

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
DECEMBER 12, 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, December 12, 2012. Chairman Aceto presided with the following members present: Bryson, Creighton, Haner, Kelly, Pelly, Root, Russell, Stanley, VeHaun and Watts. Ms. Manheimer was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, PA, Gary Jackson, Asheville City Manager, Phil Kleisler, City of Asheville, Steve Shoaf, Asheville Water, Marc Hunt Asheville City Council, Joseph Martin, Woodfin Sanitary Water & Sewer District, Marcus Jones and Natalie Berry, Henderson County, Matthew Socha with Cherry, Bekaert & Holland, Nelda Holder and David Forbes with Mountain Xpress, John Boyle, Asheville Citizen-Times, Scott Owen, Asheville Internet Radio FM, Don Yelton, Tim Warner, Victor O'choy, Phillip Bowditch, David Nutter, Valerie Hoh, Elaine Lite, Neill Andersen, Sam and Linda Speciale, Cathy Holt, Bette Jackson, Julia Rankin, Barry Summers, Carl Nyburg, Steve Rasmussen, Jerry Rice, Teddy Jordan, Beth Jezek, Richard Cary, TJ Amos, Richard Genz, Cindy Heil, Ellen Lyle, Citizens and MSD Staff, Ed Bradford, Stan Boyd, Peter Weed, Jim Hemphill, Scott Powell, Mike Stamey, Ken Stines, Matthew Walter, Angel Banks and Sondra Honeycutt.

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 November 14, 2012 Board Meeting:

Mr. Aceto asked if there were any changes to the Minutes of the November 14, 2012 Board Meeting. Mr. Haner moved the Minutes be approved as presented. Mr. VeHaun seconded the motion. Voice vote in favor of the motion was unanimous.

4. Discussion and Adjustment of Agenda:

Mr. Aceto asked if there was any objection to moving item 8. (Water/Sewer Consolidation Proposal) to report of the Planning Committee. There were no objections.

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed Mr. Socha, Mr. Martin, Mr. Shoaf, Mr. Hunt, Ms. Holder, Mr. Forbes and Citizens. Mr. Aceto suggested that Public Comment be limited to 20 minutes with a limit of 3 minutes per comment. Mr. Hemphill introduced each of the following participants. Please note, comments are reported verbatim.

Philip Bowditch

"Hello everybody, I'm relatively new to Asheville. I'm sort of speaking on behalf of myself in general and partially from 350.org. It's become more and more apparent to everyone that humanity, our country and the entire planet face a gigantic challenge that is coming right at us and it will be the most serious challenge ever faced by the human race. I don't know if we're going to pull it out in time, and it seems to me to be suicidal for a community to turn over jurisdiction of its own water supply to any outside authority despite all the protestations of no privatization or any of that, but to have the authority for the water system outside our own jurisdiction because the third World War will be fought about water. It won't be fought about oil and its coming and Katrina and Sandy are the very beginnings, not the ending, not the middle. This is the beginning of a process that more and more people are having a very hard time ignoring or turning away from. As I

Say, I don't know if we'll pull it out in time, because the rift that it will take will dwarf the mobilization of the second World War, with no clear and present danger in front of everybody, so once again, this is my only comment. I cannot believe the City of Asheville can let its water supply go to anyone, however well meaning, or not meaning. Local control is essential and if you lived in Raleigh or any other town in any other part of this state you would feel the same way, because I have to say it again, the third World War will be about water. Asheville is not in a bad place. It's not in a great place, but it's not in a bad place, so that's about it. Thank you very much."

Valerie Hoh

"Good afternoon Members of the MSD Board. Thank you for allowing public comment today. I have just one question for you all. What does it mean to you to be a good neighbor? Does it mean that when a body comes along and threatens to take something away from your neighbor, in this case a whole water system, do you stand by and let it happen, or do you say hell no not on our watch? Is Representative Chuck McGrady being a good neighbor when he is writing a Bill favorable only to his own county? Henderson County has expressed that they won't be happy unless they have five members on this Board and Representative McGrady has expressed also the same, even though Henderson County has only 6,000 water customers and Asheville has over 100,000 and, as you all know, has only three members on this Board. Will having those five members mean they can dictate whatever changes are favorable only to their own county and is that fair to the rest of Asheville and Buncombe County, Biltmore Forest, Weaverville, Black Mountain, Woodfin and Montreat. I'm sorry if I've left anyone out. So today you can do the right thing for your residents. Thank you."

Barry Summers

"I have something to add to the minutes. I know you approved the Minutes of the last meeting, but there is a section there that goes to what my comments prepared was going to be. Representative McGrady spoke on and on about the misinformation that's out there. Missing from these minutes is the portion where he described as misinformation the rumor that Asheville has been stealing from the Asheville Water System that funding overhead from water ratepayers. Very clearly he believes that to be misinformation and that's not in these minutes and I just like to note that, but what I want to note is that that's what he said publicly in this very room. A few days later when I asked him, are you concerned that the current offer from MSD clearly leaves a huge budget impact on the City of Asheville, which would have to be reconciled by employee layoffs, or property taxes, this is his reply. "This is really a rhetorical question. I'm sorry to learn that the City has been funding overhead for the Water System revenues above and beyond what most folks assume the City was getting alas the Sullivan Act. I'm glad the City has come clean on this issue. I have no desire to punish the City for present or past misdeeds". So, publicly he's saying that accusing the City of that type of misdeed is misinformation and he'd like it to stop, but privately, he's the one who is spreading that misinformation, and I bring that up just to refer to the bigger picture. You all are asserting that you don't have a political role in this, but you're simply responding to the directions of the Legislature, and I would say that the evidence is clear as if the Representative who doesn't live in Buncombe County, who doesn't live in Asheville and has expressed hostility toward the City of Asheville, he doesn't care what deal you make between the City and MSD, he's going to write a deal that serves his constituents in Henderson County, and I think the proposal that's currently on the table from MSD, that grants the City a relatively minor compensation, the Legislature will not approve anything greater than that because anything more than that clearly puts that accounting in the red, so I think it's becoming apparent to those of us in Asheville, that this deal is moving forward in a way that all good people who live here in this region, live in this county and want to work together, we're all going to be losers and the winners are going to be people who don't live here and don't like us. Thank you."

Sam Speciale

“Thank you for the opportunity to speak before you. I just want to make a couple of comments. In your thoughtful deliberations on how this goes forward, giving the important role that you’re playing in this sort of situation that’s been forced upon you, I just want to reflect upon a view of world. If a third world dictator, say South America were trying to seize a utility, a piece of infrastructure, our democratic soul would be hurt and dismayed at this taking. Well, this is what the Legislature is doing to us. I think there is no other way to see it. They’re the bullies that have been described and I hope that you follow through what they ask you to do in good faith, that you’ll consider that this is nothing but a highhanded seizure. I want to leave with one other observation that a Frenchman in the early 1800’s came over to this country and examined the young democracy that was being laid down in this country, Alexis de Tocqueville, and one of the things I learned from his observations “the tyranny of the majority” that was a fear that he had as our democracy moved forward and I think we’re seeing a tyranny of the majority of the power that the State Legislature has, but is not using wisely to force this upon us. Thank you.”

Steve Rasmussen

“I’m concerned that the merger of authority to approve water and sewerage extensions will turn this agency into a battleground between pro-development and anti-sprawl forces and turn local and regional growth planning into an arbitrary, frustrating and even more politically charged process than it is now for officials, and developers and residents. That seems to be an unavoidable consequence of the State law under which the merger will be carried out and I’m referring to North Carolina General Statute Section 162-A, which is the enabling legislation for water and sewerage districts. Article 4, Metropolitan Water Districts under 162A-55 is submission of preliminary plans to planning groups and cooperation with planning agencies; it requires you to consult with local and regional planning officials, but not to follow their plans necessarily when you approve a sewer and under a merger a water connection to a new development. It’s a two-edge sword of power you’ll be able to override their recommendation to deny, or their recommendation to approve a new development. The Legislature’s recent amendment to 162A to enable the merger of water and sewer systems specifically references Article 4, giving a merged water and sewerage Board this power to override. You currently have that power under similar law in Article 5, but over sewerage systems only and I’m concerned that a policy does not have the weight of a State law giving whatever new Board comes out of it, the power and the constant temptation to override that policy. Water line extensions are one of the most effective planning tools for controlling urban and suburban sprawl that local communities and planners have and that power will be taken from them and legally handed to you. Development can’t grow without connections, without roads, power, sewer lines and in most cases water lines. The State controls approval of road and power lines. Water and sewerage, are to the best of my knowledge, the only such connections that local and regional authorities can effectively control to manage growth. Now, anti-sprawl activists compare these connections to the veins and arteries that a cancer tumor generates in order to feed its unchecked growth. Cut them off and you choke off the tumor. That strategy will make a combined regional metropolitan water and sewer super agency with that power to approve and deny such connections an irresistibly tempting target for local, regional and national environmentalists on the one hand and powerful state and national developer lobbies on the other, so I predict a lot of contentious and angry public hearings in this very room in time to come if this merger is approved. Please think twice before you subject yourself to that.”

Jerry Rice

“Thank you Mr. Chairman and Members of the Board, it’s good to see ya’ll again. It’s been a while. I’m a County resident, but we’re concerned about the water as well and we

wish them the best. The County learned one thing, when you put out a vote you need to stick with it, so if the City said yes to it or no to it, stick with it. There's many political reasons why that you're doing what you're doing. This isn't nothing about any issue, it's about politics. That's what it boils down to, but there's a bigger concern that I have; it is about water, but it's also about the sewer district as well. It's called the Chemtronics Plant in the Bee Tree section. It's a superfund site. The fifth year review is out now and I've been privy to it and its astonishing the things that are coming from that 253 page review. Very, very dangerous material in the mountains up there in Bee Tree and this goes deeper than just the soil on top. We're talking about the depth that would scare people to death if they read this report. This is not the only bad site we've got in the County; we've got CTS as well. I'm bringing this up for a larger picture. We need to be concerned about the contamination that is going to be running alongside these water lines and along with the sewer lines accepting a lot of this chemical that's coming into it and what's being put back out in the river afterwards. In a dry season you can tell that if you don't process well you know what the other folks down the river is going to get. I'm concerned about the larger community then just Buncombe County as well. We need to be concerned about our neighbors and be good stewards. I'm not saying you're doing anything wrong I'm just raising a red flag about the Chemtronics Plant. You need to have people down here to talk to you publicly from Halliburton. Halliburton owns that property now and they owned it back when Chemtronics had it before. If Halliburton has got the expertise and the Defense Department behind them that they've got, they ought to go in there and be able to clean this site up with no problem. They've got plenty of money and they've got plenty of ways and expertise in finding the other sources. There are three plumes on that area that is come to be since the last review. My concern is that the wells in that community; those people is having to drink that water. If something does happen, there will have to be sewer lines as well as water lines run into those areas as well and they are only looking at a quarter of a mile distance of surveying the wells in those areas, so we need to be thinking larger than a quarter-mile out. Thank you."

