
## Financial Performance Benchmarks

### Asset Depreciation:

This indicator of infrastructure condition estimates the portion of the average expected life of the utility's physical assets that have already passed. As this ratio approaches 100%, the capital assets become fully depreciated, and infrastructure needs replacement or rehabilitation. The accuracy of this

indicator relies heavily on the accuracy of the depreciation schedule, and historic pricing likely distorts this indicator (newer utilities may be slightly disadvantaged as a result).

**Asset Depreciation**  
**June 30, 2011**



Among 419 utilities, 30% have used up less than a quarter of their assets' expected life, and 87% used up less than half of their expected life.

Source: UNC Environmental Finance Center

# **STATUS REPORTS**

**CAPITAL IMPROVEMENT PROGRAM**

**STATUS REPORT SUMMARY**

**April 10, 2012**

PROJECT	CONTRACTOR	AWARD DATE	NOTICE TO PROCEED	ESTIMATED COMPLETION DATE	*CONTRACT AMOUNT	*COMPLETION STATUS (WORK)	COMMENTS
DILLINGHAM ROAD - 4 INCH MAIN	Terry Brothers	3/21/2012	4/16/2012	8/14/2012	\$149,902.00	0%	<b>Informal</b> Preconstruction meeting was held April 3rd. Construction is imminent.
FIBER OPTIC CONDUIT INSTALLATION	S & S Cable, Inc.	2/21/2012	3/15/2012	5/28/2012	\$49,956.14	30%	<b>Informal</b> Work is progressing well.
PATTON AVENUE @ PARKWOOD ROAD	Huntley Construction	1/18/2012	TBA	TBA	\$243,718.16	0%	<b>Informal</b> Project was awarded to Huntley Construction Company. No work has begun yet.
PIPE RATING CONTRACT #6 (LINING)	Improved Technologies Group	10/19/2011	12/5/2011	7/2/2012	\$808,846.50	60%	<b>Formal</b> Pipe lining portion of the project is complete. Manhole lining should begin soon.
ROEBLING CIRCLE	Terry Brothers	3/21/2012	4/16/2012	8/14/2012	\$52,241.00	0%	<b>Informal</b> Preconstruction meeting was held April 3rd. Construction is imminent.
ROLLINGWOOD ROAD	Huntley Construction	8/17/2011	9/19/2011	4/30/2012	\$206,957.50	98%	<b>Informal</b> Project is complete except for paving.
TOWN BRANCH INTERCEPTOR PHASE II	Moore & Son	6/15/2011	7/18/2011	4/30/2012	\$556,273.80	92%	<b>Formal</b> 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	4/10/2012	8/8/2012	\$284,847.00	0%	<b>Informal</b> Preconstruction meeting was held April 3rd. Construction is imminent.
VA HOSPITAL (PRP 28001)	Huntley Construction	12/14/2011	2/6/2012	6/5/2012	\$200,786.99	75%	<b>Informal</b> Crew working on the last run of pipe, through main parking lot of VA Hospital.
WRF - FINAL MICROSCREEN REPLACEMENT	Hickory Construction	10/20/2010	1/3/2011	9/30/2012	\$8,972,321.36	65%	<b>Formal</b> Urethane liners are complete. Electricians are working on switchgear, and equipment is being installed in the dry pits. Yard piping nearly complete.
WRF - ROOF REPLACEMENT ON FINAL MICROSCREEN BUILDING	Carolina Specialties	2/3/2012	4/2/2012	5/31/2012	\$110,719.00	5%	<b>Informal</b> Shop submittals in review.

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

# Planning and Development Projects Status Report

April 18, 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
	UNC-A New Residence Hall	2011047	Asheville	304	404	8/29/2011	Complete-Waiting on final documents
	Falcon Ridge	2004240	Asheville	38	3,279	10/11/2006	Complete-Waiting on final documents
	Fairview Road Property	2010043	Asheville	10	542	11/9/2011	Complete-Waiting on final documents
	Larchmont Apartments	2011014	Asheville	60	26	6/23/2011	Complete-Waiting on final documents
	Versant Phase I	2007008	Woodfin	64	12,837	2/14/2007	testing
	Ridgefield Business Park	2004188	Asheville	18	758	2/16/2005	Complete-Waiting on final documents

Subtotal	1035	35,232
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Planning and Development Projects Status Report  
April 18, 2012

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	Dollar General - Smokey Park	2011048	Candler	Comm.	100	3/13/2012	Pre-con held, ready for construction
	The Settings (6 Acre Outparcel)	2004192	Black Mountain	21	623	3/15/2006	Ready for final inspection
	Dollar Tree - Weaverville	2011113	Weaverville	Comm.	75	2/23/2012	Pre-con held, ready for construction
	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
	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
	Harris Teeter - Merrimon Ave.	2011045	Asheville	Comm.	789	3/27/2012	Pre-con held, ready for construction
	Pisgah Manor Skilled Nursing Facility	2012008	Candler	Comm.	131	4/9/2011	Pre-con held, ready for construction
	Quality Oil - Fairview	2011081	Buncombe Co.	Comm.	522	3/20/2012	Pre-con held, ready for construction

Subtotal	2523	107,101
Total Units:	3,558	
Total LF:		142,333