Teddy Jordan

"Hi, Teddy Jordan, I live in the City. I just have some observations on this quite a drama going on here. We have our elected officials, representatives of the people that step in, issue a mandate and sit back and watch the show. I find it interesting that the stakeholders get issued a mandate to negotiate in good faith, but the message is delivered with an or else threat. I find that interesting. I think it's interesting to me that our citizen representatives spend citizen investments on studies. We've had three so far, we're probably pushing a half a million dollars on an unstated problem. I haven't heard the problem stated yet. I find that interesting and disappointing. The structure of this discussion as presented by our representatives pits one entity against another, one community against another, one neighbor against another and I have this to say about that. This is not a good example of good governance, good leadership. It does not demonstrate good stewardship of the tax payer's investments in our infrastructure in our system. We do have a financial crisis going on, right? I mean, it makes you wonder how the priorities of the to-do list are getting sorted. You as MSD Members might think the decision on the table today has to do with the report and its findings. I don't think that's what's going on here at all. I think this is about democracy. I think this is about good governance. Is this good governance, what has happened and how this has transpired? Is this how you would like to receive a question; somebody comes into your backyard and threatens you? Is that how we start off the dialogue? I expect better as a citizen and unfortunately you guys have been pulled into this pray at this point. The decision on the table today is whether you want to encourage this kind of democracy or discourage it. Thank you."

Beth Jezek

"Good afternoon. Thanks for the opportunity to speak. I know that this is not your responsibility, you didn't make this happen, but I also know you've been witness

to how it has happened. It has not going well from the beginning. The Legislature began this process without even having the courtesy to inform City Council that it was going on. No one from Asheville, except of course, for Representative Moffitt served on this study committee, so Asheville was not representative, except for the author of the Bill. It was made very difficult for citizens to have input. There was one forum provided out at the airport and there were assigned times and so on during a business day when many people were working. Again, input was discouraged basically. When it was determined that there would be a referendum on the November ballot, there was a veiled threat from Representative Moffitt that the Legislature, after all, did have the power to shut down Asheville's government essentially. To take that stance I would think it should have been a glaring sign of what's going on here. Council of course has been against it from the beginning, City Council. The citizens of Asheville are against it. They voted 86% against this takeover. Two weeks ago, Representative McGrady said that he was writing the Bill right now, which led me to believe that perhaps it doesn't matter what your discussion is, what your input is. It's already being done and if it coincides with what he's writing, great. If not, I think we'll get something else. He also noted that other municipalities are being asked if they want to be involved. Why didn't they ask Asheville? It was imposed on us. We were told this would happen; our water would be taken away and other municipalities get the courtesy of a question. We were told we would get \$57 million dollars over 50 years. How fair a deal is that? That just doesn't work, considering the amount of money that we're going to lose to the general fund, and of course, the people who will determine how this all comes down are assigned to this Board; they're not elected, they don't represent the people. Nothing against you, you do good work. I actually appreciate the work you do. There have been people who have been in touch with the Water Authority in Wilmington, NC where this is already taking place and they have said to us, do whatever you can to avoid this. This is awful and it will be awful for your community to. Thank you for your time."

Cathy Holt

"Good afternoon and thank you for this opportunity to speak out. As other speakers have already pointed out, we are in a situation which does not strike me as very democratic where we've already had an 86% vote of the citizens of the City of Asheville against this water takeover. We are really looking at a situation of the seizure of a local asset, which is a very valuable asset. I don't think we can overstate the value of Asheville's water. Here we have pristine water coming from these mountains. This is really the gold standard for water here in the State of North Carolina and we know we have a drought prone state, a thirsty state, but this is not something that the local jurisdiction should be seized by State. Clean water is the great need all over this world and we're going to see this becoming even more starkly outlined as we move into greater and greater degrees of climate chaos and climate change, so Asheville has shown exemplary care of our watersheds, nothing is broken, so please don't try to fix it. Thank you."

In the interest of time, Mr. Aceto asked if there were elected officials present who would like to address the Board. With no response, public comment continued.

Tim Warner

"Thank you for the opportunity to be here. I'll be brief. I'm a registered Professional Engineer. Professional engineering registration is to preserve the public safety and health. We have a water system in the City of Asheville that is well managed and well protected. The watershed is an extremely valuable resource when you look at other communities around and what they are having to pay to treat their water; we have something that is the envy of many other districts. I know you didn't ask for this. I just encourage you to protect the assets should this be forced upon you, and it looks like it is. Protect the assets to at least the same extent that the City of Asheville has. Thank you very much."

Victor O'Choy

"I don't believe there's ever been a time in history where the privatization of water has ever been beneficial for the people; only for a handful of individuals. After Asheville residents have said no to the water takeover, it still continues. On top of that, City Council is against this water takeover. Looking for an answer, I reached out to CELDF, they have been around for seven years now and they amend ordinances to oppose takeovers like these. They fought against Nestle trying to take over water in Maine. This is a rights-based ordinance. Rights supersede laws. Laws, and in fact governments, are created for the sole purpose of protecting rights, but from time to time we have had unjust laws deny rights and the only way to change those laws and challenge the injustice is to write new law. This ordinance will by-pass the no Home State Rule and Dillon's Act, and will also by-pass corporate personhood. As I said, this has been put forth in other areas already and it will be used again if we have to. Thank you."

TJ Amos

"I'm a Buncombe County resident, but since I use City water, I feel like it's an issue for more than just City folks. The things I want to point out that are my concerns are I'm a very process oriented person. I'm trained as a therapist. I'm trained to sit there and listen to people negotiating and work out situations in a meaningful way that both sides can feel comfortable that they've been heard and value with what they say. I understand that the Referendum was a non-legal binding situation to where it's not an actual election, it's a non-binding agreement basically in terms of the vote, but it still represents what 86% of the people have to say with their own voices. So, while it wasn't legally binding, it still represents what the majority say. I don't know all the ins and outs of the financial stuff that goes on. I'm not a money oriented person, but I'm very concerned about how this process is taking place and being bulldozed through, and I can't imagine that if MSD were approached by these same people or the City came to you and said we are forcing you to merge with the City of Asheville, that there would not be an outrage over that and a protest over that from your side as well so, the precedence this is setting, while non-binding, is was still a vote, the peoples voice. How slippery a slope is that to say that you are going to ignore a Referendum vote and then think that it can never come up down the road that people are denied their actual votes, much like Warren Wilson people being challenged on their actual election vote, so I'm very concern about how that could take us, not only is the City here with us, that I love very much, but the example we're setting for the rest of the State to go wrong because it was clear from them that it possible it could happen to other places, so we continue to say that it doesn't apply to me, it's not affecting me personally, but if they can take over water from one location, they can do it for another. Part of what I've done in Occupy, is to protect against corporate takeovers or corporate mismanagement of funds, and if this is done in a way that it's being done right now, that is no different than what the corporations are doing, so I really hope you guys think a lot about this and really seek to make the wisest decision, rather than what's easier for you or what you want to do so that the people don't come back to you and refuse to cooperate with you in some way like with Tim Moffitt or McGrady or whoever it might be that comes along. Thank you."

Richard Genz

"Good afternoon and thank you for extending the time for remarks to enable me to make a few short ones. I agree with some of the earlier speakers that something is fundamentally wrong in what we are all addressing today. Something simply doesn't smell right. I looked up a story of a merger of a water utility and a metro sewer district utility, which is now underway in our neighbor State Kentucky and the City of Louisville. As of last May this merger was proceeding under the guidance of the task force that was headed by the retired Louisville Water President, John Huber presented its findings last May talking about savings ranging from 14-24 million dollars that could be achievable by merging the MSD there and the Water utility there. If the action were to proceed a full

merger would require. I find this very interesting for our case. If this local task force in Louisville were to go forward, then a full merger would require the consent of the Mayor, the Boards of the two utilities, the Louisville Metro Council and the Kentucky General Assembly; a bottom up move for reform and above all I would call attention to the fact that Louisville Mayor Greg Fischer put together the Utility Task Force in January, 2012 following a highly critical audit of MSD by former Kentucky State Auditor Crit Luallen. This makes sense. This is reform with the prospect of savings in Louisville, Kentucky. This is how our system works in my experience. Yesterday I attended the work session of our City Council. I forgot to mention I've been a resident of Asheville for 16 years and I had also reviewed the report submitted to MSD, and it's not surprising to me that the Consultant for the MSD examines and finds the economies of scale if MSD were to incorporate the water operation. One consultant and the Finance Director of the City say vice versa, well as a matter of fact, we are a larger entity and we already have a lot of scale economies in our administrative set up. If we were to take on the sewer function, there would be savings for the sewer ratepayers, and so the quest for efficiency which is supposedly at the heart of this mandate from Raleigh, I'm afraid doesn't quite seem to pass muster, but what I do think that makes sense of this whole twisted story are some comments from Consultant Doug Bean yesterday who closed his presentation saying "To simply look at water as water in a bottle is a commodity." This is the whole point. Water is about protecting the public health, safeguarding our environment and directing the community's development. That is what Raleigh is trying to do to suppress our responsibilities for those things. Thank you."

Mr. Aceto expressed his appreciation for the remarks of those who participated in the public comment.

6. Report of General Manager:

With regard to the Water Study, Mr. Hartye reported field visits have been conducted for Phase II. The Final report for Phase I and the preliminary report for Phase II will be presented in January, 2013.

Mr. Hartye reported the new Aqua disk filters (\$10 million) are installed, operational, and working well. They are going through the final testing stage this week and next. He stated he will present pictures of the project at the next meeting. Mr. Aceto stated that this is a technical issue that has been going on for years and MSD has managed to reduce the Suspended Solids going into the river by 60%. He further stated the Board would be remiss if it did not take the time to congratulate staff for this achievement.

Mr. Hartye presented a letter from Rita Nix expressing appreciation for the crew that replaced the sewer line in Pine Meadow Drive. He expressed his thanks to Jesse Hunter, McKinley Hensley, Eric Gillis, Tim Haney, Jason Price, Mickey Roberts, Lloyd Anders and Eric Dawson.

He reported that a call was received from Aleene Green expressing appreciation for the same crew and project. Also there was a call from Cheryl Hunts of Melody Circle praising Mike Rice, MSD First Responder, for his professional job and follow-up service.

Mr. Hartye reported the next regular Board Meeting will be held January 16th at 2 p.m. The employee Christmas lunch will be held in the atrium at 11:30 a.m. on December 20th.

Mr. Haner asked that staff inform the Board when would be a good time to take a tour of the plant in order to see what improvements have been made; either individually or in groups.

7. Report of Committees:

Right of Way Committee

Mr. Kelly reported the Right of Way Committee met November 28, 2012. The Committee considered Condemnation on the Rash Road Sanitary Sewer Project and Compensation Budgets on the Broadway Street @ Bordeaux Place GSR; Indiana Avenue GSR and Kanawha Drive GSR projects. He stated these projects will be considered under the Consolidated Motion Agenda.

Mr. Aceto congratulated Mr. Kelly, Mr. Pelly and Mr. Watts for reappointment to the MSD Board.

Planning Committee:

Mr. Root reported the Planning Committee met November 30, 2012. He stated this Board is not set up to make policy, but a utility that was called upon to work on carrying out a policy set for it. He further stated MSD did not start this discussion and certainly will not be the ones to finish it. However, MSD was called upon to work with the stakeholders in Buncombe County and the City of Asheville in an attempt to try to craft a model of what a conversion would look like if MSD could craft it itself. To that extent, MSD and the City of Asheville brought in consultants to do a study. MSD, as a Board, set certain parameters outside the scope of the consultants. One such parameter was working with the City of Asheville on retaining ownership of the Bee Tree and North Fork Reservoir watersheds. In addition MSD put on the table the issue of compensation, which the Legislative Research Committee in their report said nothing about. At the November 30th meeting, the Planning Committee looked at the numbers by the consultants and reviewed the recommendation of staff, which was a compensation figure based on certain factors, of \$57 million over 50 years, along with the other factors previously set as outlined in staff's proposal. Mr. Root stated the Planning Committee recommends the Board adopt staff's proposal. Mr. Watts seconded the motion. Mr. Haner stated he would like to see the City get more money and asked how negotiations between the MSD and the City will proceed and how it will be done. Mr. Aceto stated negotiation is subject to the City's proposal and how they would like to proceed. Mr. Stanley announced the re-appointment of Mr. Haner until this process is complete. He stated that although he is opposed to staff's proposal, he will vote to move it forward because he does not want those in Raleigh writing this since they do not understand it and there is no way \$57 million in compensation to the City is enough. He further stated the people in charge of this thing can do whatever they want to do and for the most part they are doing it and feels sure the merger legislation is being written right now. Mr. Pelly stated as we've gone forward with the Merger study, one of the things we looked at were the capital needs of Asheville and questioned whether we should also be looking at the capital needs of Henderson County. In 2009 an engineering study identified \$26 million in capital needs and, as MSD representatives for Buncombe County, should we be asking Buncombe ratepayers to pay for the capital needs of Henderson County and how will this be factored into it. Mr. Hartye stated this item was brought before the Planning Committee and the Board and made recommendations when we were in discussions with Cane Creek about what would be the conditions for them coming into the District, so it would be a net zero effect on MSD's existing Business Plan, and if they asked to come into the District, the conditions would be in place. He further stated it's been about two years since those numbers were run so those numbers will be updated and staff will bring this information to the Board in January, as to what the implications of that are. Also, as Mr. McGrady mentioned, Cane Creek was in pretty good financial position with \$4.7 million in the bank and only \$2 million worth of debt. They do have upgrades needed on their pump stations and have a list of capital improvement plans; some rehab and some expansion. Mr. Pelly asked if the merger does occur is it fair to say that the cost of Cane Creek's capital needs will be borne by the Henderson County ratepayers. Mr. Hartye stated the numbers will need to be updated and brought back to the Board in January.

Mr. Watts stated it's important that we keep sewer separate from water and whether Cane Creek wants to come in as a sewer entity this is separate from water consolidation. Mr. Hartye stated it was separate until about two weeks ago when it was mentioned by Representative McGrady that they were looking at it. He further stated the assets will not be part of the equation because of the nature of what's going on there and was not part of the original recommendation. Mr. Stanley stated if the legislation includes Cane Creek, representation on the Board will change in favor of Henderson County and they will be in charge of water and sewer infrastructure. Mr. Clarke stated the way the Statute is currently written, if MSD expanded into Henderson County on sewer, Henderson County would have two (2) members on the Board and Buncombe County and Asheville would continue to have three (3) each. He acknowledged that if the Legislature writes the Bill, they have the authority to change that, but the amendment was drafted specifically for the prospect of Cane Creek Water & Sewer coming into the MSD. Mr. Kelly stated he will reluctantly vote in favor of the proposal for several reasons because he feels that MSD should do what the LRC asked it do. He further stated that the LRC did not mention compensation and is not sure compensation is due, and if it is, does it have to come from MSD; why not the Legislature. Also, according to Mr. Powell, MSD received 65% of its operating revenue from the residents of the City of Asheville, so what are we doing for them. Mr. Russell stated he will strongly vote against the motion to move forward. He asked Mr. Clarke if there is a timing issue to go forward with this. Mr. Clarke stated Representative McGrady indicated they would be introducing a Bill early in the Legislative session beginning at the end of January and assuming if there is a negotiation, you would have between now and then to do it. Mr. Pelly stated that given the nature of concerns expressed by several Board Members do we have the ability to do an amendment to the motion. Mr. Clarke said yes. Mr. Aceto called for further discussion regarding the original motion. Mr. Root stated there are two observations he has heard; first the amount of compensation and the model proposed to MSD by its consultants. Second is the question of the political process and should or should that not affect MSD and the position it takes. He stated it's his belief, as an elected official from Weaverville, that the last thing he wants to see from MSD is to start acting political and making policy decisions one way or another. Mr. Creighton stated that anything over the \$1.1 million a year could have an impact on the ratepayers. Mr. Aceto stated the MSD consultants were asked to come up with a financial model in order to consider the various options and if the City of Asheville has a counter proposal he suggest running it through the same model to take into account the impacts to rates, operational income, etc., which can be part of the discussion as well. Mr. Haner asked if there is a counter proposal, will this go back to the Planning Committee. Mr. Aceto stated not unless the City comes back with a proposal. Mr. Russell stated this is not a win-win for the ratepayers and is a big loser for the City of Asheville and is wrong. Mr. Pelly stated the notion of compensation is not an abstract idea for the City of Asheville and this is a very real hole in Asheville's budget; \$33 million over nine years or \$3.5 million a year and the Board needs to think long and hard about this. With regard to the motion, he would like the motion to include the wording that the Board has deep reservations about the process and about the ability to come up with an outcome where all parties are invested. Mr. Clarke asked Mr. Pelly if he would like to include this wording in the amendment of the motion. Mr. Pelly said yes. After some discussion, Mr. Clarke stated the motion should read: The Board has expressed deep reservations about the process and whether an outcome is possible that works to the benefit of all parties. Mr. Russell seconded the motion. Mr. Aceto stated that amendment of the motion takes a step into a very political direction because it is an editorial commentary on the Legislature and is something this Board would do well to restrain from doing. Mr. Haner stated we should be as honest and objective as we can possibly be and for that reason he cannot be supportive of the amendment. By a show of hands, the motion failed by a vote of 2 for and 9 against. Mr. Aceto called for a vote on the original motion. By a show of hands, the motion carried by a vote of 9 for and 2 against (Mr. Pelly and Mr. Russell). Mr. Aceto expressed his appreciation to those who participated with their comments and concerns.

8. Consolidated Motion Agenda:

a. Consideration of Condemnation – Rash Road Sanitary Sewer Rehabilitation Project:

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

b. Consideration of Compensation Budgets: Broadway Street @ Bordeaux Place GSR; Indiana Avenue GSR and Kanawha Drive GSR:

Mr. Hartye reported the Right of Way Committee recommends approval of the Compensation Budgets. With regard to the Indiana Avenue GSR Project, Mr. Creighton asked to be excused from voting or deliberation on this project.

c. Consideration of Pipe Rating Contract No. VII – Lining:

Mr. Hartye reported this project was generated through the District's Pipe Rating Program, which is a structural defect-rating system using CCTV data combined with the GIS. This contract is the seventh of the District's lining contracts and is generally located in the southern and eastern portions of Buncombe County. The contract consists of lining aged clay collector lines; rehabilitating associated manholes and renewing the District-maintained portions of all service lines and totals 9,780LF. He further reported the following bids were received on November 29, 2012: Layne Inliner, LLC with a total bid of \$972,914.00; Terry Brothers Construction Co., with a total bid of \$814,310.00 and Southeast Pipe Survey, Inc. with a total bid of \$798,778.61. Staff recommends award of this contract to Southeast Pipe Survey, Inc. in the amount of \$798,778.61, subject to review and approval by District Counsel.

d. Consideration of Acceptance of Developer Constructed Sewer Systems for the Kenilworth Healthy Built Sewer Extension Project; Dollar Tree – Weaverville Sewer Extension Project, and Bee Tree Village Phase IIIA Sewer Extension Project:

Mr. Hartye reported staff recommends acceptance of the developer constructed sewer systems for the Kenilworth Healthy Built Sewer Extension Project which included the installation of approximately 255 linear feet of 8" gravity sewer to serve a five (5) unit residential subdivision. Also, the Dollar Tree Weaverville Sewer Extension Project that included installation of approximately 81 linear feet of 8" gravity sewer to serve a commercial development, and the Bee Tree Village Phase IIIA Sewer Extension Project that included the installation of approximately 2,222 linear feet of 8" gravity sewer to serve a one hundred forty-nine (149) residential subdivision. All MSD requirements have been met.

e. Presentation of Audit & CAFR – Fiscal Year Ended June 30, 2012:

Mr. Powell introduced Mr. Matthew Socha with Cherry, Bekaert & Holland (CB&H) for a PowerPoint presentation. Mr. Socha expressed his appreciation to the Board for its continued use of CB&H to serve as the District's Auditing Firm. He stated the District engaged his firm to perform an audit of the financial statements for the District for the year ended June 30, 2012. The audit was performed under generally accepted auditing standards. These are Management's financial statement, prepared by Management of the District and, it was their responsibility to provide an opinion as to whether those financial statements are fairly presented in accordance with generally accepted accounting principles. He reported that during the last year, total current assets decreased by \$9.3 million and capital assets increased by \$13.1 million for a total increase in assets of \$3.8 million. Total liabilities decreased by

\$5.4 million; \$1.1 million of that was paid out of current liabilities, less construction payables at year end and the other significant decrease was debt and other long-term liabilities of \$4.3 million. He explained that the \$3.8 million increase in assets combined with the \$5.4 decrease in total liabilities gives the District a net position increase of \$9.2 million. He stated that the unrestricted portion of the \$9.2 million represents 2.1X cash basis operating budget. The overall feel is that the balance sheet, the result of operations, are both very strong for the fiscal year and is in a very good position going forward. He presented a graph showing capital assets, net of accumulated depreciation, which shows a large upward trend in capital assets and takes into effect what is being depreciated and what is being added on top of it. Over the last five year the District has averaged about \$9.5 million in investment and capital assets. This goes to show if the line were very flat, the District is just fixing and replacing what's in place. If the trend is downward the District is using up the capital assets faster than replacing them. The upward trajectory shows the District is placing a lot of emphasis on investing in its capital assets to insure long-term sustainability of the collection system and treatment system as well. He presented a graph showing the changes in outstanding debt over the last five (5) fiscal years. In 2010 is where the last bond issuance was and over the last two years the District has been able to pay a significant amount of outstanding debt; now at a level of \$90 million, which is just below where the District was in 2008. He presented a graph showing the composition of the District's net position; investment in capital, restricted and unrestricted. He stated that net operating revenues increased by \$1.3 million and operating expenses increased by \$600,000, resulting in an increase of operating income of \$700,000. Non-operating revenues and expenses remained similar to the prior year. He presented a graph showing operating results which include operating revenues, operating expense and operating income.

Mr. Socha reported the required communication to the Board of Directors includes the planned scope and timing of the audit; new accounting pronouncements that were adopted by the District this year which includes the adoption of GASB Statement No. 63, financial reporting of deferred outflows of resources, deferred inflows of resources and net position. He stated it's significant to note that this GASB is effective for next year. He commended the District for its early adoption. In addition, there are no significant or unusual transactions that occurred this year. As far as accounting estimates included in the financial statements, the most significant ones are the allowance for uncollectable accounts; the useful lives of assets, which drives depreciation expense; other post-employment benefits which are benefits to employees who have paid their dues and retired and are going to get additional benefits for their health insurance and is reflected as a liability on the balance sheet, and the fair market value of the interest rate swap, which is another significant estimate that is reflected on the financial statements. He further reported that they encountered no difficulties in performing the audit; no material audit entries; no passed audit adjustments; no disagreements with management; management has provided written representation to them; they are not aware of any consultations with other public accounting firms, and of any other findings or issues that have come up in discussions with management throughout the process of the audit.

Mr. Socha reported the audit was very good and they have a "clean" opinion. They did not identify any material weaknesses in internal controls over financial reporting. Operating controls appear to be effectively designed and implemented for the nature and size of the organization and found no instances of noncompliance that are required to be reported under Government Auditing Standards. With regard to management and staff, he stated that everyone is extremely forthcoming, extremely candid and provided them with anything they asked for without question, which is how an audit should go. He further stated they sincerely appreciate all help received throughout the audit engagement and the CAFR is a wealth of information and is amazing how quickly it gets prepared, which a testament to staff. He thanked the Board for its continued trust in CB&H as its audit firm of choice. Mr. Aceto

expressed his appreciation to Mr. Socha for his report and to CB&H for their good work. Ms. Bryson expressed congratulations to staff in this effort.

f. Cash Commitment/Investment Report – Month Ended October 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 October. The weighted average maturity of the investment portfolio is 409 days and the yield to maturity is .81% and exceeds benchmarks of the 6 month T-Bill and NCCMT cash portfolio. Page 4 and 5 are an analysis of Cash Receipts and Expenditures. From the receipts perspective, Domestic User fees, Industrial revenue, and Facility and Tap fee revenue are considered reasonable on a month and year date basis, taken into consideration historical trends. In addition, O&M, Debt Service, and Capital Project expenditures are considered reasonable based on historical trends. Page 6 is the MSD Variable Debt Service report for the month of November. Both the 2008 A&B Series are performing better than budgeted expectations. Both issues have saved District customers approximately \$6.0 million dollars in debt service since April of 2008. Mr. Haner asked about the spike in Facility and Tap fees. Mr. Powell stated that Facility and Tap fees are typically based on the amount of development in the community and MSD's Capital projects are typically dealt with through the Engineering Department in relation to rehabilitation. Mr. Russell asked if the 6-month T-Bill is used as a benchmark to compare the yield to the maturity. Mr. Powell stated as far as the yield to the maturity, we use the 6-month T-Bill benchmark and the NCCMT trust. The reason these are used as benchmarks is because MSD plows so much money into its infrastructure, its investment horizons are in the year area, so when investing available cash, we want to make certain we are exceeding both of those benchmarks. Mr. Russell asked if the Bond Issuance has anything to do with that. Mr. Powell said no, this is where we were able to find efficiencies along the yield curve, so typically we have exceeded that. Most of MSD's monies are in bank CD's. As it stands right now, we are seeing more return in bank CD's than in the fixed income market and this has been the case for the last four years since the recession. Mr. Aceto called for a motion to adopt the Consolidation Motion Agenda with the exception of Item b. Mr. Pelly moved. Mr. Watts seconded the motion. Roll call vote was as follows: 11 Ayes; 0 Nays. Mr. Aceto entertained a motion on Item 7.b. of the Consolidated Motion Agenda for which Mr. Creighton is excused from deliberation and voting. Mr. VeHaun moved. Mr. Stanley seconded the motion. Roll call vote was as follows: 10 Ayes; 0 Nays.

9. Old Business:

Mr. Aceto congratulated Mr. Haner on his reappointment to the MSD Board.

10. New Business:

None

11. Adjournment:

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

Jackie W. Bryson, Secretary/Treasurer

MSD

Regular Board Meeting

Metropolitan Sewerage District
of Buncombe County, NC

AGENDA FOR 12/12/12

✓	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 November 14, 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	2:30	
	06. Report of Committees: a. Right of Way Committee – 11/28/12 – Kelly b. Planning Committee – 11/30/12 – Root	Aceto	2:45	
	07. Consolidated Motion Agenda	Hartye	3:00	
	a. Consideration of Condemnation – Rash Road Sanitary Sewer Rehabilitation	Hartye		
	b. Consideration of Compensation Budgets – Broadway Street @ Bordeau Place GSR; Indiana Avenue GSR and Kanawha Drive GSR.	Hartye		
	c. Consideration of Bids – Sanitary Sewer Rehabilitation Project – Pipe Rating Contract No. 7.	Hartye		
	d. Consideration of Developer Constructed Sewer Systems: Kenilworth Healthy Built; Dollar Tree and Bee Tree Village Phase IIIA.	Hartye		
	e. Presentation of the FY11-12 Comprehensive Annual Financial Report.	Powell		
	f. Cash Commitment Investment Report as of October 31, 2012	Powell		
	08. Consideration of Water/Sewer Consolidation Proposal	Aceto	3:20	
	09. Old Business	Aceto	3:45	
	10. New Business	Aceto	3:50	
	11. Adjournment (Next Meeting 1/16/13)	Aceto	3:55	

APPROVAL OF MINUTES

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
NOVEMBER 14, 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, November 14, 2012. Chairman Aceto presided with the following members present: Bryson, Creighton, Haner, Kelly, Manheimer, Pelly, Russell, Stanley, VeHaun and Watts. Mr. Root was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, PA., Gary Jackson, and Phil Kleisler with the City of Asheville, Joseph Martin with Woodfin Sanitary Water & Sewer District, Nelda Holder with Mountain Xpress, John Boyle with the Asheville Citizen Times, Julie Taylor with Arcadis, Barry Summers, Bette Jackson and MSD Staff, Ed Bradford, Peter Weed, Jim Hemphill, Stan Boyd, Scott Powell, Mike Stamey, Ken Stines, Matthew Walter, Angel Banks and Sondra Honeycutt.

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 October 17, 2012 Board Meeting:

Mr. Aceto asked if there were any changes to the Minutes of the October 17, 2012 Board Meeting. Mr. Haner moved the Minutes be approved as presented. Mr. Watts seconded the motion. Voice vote in favor of the motion was unanimous.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed guests. There was no public comment.

6. Report of General Manager:

Mr. Hartye reported the Final Phase I of the Merger Study will be presented to the MSD Board at the December 12th meeting. The Phase II portion of the Study will be presented in January, 2013.

Mr. Hartye reported the MSD IT Department, in conjunction with Mountain Communications, replaced the existing phone system which gave MSD over 15 years of service. This capital project replace over 119 phones spanning over 9 buildings on the MSD campus and offers the employees of MSD higher quality calls, more functionality and the highest level of redundancy available for the organization. Mr. Hartye expressed his appreciation to the IT Department for their efforts on such a large project.

Mr. Hartye reported the next Right of Way Committee meeting will be held November 28th at 9 a.m. The next regular Board meeting will be held December 12th at 2p.m.

7. Report of Committees:

Right of Way Committee

Mr. Kelly reported the Right of Way Committee met October 24, 2012 to consider Condemnation on the Macon Avenue @ Sunset Parkway Rehabilitation Project

and Compensation Budgets for Horizon Hill Road GSR; Emory Road GSR; Old Haywood Road @ Starnes Cove Road Projects. These projects will be considered under the Consolidated Motion Agenda. Also, the Committee reviewed the First Quarter Quarterly Reports.

Planning Committee:

Mr. VeHaun reported the Planning Committee met prior to the Board Meeting to hear a presentation on Phase I of the draft merger study by the District's consultant Malcome Pirnie/Arcadis.

8. Consolidated Motion Agenda:

a. Consideration of Condemnation – Macon Avenue @ Sunset Parkway Rehabilitation Project:

Mr. Hartye reported Staff recommends authority to obtain appraisal and proceed with condemnation. Mr. Haner asked if there has been any movement on the condemnations. Ms. Banks stated staff investigated questions Committee members brought forth and looked into the tree question, which is not possible. She further stated Staff is also looking into the possibility of pipe bursting.

b. Consideration of Compensation Budgets: Horizon Hill Road GSR; Emory Road GSR; Old Haywood Road @ Starnes Cover Road:

Mr. Hartye reported the Horizon Hill Road GSR is off Lookout Drive in Woodfin and consists of 713 linear feet of 8" DIP to replace 4" and 6" VCP and Orangeburg pipe. The Emory Road GSR is located in West Asheville and consists of approximately 301 linear feet of 8" DIP to replace 6" and 8" Orangeburg and PVC pipe. The Old Haywood Road @ Starnes Cover Road Project consists of approximately 2500 linear feet of 8" DIP to replace VCP and Orangeburg Pipe. The Right of Way Committee recommends approval of the Compensation Budgets as presented.

c. First Quarter Budget to Actual Review – FY 2013:

Mr. Powell reported Domestic User Fees as well as Industrial, Facility and Tap fees are at budgeted expectations. Interest and miscellaneous income are above budgeted expectations. The positive variance is due to the termination of the forward delivery agreement with Citigroup Financial Products, Inc. in the amount of \$314,000. O&M expenditures are a 25.64% of budget. They include encumbered amounts which has elevated the budget to actual percent slightly above 25%. Bond principal and interest actually spent is less than budget due to actual variable interest rates averaging .17% as well as timing of debt service principal and interest payments. Amounts budgeted for capital equipment and capital projects are rarely expended proportionately throughout the year.

d. Cash Commitment/Investment Report – Month Ended September 30, 2012:

Mr. Powell reported Page 2 presents the makeup of the District's Investment Portfolio. There has been no significant change in the makeup of the portfolio from the prior month. Page 3 is the MSD Investment Manager's Report as of the month of September. The weighted average maturity of the investment portfolio is 445 days and the yield to maturity is .85% and exceeds MSD bench marks of the 6 month T-Bill and NCCMT cash portfolio. Page 6 is the MSD Variable Debt Service report. Both the 2008 A&B Series bonds are performing better than budgeted expectations.

At the end of October, both issues have saved District ratepayers \$5.9 million dollars in debt service since April, 2008.

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

9. Old Business:

With regard to the draft Impact Study, Mr. Aceto polled the Board for its opinion as to whether or not they would be interested in having the Planning Committee address the compensation and lease issues prior to the next Board meeting or defer the findings to the elected officials without any opinion or comment.

Mr. VeHaun said he did not have an opinion one way or another, but can see some positives both ways. Regarding Mr. Summer's comments, Mr. Haner stated if the Planning Committee could seek additional information beyond the scope of the study (compensation or lease agreements) he would be supportive of that and it would be incumbent on the MSD to factor in any additional cost and how that may affect the ratepayers. Mr. Creighton said he agrees that the Planning Committee should sit down and start those discussions. Mr. Stanley stated he's in favor of the Planning Committee laying out some ideas now before the Legislature does it for us. Mr. Russell stated he feels this is pointed in the direction of continued good faith negotiations. Mr. Watts stated that based on this study there is a limited amount of savings that can be generated in how far this quantity of money would go toward compensating the City of Asheville for any losses, but it may be interesting to look at the numbers to see what it would take and feels the MSD is going in the right direction and that it should take a position. Ms. Bryson stated MSD should keep the line of communication open and take one step at a time. Ms. Manheimer stated that the more planning and preparedness the better and the Planning Committee should take a look at it and fill in some of the holes so it can be better informed. Also, MSD, as a body, may consider some sort of representation on the legislative level going into this session with someone who might be able to convey this information in Raleigh if this discussion comes up. Mr. Pelly stated if he were a teacher grading where we are so far, it would be an incomplete in the sense that there is too much missing information on compensation and the other items mentioned and that he would not be ready to take a position. Mr. Kelly stated there was some discussion about MSD leasing the watershed for 99 years and there are some people taking the position that the watershed is carved out of the system and he cannot take a position unless the Legislature says it is carved out. Mr. Clarke stated the legislation does offer the opportunity for MSD, the City and others to work out solutions. He further stated that he has given some thought to the issue of governance because anticipating what might happen through negotiations or legislative action is something that needs some input because MSD is a creature of Statute and merging a City Water System and an MSD is not something that has been done a great deal in the past, although there are methods for doing it, and feels it's worth the Planning Committee's time to discuss the issues. Mr. Hartye stated it's a good step forward to talk about the issues. Mr. Aceto stated that his concern is that there are so many unanswered questions and that it's MSD's fiduciary obligation to the ratepayers in the community to step forward and prepare a statement as to what this transaction should look like and that it not miss the opportunity to do so. Mr. Aceto called for a motion in regard to whether or not these issues should go back to the Planning Committee for consideration. Ms. Manheimer stated she assumes the Planning Committee will look at answering some of the governance and potential lease issues, but if the Planning Committee is being asked to take a position, from what she hears from the Board, there seems to be a lack of enthusiasm for a merger. The Planning Committee might express whether or not they were in favor of a merger, but if the Legislature continues with a merger then here is how MSD would prefer that it happen. Mr. Stanley stated he thinks this should be considered by the Planning Committee before going to

the full Board. Ms. Manheimer moved that the study be referred back to the Planning Committee to fill in the missing pieces of information for a possible merger, but if the Planning Committee were to take a position on the merger it should have all options before it. Mr. Stanley seconded the motion. Mr. Haner stated he is supportive of the motion but suggest that his evaluation is going to be purely objective. Mr. Pelly stated he would like to have the option of saying the Planning Committee looked at this and did the analysis and that one of the options is to say we don't think this makes sense and objectively speaking, we don't think this will work. With no further discussion, Mr. Aceto called for the question. Voice vote in favor of the motion was unanimous.

10. New Business:

None

11. Adjournment:

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

REPORT OF GENERAL MANAGER

MEMORANDUM

TO: MSD Board

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

DATE: December 6, 2012

SUBJECT: Report from the General Manager

- Update on Water Study

Field visits have been conducted for Phase II. The Final report for Phase I and the preliminary report for Phase II will be presented in January 2013.

- New Filters

The new Aqua disk filters (\$10 Million) are installed, operational, and working well. They are going through the final testing stage this week and next. The average Total Suspended Solids (TSS) in the effluent has been reduced from an average of 25mg/l to between 8 – 10 mg/l.

- Kudos

- Attached is a letter from Rita Nix expressing appreciation for the crew that replaced the sewer line in Pine Meadow Drive. Many thanks to Jesse Hunter, McKinley Hensley, Eric Gillis, Tim Haney, Jason Price, Mickey Roberts Lloyd Anders and Eric Dawson.
- Also a call from Aleene Green expressing appreciation for the same crew and project.
- Call from Cheryl Hunts of Melody Circle praising Mike Rice, MSD First Responder, for his professional job and follow-up service.

- Board/Committee Meetings/Events

The next Regular Board Meeting will be January 16th, at 2 pm.
The employee Christmas lunch will be held in the atrium at 11:30 am on December 20th.

November 14, 2012

Metropolitan Sewerage District

2028 Riverside Dr.

Asheville N.C. 28804

Dear Thomas Hartye,

I wanted to take the opportunity to recognize and thank the crew of MSD for a great job replacing the sewer lines on Pine Meadow Drive.

Darin Prosser was most helpful in his communication of the proposed project and explaining the need for a new easement on our property before it began.

Jesse Hunter and the crew were extremely accommodating and professional during the several weeks of the project. They strived to accommodate the traffic flows with limited delays; the entire crew was always friendly despite the multiple traffic interruptions.

The new easement required a considerable amount of work on our property. We are very pleased by the quality of the job and appreciate the MSD staff.

It was a pleasure to see a crew work together and enjoy their work. Thanks again for a job well done.

Sincerely,



Rita Nix

6 Pine Meadow Dr.

Asheville, NC 28804

cc: Darin Prosser

Jesse Hunter

REPORT OF COMMITTEES

**RIGHT OF WAY
COMMITTEE RECOMMENDATIONS
AND MINUTES
November 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 9:00 a.m. on Wednesday, November 28, 2012. The following Right of Way Committee members were present: Glenn Kelly, Jackie Bryson, Jon Creighton, Esther Manheimer, Chris Pelly, Jerry VeHaun and Robert Watts.

Others present were: Steven Aceto, Chairman of the Board; Max Haner, Board member; Tom Hartye, Ed Bradford, Angel Banks, Roger Watson, Shaun Armistead, 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. Jon Creighton acknowledged that he owns two parcels on the Indiana Avenue GSR Project and asked to be excused from the motion for approval of the compensation budget.

III. Consideration of Condemnation – Rash Road Sanitary Sewer Rehabilitation – Project No. 2010095

PIN No. 9629-59-6338 – Subject property is improved with a residence and is a rental property. The proposed alignment is located in the same trench as the existing sewer and runs along the northwestern boundary of the property. The property owner's major concern is the loss of several large trees resulting in a loss of buffer. The project engineer was consulted for alternate alignments. The alternate alignment would be located on a neighboring property and would result in significant tree loss of several large trees that stabilize the embankment of a pond. Standard compensation of \$86 is low since we are utilizing the existing trench. We have offered to increase the compensation to \$1500 for tree loss but owner has refused, requiring compensation of \$10,000 to grant easement.

Total Contacts: 3

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

Ms. Banks reviewed the above situation. There was no discussion. Mr. VeHaun made a motion to accept staff's recommendation. Mr. Watts seconded the motion. Voice vote was unanimous.

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

**IV. Consideration of Compensation Budgets –
Broadway Street @ Bordeau Place GSR, Project No. 2009034
Indiana Avenue GSR, Project No. 2007017
Kanawha Drive GSR, Project No. 2009139**

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 reviewed the projects. The Broadway Avenue @ Bordeaux Place GSR project will replace 475 linear feet of 6" and 15" pipe. Ms. Banks pointed out that the significant difference in tax value of the two parcels on the project is due to one being commercial and one residential. The Indiana Avenue GSR project is located in West Asheville and consists of approximately 2,023 linear feet of 8" DIP to replace 8" VCP. The Kanawha Drive GSR project is located in Montreat and consists of approximately 395 linear feet of 8" DIP to replace 8" VCP. There was no discussion.

Regarding the Broadway Street @ Bordeaux Place GSR and Kanawha Drive GSR projects, Mr. Watts made the motion to accept staff's recommendation. Ms. Bryson seconded the motion. Voice vote was unanimous.

Regarding the Indiana Avenue GSR Project, Ms. Manheimer made the motion to accept staff's recommendation. Mr. Watts seconded the motion. Voice vote was unanimous with the exception of Mr. Creighton who was excused from the vote.

COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.

V. Other business: At the last Right of Way Committee Meeting, staff was asked to investigate alternate solutions regarding a condemnation over a Japanese maple tree on the Macon @ Sunset Avenue project. The alternate options were to see if a tree spade could move the tree or if it was possible to pipe burst through this length of pipe. Ms. Banks passed out pictures of the parcels involved. She stated that she had contacted a couple of arborists in the area and the one that was the most knowledgeable was Andy White with Land Arbor Consulting. Mr. White stated that there was no tree spade located in Western North Carolina large enough to handle a tree of that size. There are some in South Carolina and Eastern North Carolina and this could be done but it would be costly and the tree would likely not survive the move. He also stated that the truck was 40'-50' long and not very maneuverable, in addition damage would be done to the neighboring driveway. Staff did further look into pipe bursting and the Engineer feels that this is possible. Due to the elevation of the line only being about 10' deep, it will be possible to get under the tree roots. Ms. Banks stated that the easement agreement will need to be altered to grandfather this one tree in. Staff is in the process of going back to the property owner to see if he will sign the agreement based on changing the construction method to pipe bursting. Mr. Bradford stated that there was already some pipe bursting on this project so the cost would not be at a premium. There was some discussion regarding the depth of the pipe bursting, age of the line, and the tree.

There being no further business the meeting adjourned at 9:23 am.

PLANNING COMMITTEE

November 30, 2012

12 p.m.

<u>Chairman</u>	<u>Members</u>
Al Root	Jon Creighton
	Max Haner
	Esther Manheimer
	Chris Pelly
	Bill Stanley
	Jerry VeHaun
	Bob Watts

The Planning Committee of the Board of the Metropolitan Sewerage District met on Friday, November 30, 2012 in the Boardroom of the Administration Building. Chairman Al Root presided with the following members present: Jon Creighton, Max Haner, Esther Manheimer, Chris Pelly, Bill Stanley, Jerry VeHaun and Bob Watts. Others present were Jackie Bryson, Glenn Kelly, Bill Russell, Tom Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, PA, Representatives, Chuck McGrady and Susan Fisher, Steve Shoaf, Phil Kleisler, Marc Hunt, Bob Oast with the City of Asheville, Marcus Jones and Gregg Wiggins, Hendersonville, Doug Bean, Raftelis, Joseph Martin, Woodfin Sanitary Water & Sewer District, John Boyle, Asheville Citizen-Times, Nelda Holder, Mountain Xpress, Carl Nyberg, Janet Buttle, Jane Hite, Philip Bowditch, Juliet Benezra-Winston, Susan Oehler, Melvin & Naomi Hines, Sarah Sullivan, Rebecca Macneice, Kim Martin-Engel, Susan Williams, Tom Sullivan, Jane White, Bette Jackson, Bill Reed, Bryon Griner, Steve Schutte, T.J. Amos, Barry Summers, Alan Rosenthal, Barbara McCutchen, Linda Smathers, Sam Speciale, Tim Peck, Teddy Jordan, Ellen Lyle, Steve Rasmussen, Michael Lewis, Katie Hicks, Betty Scotto, Leni Sitnick, Bill and Margaret Kleiber, Beth Jezek, John Myall, Bob and Martha Pierce, Elise Carlson, Julia Rankin, Timothy Sadler, Charles Raws, Monroe Gilmour, Cheryl Orenge, Michael Debruhl-Blankenship, Carmen Ramos-Kennedy, Valerie Hoh, Elaine Light, Citizens and MSD Staff, Stan Boyd, Ed Bradford, Jim Hemphill, Matthew Walter, Scott Powell, Ken Stines, Mike Stamey, Peter Weed, Sam Sirls, Angel Banks and Sondra Honeycutt.

1. **Call to Order:**

Mr. Root called the meeting to order at 12 p.m. and stated this meeting is in regard to a recommendation MSD received from the North Carolina General Assembly to work with the City of Asheville and other stakeholders in Buncombe County to look at a local solution to the Water issue. He further stated MSD neither started the process, nor will it finish it; but it will hopefully be decided by the North Carolina State Legislature. Therefore, it's important to understand MSD is not the policy maker and is meeting today as a Committee of the full Board. He reported the next meeting of the Board will be held Wednesday, December 12, 2012 at 2 p.m. At that time, there may be public comment, but today is a work session to consider a proposal drafted by Staff. He noted under Other Business, Representatives, Susan Fisher and Chuck McGrady will address the

Committee. Mr. Root called on Mr. Hartye for a PowerPoint presentation on the Water/Sewer Consolidation Proposal.

2. Consideration of Water/Sewer Consolidation Proposal:

Mr. Hartye reported the Legislative Research Commission (LRC) recommended in April 2012, the consolidation of the public water system for the Asheville area with MSD. The recommendation stated they would consider a local solution if a “good faith” effort was underway prior to the LRC developing legislation for the session beginning in January 2013. An additional recommendation was made that the other water systems in the region be considered. He stated the MSD Board of Directors, in response to this directive, determined that an impact study of the proposed consolidation was needed. As a result, Malcolm Pirnie/Arcadis, a national firm experienced in water and sewer utility mergers, was selected to conduct an impact study for the first phase which addresses the Asheville system to be completed by November. The draft study is complete and was presented to the Board. The draft study indicated that some savings could be realized from the merger. He further reported the Legislators are now beginning to develop legislation for the upcoming session. The MSD Board, at its last meeting, instructed staff to develop a proposal for the merger in a good faith effort to forge a local solution. The following proposal was crafted to facilitate a local solution to the LRC recommended consolidation:

1. MSD to retain all current Water Department employees.
2. MSD to assume and pay off all outstanding Water Capital Indebtedness (\$71 million as of June 2012).
3. MSD to fully fund the City’s newly increased 10-year CIP of \$107 million.
4. MSD to officially oppose privatization of assets and of operational control.
5. Water to be eligible for same MSD financial incentives and partnerships for new public and private development currently available for sewer.
6. The City of Asheville to retain title to the Bee Tree and North Fork Reservoir watersheds less the underlying areas of the water operation facilities.
 - a. MSD will lease for 199 years, the watershed properties from the City for the sole purpose of providing clean, safe drinking water. Compensation for this lease is included within the compensation for total capital assets.
 - b. MSD will operate, maintain and expand if necessary all water production facilities. MSD to own the property just underlying those production facilities.
 - c. MSD will have operational control over watershed properties and maintain them in accordance with the 1996 Conversation Easement as may be amended by the City of Asheville.

Mr. Hartye presented a slide showing the areas mentioned. With regard to Water System Asset Compensation, Mr. Hartye reported the recommendation coming out of the

LRC did not provide for compensation; water assets were to remain public; water customers already paid for the assets and the asset value should stay with the customers who paid for them and should not pay for them twice. Mr. Hartye stated that although the LRC recommends a straight public transfer, the MSD Planning Committee asked staff to evaluate a proposal that might include compensation as a “good faith” measure that would facilitate a local solution. MSD evaluated options in this regard and after consulting with the NC Institute of Government Environmental Finance Center, came up with the aforementioned recommendations. Mr. Hartye turned the presentation over to Mr. Powell.

Mr. Powell reported that staff consulted with the North Carolina Institute of Government Environmental Finance Center as to recent utility system transfers and valuation methods. Staff at the Center communicated recent transfers of water & sewer systems which happened in North Carolina. He presented the listing of these transfers. All transfers occurred without compensation. He stated two specific transfers were the City of Raleigh, where they received from the towns of Wake Forest and Knightdale, their water and sewer systems with no compensation. In addition the Cape Fear Public Authority that was formed by the City of Wilmington and Hanover County received water and sewer from both entities; MSD received the Avery’s Creek Sanitary District from Buncombe County. Recently, Buncombe County transferred the remaining 20 miles of lines as well as a tank and pump station to the City with no compensation.

In looking at the valuation methods, Mr. Powell stated there are two approaches: (1.) Cost approach and (2.) Income approach. Under the Cost approach you would look at Replacement Cost New and Reproduction Cost/Fair Market Value, which are typically used for private sale transactions. The Original Cost approach is used when you have a sale of a regulated utility. In this sense, MSD and the City of Asheville Water/Sewer systems are not regulated by the Utility Commission of North Carolina, but this would be a similar transaction. Staff also looked at the Income approach, Discounted Cash Flows. Under this approach, staff used the base model the City provided with the same assumptions the City projected, rate increases, future debt needs, operating expenses, overhead allocation, current and future debt service and capital needs. Staff discounted the Cash Flows from this 10-year model using a 30-year T-Bill rate. Mr. Powell explained they took the net cash flows that were currently out of the system and discounted it back to the theoretical year of a transfer, which showed a negative cash flow. Taking this into consideration they looked at another method to come up with “good faith” compensation. They used the Original Cost method which takes into consideration the original cost, less accumulated depreciation as of June 30, 2012, less operating debt, less contributed capital since 2004, (Developer Contributions to the System) less amounts transferred to the General Fund since 1981 in relation to the Water Agreement and Sullivan Act transfers. As of June 30, 2012, the System had a book value of \$169 million dollars, less the associated debt MSD would assume if a transfer takes place of approximately \$71 million dollars for a net investment in capital assets of \$98.5

million, less \$17.5 million in developer contributed capital, less direct payments to the City per the Water Agreement and Sullivan Act Transfers of approximately \$23.8 million dollars leaving an original cost of \$56.9 million dollars. This amount amortized over a fifty year period would be approximately \$1.1 million dollars per year. Mr. Powell turned the presentation back over to Mr. Hartye for a report on the Capital Improvement Program (CIP) Rehabilitation of the Water System.

Mr. Hartye reported that while above ground water assets are in good shape, the underground assets are not. Earlier engineering reports conducted by the City recommended water line rehab./replacement work be stepped up on a continuous basis. He stated the typical goal for rehab./replacement is 1% per year. For the Asheville area this would amount to 85,000 feet per year. For the previous 5 years the City has replaced approximately 34,000 feet per year. This includes the previous \$40 million dollar Bond Issue Projects. Replacement levels for previous years were significantly less. He noted that when Asheville took over the system it increased the rehab from what it was before, but it's not quite up to the 1% recommended for the system. The last 10 years should have included at least an additional 30,000 feet/year of rehab which equates to approximately \$24 million, which also corresponds to the Original Cost method.

Mr. Hartye further reported that currently the City of Asheville has approved a 5-year CIP of \$36 million. A new draft has been prepared by City Staff to increase this amount to \$121 million over 10 years netted out of the Community Development Fund, which equates to \$107 million. He stated that this does not include the Main Transmission Line Replacement/Rehab that is currently under investigation he is not sure what magnitude this will come back to be, but it could be significant. He further stated the level of water line replacement in the increased CIP appears adequate and should be greater than 60,000 feet per year on average.

Mr. Hartye reported the proposal on MSD Compensation includes the following: (1. Water assets remain public; (2. MSD would pay the City of Asheville the book value minus adjustments which would equal to an estimated \$57 million to be paid over 50 years, and (3. the Merger savings are estimated to be positive, inclusive of this payment.

Mr. Hartye reported the anticipated result of the proposal include Operational savings due to the merger, mitigating rate increases; Increased Water Line Replacement Program by over 75% to an average of 60,000 feet per year; Including all Water Department employees and adjusting salary ranges to market levels, and providing compensation to the City of Asheville to mitigate impact to the general fund.

Summary of Water/Sewer Consolidation Proposal

1. MSD to retain all current Water Department employees.

2. MSD to assume and pay off all outstanding Water Capital Indebtedness (\$71 million as of June 2012).
3. MSD to fully fund the City's newly increased 10-year CIP of \$107 million.
4. MSD to officially oppose privatization of assets and of operational control.
5. Water to be eligible for same MSD financial incentives and partnerships for new public and private development currently available for sewer.
6. The City of Asheville to retain title to the Bee Tree and North Fork Reservoir watersheds less the underlying areas of the water operation facilities.
7. MSD will pay the City of Asheville \$57 Million over 50 years.

Mr. Watts moved for approval of staff's proposal to be presented to the full Board at its December 12, 2012 meeting. Mr. Creighton seconded the motion. Mr. Root called for discussion. Mr. Haner asked where the date 2004 for capital contributions came from. Mr. Powell stated that prior to 2004 there was no direct developer contribution. Mr. Haner asked if this information came from the City. Mr. Powell said yes. Mr. Haner questioned the 1% replacement figure per year. Mr. Hartye stated this is a goal and during the first five years a program needs to be developed to increase that goal, so the 1% a year is not overly aggressive by any means. Mr. Haner asked if the estimated 60,000 feet per year is a good target. Mr. Hartye said yes. Mr. Haner asked about the unknown costs of main transmission line replacement/rehab. Mr. Hartye stated this is currently under investigation. Mr. Haner asked if this will be at MSD's expense. Mr. Hartye stated this will be part of the CIP. Ms. Manheimer asked if the governance issue will be treated separately. Mr. Root stated the motion on the floor does not address the issue of governance. Mr. Hartye stated that the proposal does not go into detail on implementation, but is a proposal put forth to initiate a local solution. Mr. Creighton asked about the \$1.1 million in compensation and how this relates back to the ratepayers of MSD. Mr. Powell stated in relation to the study done by Arcadis, the first scenario was a baseline scenario and did not include any attrition or impacts, just merging the two systems together and then adding the initial overhead then subtracting out the overhead and the Sullivan Act. He further stated there was a \$1.1 million dollar savings on an annualized basis and that number was growing from \$1.1 million at the end of the 10-year period up to \$1.9 million. The amounts shown as compensation would be able to be absorbed there, which means the rates that were proposed as increases by the City would still be the same. As it pertains to MSD, this would not have any impact on MSD sewer customers. Mr. Creighton asked Mr. Powell what was involved in the Cape Fear

consolidation. Mr. Powell reported that the City of Wilmington and Hanover County systems merged to form the Cape Fear Public Authority with a fixed assets transfer of \$422,336,652. Mr. Creighton asked if this was a voluntary process. Mr. Powell said yes. Mr. Kelly stated when MSD first started talking about merging the systems the Statute that applies to the water system is large enough to cover the watershed. He asked if MSD does not get the watershed is it snubbing its nose at the LRC. Mr. Clarke stated as long as the MSD owns the operational facilities and control over the watersheds, in the form of a lease, that should be sufficient, but he cannot say how the LRC will react to the proposal.

Mr. Manheimer addressed the Committee in her capacity as Vice Mayor. She stated that she appreciates those in attendance and thanked Representative Fisher and Representative McGrady for attending as well. She further stated she appreciates the MSD endeavoring to do its own study about the merger which is necessary to study the impact of a potential merger on its own ratepayers. Also, she appreciates how thoroughly and objectively it carried out those duties. With regard to the staff proposal, Ms. Manheimer stated Asheville City Council and 86% of City voters do not want anything to happen to the water system. She questioned whether the Committee believes the City should be compensated. If it does, it should reserve judgment as to that compensation until Asheville receives its consultant's study at Council's December 11th meeting. She noted that Asheville's losses, if the water system is transferred, will exceed the proposed \$57 million dollars over 50 years. She explained that the City would end up with a net loss in its general fund year after year, simply because the Water Department shares overhead expenditures with all of the other departments and pays its fair share into the general fund for those expenditures. In addition, the City under the Sullivan Act is allowed to use 5% of water revenues for Capital Improvement each year which amounts to approximately \$1.7 million dollars for water related projects. She stated the City of Asheville is treated differently than other cities in the State because it cannot charge differential rates outside the City and require annexation of developers to tap onto its water system, which amounts to a real annual loss for the City in the range of \$3.5 million and will be spelled out more specifically in its study. She further stated some people will say that it is not MSD's job to fill that hole, but she feels it should be considered. Also, \$57 million may pay for the lines, but it does not address using the City's 20,000 acre watershed property. She suggested the MSD Board look at what a reasonable market lease rate would be for that. Furthermore, the formula used to determine the \$57 million dollars is one that was supported by the County in 2005 when there was a disagreement about it, therefore, she is concerned that the Planning Committee has veered into somewhat of a partisan argument about compensation where it's been able to maintain a more objective study of every element of this merger. She reiterated that it still remains the position of the City that it would prefer that this merger not happen. Mr. Root asked if it would be reasonable for MSD to proceed, based on the numbers presented, understanding it is not unusual that the City has a different perspective on this and would come up with different numbers on a fair compensation

figure. Ms. Manheimer stated that based on the language that the LRC included in its report, it is encouraged that the two bodies work together. She suggested the MSD and City work together to come up with a workable solution. Mr. Stanley stated if the Planning Committee passes this today, it will go to the full Board for consideration and feels the two bodies are working together in “good faith”. With no further discussion, Mr. Root called for the question. Roll call vote was as follows: 6 Ayes; 2 Nays (Ms. Manheimer and Mr. Pelly.)

Mr. Root called on Mr. Clarke for his opinion on the issue of governance. Mr. Clarke stated there are a number of options. The City could transfer its Water System assets to the MSD by sale or lease, and MSD could operate them with the current Board. There are other governance possibilities such as a Regional Water and Sewer Authority or a Metropolitan Water District. Mr. Root asked about the details that would need to be worked out to make such a transfer. Mr. Clarke stated there are multiple details to be worked out, and that he would be glad to address the issue of governance on a larger scale if the Board directs him to do so.

3. Other Business:

Mr. Root recognized Representative Chuck McGrady.

Representative McGrady stated he served on the Legislative subcommittee that brought forth the recommendation and volunteered to work through the process. The subcommittee was trying to bind three systems where not everybody agreed on what they wanted to do. These systems have to consider property issues, pipes, employees, debt loads, governance and more. This is not an issue where all the parties are on the same page. Also, it's not an issue where the General Assembly can come in and enact some local legislation and make it so. The North Carolina Constitution provides that issues related to water and sewer and public health have to be done through General Statutes, and the Statute that governs MSD is being used by other MSD's across the State. He reported he has been meeting with various public officials; City Council, County Commissioners, The Chamber of Commerce, Business people and Environmental groups and is trying to make this a listening tour as opposed to a talking tour, other than to make sure everyone understands what is being discussed. He stated there are some issues open on the table. Where he would like to be at the end of January or early February is that the local entities agree on the structure they would like to recommend. He further stated that if an agreement can be reached among the parties, then it can be put into legislation. He stated he is clearly talking about the MSD and the City of Asheville plus the Cane Creek Sewer System, which is the Henderson County system and part of MSD's planning process. He urged the Committee to expand, to assume Cane Creek is part of the solution, because the legislation he anticipates would include Cane Creek. He reported that he and Nathan Ramsey are beginning to talk to a range of municipalities in the area to see if they are interested or not in being part of a bigger regional water and sewer authority. In

addition, the governance is also not a done deal. With regard to representation, he stated he is mindful of the need not to have a 44 member Board or a 20 member Board, but don't be surprised if it's a 14 or 15 member Board to represent whatever size this thing ends up being. He further stated that MSD's model of keeping the French Broad River clean is a model the General Assembly does not want to break. With regard to compensation, he stated that his personal belief is there has to be compensation for the City of Asheville, and the methodology put forth by the MSD is the right methodology in terms of using efficiencies to fund compensation. He stated that what he is running into is a lot of very bad information and is trying to tell public officials to stop spreading misinformation, and deal with the facts, especially with regard to Cane Creek. He stated that MSD is doing exactly what the subcommittee hoped it would do, and trusts that the other players will do the same. Mr. Haner asked if he foresees legislation being offered in the first quarter of 2013. Mr. McGrady stated that he expects there will be legislation early in the session where a Bill will be introduced. Mr. Haner asked if the legislation will contain some kind of time schedule. Mr. McGrady stated there will be a time schedule in terms of when it becomes operative. Mr. Pelly asked if the legislation will encompass other communities. Mr. McGrady said it could, but the Legislative Council he's working with involves MSD, the City of Asheville and Cane Creek. Ms. Manheimer asked for specifics about Cane Creek so the City can determine if its study has covered everything. Mr. McGrady said Cane Creek would come in with its debt, its revenues and bank account. He stated that Henderson County is talking about building its own sewer plant, but feels this is problematic. Ms. Manheimer stated the Arcadis study should include Cane Creek. Mr. Root recognized Representative Susan Fisher.

Representative Fisher stated she represents District 14 which encompasses most of the City of Asheville and is present today because the City of Asheville is most affected by what will happen in legislation coming from the LRC. She further stated that what she sees so far in what the City has tried to do has been good in terms of trying to meet the requests put forth by the LRC since last April and thinks this has happened in spite of the fact that there was no one on the LRC representing the City of Asheville's interest. She stated that people need to be very aware that even though Representative McGrady is saying he hopes and believes they will incorporate the things that come out of the study, she wants to be surprised and say that will be the case, but because 86% of City residents say they are not in favor of a merger, she believes that careful consideration should be given to what Chairman Root said about bringing in what the City's study says and incorporating that into what is presented to the LRC. She further stated that she appreciates the cooperation the City has engaged in throughout this process and appreciates the fact that there are representatives on the MSD Board from all of the entities who may or may not be considered when this legislation comes forward and hopes that whatever comes from the LRC will reflect those same entities concerns, because up to this point, they have not.

4. **Adjournment:** With no further business, Mr. Root called for adjournment at 1:10 p.m

CONSOLIDATED MOTION AGENDA

Metropolitan Sewerage District of Buncombe County

Board Action Item - Right-of-Way Committee

COMMITTEE MEETING DATE: 11/28/2012 BOARD MEETING DATE: 12/12/2012

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 – Rash Road Sanitary Sewer Rehabilitation – Project No. 2010095

PIN No. 9629-59-6338 – Subject property is improved with a residence and is a rental property. The proposed alignment is located in the same trench as the existing sewer and runs along the northwestern boundary of the property. The property owner's major concern is the loss of several large trees resulting in a loss of buffer. The project engineer was consulted for alternate alignments. The alternate alignment would be located on a neighboring property and would result in significant tree loss of several large trees that stabilize the embankment of a pond. Standard compensation of \$86 is low since we are utilizing the existing trench. We have offered to increase the compensation to \$1500 for tree loss but owner has refused, requiring compensation of \$10,000 to grant easement.

Total Contacts: 3

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

Ms. Banks reviewed the above situation. There was no discussion. Mr. VeHaun made a motion to accept staff's recommendation. Mr. Watts seconded the motion. Voice vote was unanimous.

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

COMMITTEE ACTION TAKEN	
Motion by: Jerry VeHaun	To: XX Approve <input type="checkbox"/> Disapprove
Second by: Robert Watts	<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 Action Item - Right-of-Way Committee

COMMITTEE MEETING DATE: 11/28/2012 BOARD MEETING DATE: 12/12/2012

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 –
 Broadway Street @ Bordeau Place GSR, Project No. 2009034
 Indiana Avenue GSR, Project No. 2007017
 Kanawha Drive GSR, Project No. 2009139**

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 reviewed the projects. The Broadway Avenue @ Bordeau Place GSR project will replace 475 linear feet of 6" and 15" pipe. Ms. Banks pointed out that the significant difference in tax value of the two parcels on the project is due to one being commercial and one residential. The Indiana Avenue GSR project is located in West Asheville and consists of approximately 2,023 linear feet of 8" DIP to replace 8" VCP. The Kanawha Drive GSR project is located in Montreat and consists of approximately 395 linear feet of 8" DIP to replace 8" VCP. There was no discussion.

Regarding the Broadway Street @ Bordeau Place GSR and Kanawha Drive GSR projects, Mr. Watts made the motion to accept staff's recommendation. Ms. Bryson seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.

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

Regarding the Indiana Avenue GSR Project, Ms. Manheimer made the motion to accept staff's recommendation. Mr. Watts seconded the motion. Voice vote was unanimous with the exception of Mr. Creighton who was excused from the vote.

COMMITTEE RECOMMENDATION: Approval of Compensation Budget

COMMITTEE ACTION TAKEN	
Motion by: Esther Manheimer	To: XX Approve <input type="checkbox"/> Disapprove
Second by: Robert Watts	<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

Broadway Street @ Bordeau Place GSR

Project Number 2009034

Compensation Budget

20-Nov-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)
	9649321674	0.08	3,484.80	\$91,100.00	\$26.14	1,338.92	\$34,999.37	\$17,499.68	1,119.25	\$29,257.20	\$2,925.72	3	\$731.43	\$18,231
	9649321513	0.20	8,712.00	\$46,000.00	\$5.28	944.40	\$4,986.43	\$2,493.22	1,117.06	\$5,898.08	\$589.81	3	\$147.45	\$2,641

TOTALS:	\$20,872
Staff Contingency:	\$5,000
GM's Contingency	\$5,000
Amendment	
Total Budget:	\$30,872

Indiana Avenue GSR

Project Number 2007017

Compensation Budget

20-Nov-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)
	9638526751	0.35	15,246.00	\$28,800.00	\$1.89	0.00	\$0.00	\$0.00	768.61	\$1,452.67	\$145.27	4	\$48.42	\$48
	9638525982	0.43	18,730.80	\$29,400.00	\$1.57	0.00	\$0.00	\$0.00	434.31	\$681.87	\$68.19	4	\$22.73	\$23
	9638523496	1.04	45,302.40	\$33,200.00	\$0.73	325.57	\$237.67	\$118.83	6,543.07	\$4,776.44	\$477.64	4	\$159.21	\$278
	9638523724	1.84	80,150.40	\$49,800.00	\$0.62	2,745.48	\$1,702.20	\$851.10	3,728.74	\$2,311.82	\$231.18	4	\$77.06	\$928
	9638525762	0.40	17,424.00	\$29,100.00	\$1.67	25.71	\$42.94	\$21.47	2,996.31	\$5,003.84	\$500.38	4	\$166.79	\$188
	9638526977	0.14	6,098.40	\$20,900.00	\$3.43	0.00	\$0.00	\$0.00	596.69	\$2,046.65	\$204.66	4	\$68.22	\$68
	9638526887	0.33	14,374.80	\$28,600.00	\$1.99	1,717.58	\$3,417.98	\$1,708.99	4,756.00	\$9,464.44	\$946.44	4	\$315.48	\$2,024
	9638539287	0.30	13,068.00	\$28,400.00	\$2.17	6.62	\$14.37	\$7.18	933.90	\$2,026.56	\$202.66	4	\$67.55	\$75
	9638522249	0.37	16,117.20	\$28,900.00	\$1.79	0.14	\$0.25	\$0.13	547.96	\$980.85	\$98.08	4	\$32.69	\$33
	9638539348	0.48	20,908.80	\$29,700.00	\$1.42	3,289.96	\$4,671.74	\$2,335.87	2,771.90	\$3,936.10	\$393.61	4	\$131.20	\$2,467
	9638527857	0.37	16,117.20	\$28,900.00	\$1.79	436.84	\$781.94	\$390.97	1,142.65	\$2,045.34	\$204.53	4	\$68.18	\$459
	9638523294	0.39	16,988.40	\$29,100.00	\$1.71	3,644.18	\$6,231.55	\$3,115.77	4,791.19	\$8,192.93	\$819.29	4	\$273.10	\$3,389
	9638523023	0.61	26,571.60	\$30,300.00	\$1.14	1,602.87	\$1,827.27	\$913.64	1,376.18	\$1,568.85	\$156.88	4	\$52.29	\$966
	9638514928	0.23	10,018.80	\$27,900.00	\$2.78	1,646.57	\$4,577.46	\$2,288.73	2,099.10	\$5,835.50	\$583.55	4	\$194.52	\$2,483
	9638523060	0.16	6,969.60	\$22,900.00	\$3.29	563.62	\$1,854.31	\$927.15	2,288.81	\$7,530.18	\$753.02	4	\$251.01	\$1,178
	9638538134	0.60	26,136.00	\$30,300.00	\$1.16	1,390.99	\$1,613.55	\$806.77	6,486.76	\$7,524.64	\$752.46	4	\$250.82	\$1,058

TOTALS:	\$15,666
Staff Contingency:	\$10,000
GM's Contingency	\$10,000
Amendment	
Total Budget:	\$35,666

Kanawha Drive GSR

Project Number 2009139

Compensation Budget

20-Nov-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)
	0710432838	2.00	87,120.00	\$65,300.00	\$0.75	0.00	\$0.00	\$0.00	1,818.80	\$1,364.10	\$136.41	3	\$34.10	\$34
	0710442103	0.40	17,424.00	\$109,200.00	\$6.27	0.00	\$0.00	\$0.00	558.00	\$3,498.66	\$349.87	3	\$87.47	\$87
	0710445258	0.40	17,424.00	\$109,200.00	\$6.27	249.20	\$1,562.48	\$781.24	724.30	\$4,541.36	\$454.14	3	\$113.53	\$895
	0710443141	0.39	16,988.40	\$109,000.00	\$6.42	171.00	\$1,097.82	\$548.91	3,207.90	\$20,594.72	\$2,059.47	3	\$514.87	\$1,064
	0710444146	0.36	15,681.60	\$108,100.00	\$6.89	338.40	\$2,331.58	\$1,165.79	2,359.00	\$16,253.51	\$1,625.35	3	\$406.34	\$1,572
	0710445120	0.76	33,105.60	\$116,200.00	\$3.51	532.00	\$1,867.32	\$933.66	5,476.50	\$19,222.52	\$1,922.25	3	\$480.56	\$1,414

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

BOARD MEETING DATE: 12/12/12

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

PREPARED BY: Ed Bradford, P.E. - Director of CIP
Mike Stamey, P.E. - Director of System Services Construction
Hunter Carson, P.E. - Project Manager

SUBJECT: Pipe Rating Contract No. VII - Lining, MSD Project Number 2010110

BACKGROUND: This project has been generated through the District's Pipe Rating Program, which is a structural defect-rating system using CCTV data combined with the GIS. The highest rated pipes (meaning worst) are flagged by the program, and they are then individually evaluated by an engineer for possible rehabilitation options.

This contract is the seventh of the District's Pipe Rated lining contracts. Lines in this contract are generally located in the southern and eastern portions of Buncombe County. It consists of lining aged clay collector lines; rehabilitating associated manholes; and renewing the District-maintained portions of all service lines. The contract totals 9,760 LF.

Three bids were received on November 29, 2012 for this contract in the following amounts:

<u>Contractor</u>	<u>Total</u>
Layne Inliner, LLC	\$972,914.00
Terry Bros. Const. Co.	\$814,310.00
Southeast Pipe Survey, Inc.	\$798,778.61

The apparent low bidder is Southeast Pipe Survey, Inc. with a bid amount of \$798,778.61.

Southeast Pipe Survey has experience with previous District projects, and their work at that time was satisfactory. Staff also checked current references, and all were positive.

Please refer to the attached documentation for more detailed information.

FISCAL IMPACT: The FY13 construction budget is \$900,000.00.

STAFF RECOMMENDATION: Staff recommends award of this contract to Southeast Pipe Survey, Inc. in the amount of \$798,778.61, subject to review and approval by District Counsel.


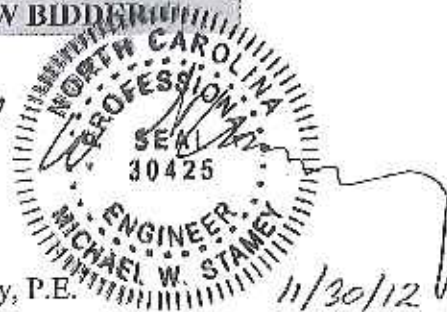
**METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA**

**PIPE RATING CONTRACT #7 - LINING
PROJECT NO. 2010110**

**BID TABULATION
November 29, 2012**

BIDDER	Bid Bond	MBE Form	Bid Forms (Proposal)	Total Bid Amount
Layne Inliner, LLC Charlotte NC	5%	1	Yes	\$972,914.00
Terry Brothers Construction Co. Leicester, NC	5%	1	Yes	\$814,310.00
Southeast Pipe Survey, Inc. Patterson, GA	5%	1	Yes	\$798,778.61

APPARENT LOW BIDDER

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

This is to certify that the bids tabulated herein were publicly opened and read aloud at 2:00 p.m. on the 29th day of November, 2012, in the W.H. Mull Building at the Metropolitan Sewerage District of Buncombe County, Asheville, North Carolina, and that said bids were accompanied by acceptable bidders bonds in the amount of 5% of the bid.

Interoffice Memorandum

TO: Tom Hartye, General Manager

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

DATE: November 30, 2012

RE: Pipe Rating Contract No. 7, MSD Project No. 2010110

As indicated in the project title, this contract is the 7th of the District's Pipe Rated projects. The lining work in Contracts 1-6 was completed within the last 8 budget years. This project is comprised of numerous line segments which have been identified as having significant structural problems. These line segments are located at various locations in the eastern and southern quadrants of Buncombe County. Each of the line segments has been reviewed using CCTV data to establish the method of rehabilitation. In addition to the identified line segments, upstream and downstream segments have also been reviewed in order that a comprehensive approach is implemented.

This contract consists of the rehabilitation of existing collector sewers using the "Cured in Place" method of trenchless rehabilitation, and consists of approximately 8,956 L.F. of 8" lining and 804 L.F. of 6" lining (9,760 L.F. total). Generally, these lines are located in fully developed urban areas; therefore, line capacities are adequate and upsizing of the 6" lines is not justified. In addition to the lines, the manholes on these segments will be rehabilitated or replaced, and a cleanout will be added to each service line.

Three bids were received on November 29, 2012 for this contract in the following amounts:

<u>Contractor</u>	<u>Total</u>
1) Layne Inliner, LLC	\$972,914.00
2) Terry Bros. Const. Co., Inc.	\$814,310.00
3) Southeast Pipe Survey, Inc.	\$798,778.61

The apparent low bidder is Southeast Pipe Survey, with a bid amount of \$798,778.61. The FY12-13 construction budget for this project is \$900,000.00. Southeast Pipe Survey has previous experience with District rehabilitation projects utilizing pipe-bursting and as a sub-contractor for pressure grouting of abandoned sewer lines. In these responsibilities Southeast Pipe Survey has an excellent performance history. As the current project is for the "Cured in Place" method of trenchless rehabilitation and MSD has no direct experience with Southeast Pipe Survey on this type of construction, staff performed a reference review. All three organizations staff contacted regarding Southeast Pipe Survey efforts on this type of construction project gave an excellent performance history. See attached reference sheet for more information.

Based on the above history, staff recommends award of this contract to Southeast Pipe Survey, contingent upon review and approval by District Counsel.

Reference Review for Southeast Pipe Survey

Completed by Mike Stamey

11/30/12

The purpose of this review is to verify the performance history of Southeast Pipe Survey with projects utilizing CIPP lining similar to MSD's Pipe Rating Contract No.7. In this review the following three organizations were contacted:

Organization Name: City of Savannah, GA.

Contact: Bill Steinhauser

Bill Steinhauser, reports that Southeast Pipe Survey is a good company that does good work. He states that they handle field issues without complaint and do the needed work without him having to go behind and check. He also reports that they have been the prime contractor for several pipe bursting and cured in place projects in Savannah over the last 15 years and would be hired again without hesitation.

Organization Name: City of Douglass, GA.

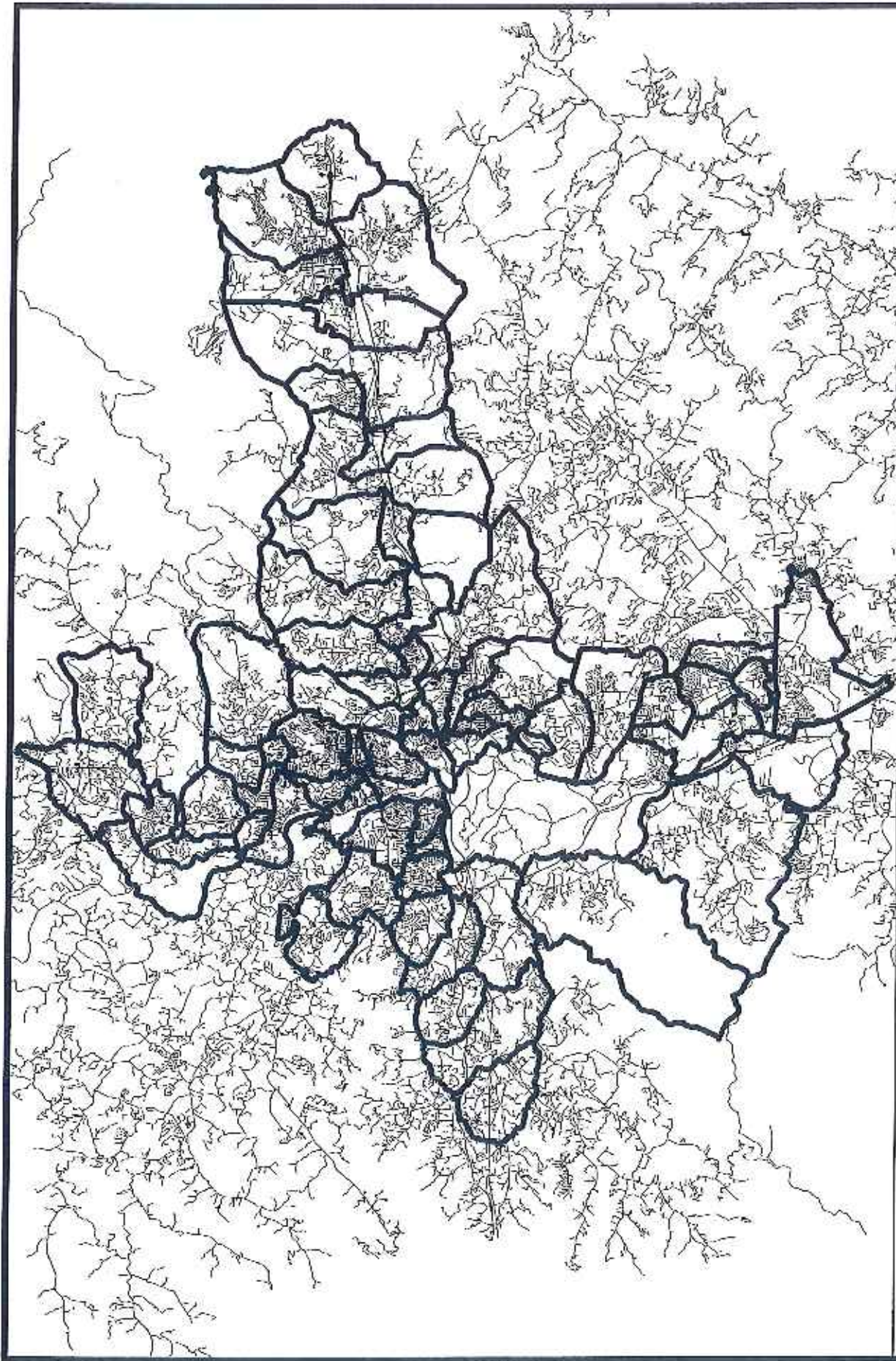
Contact: Jerry Lott

Mr. Lott reports that the City of Douglass is well pleased with Southeast Pipe Survey and has used them for several years. He states that they are very dependable, do a good job, and back up their work on all projects. He indicates that they recently completed all sewer related work on a 4 million dollar street improvement project which included CIPP lining for several thousand feet of line as well as cementitious lining for the affected manholes. Mr. Lott had nothing bad to say about this company.

Organization: Mountain City, TN.

Contact: Earl Sizemore, Sizemore Frederick, Inc.

Mr. Sizemore is a consultant for the town of Mountain City. He reports that Southeast Pipe Survey recently completed two projects of CIPP lining for the town which included lining of 8"-12" diameter pipes. In these projects the company got the work done on time with good quality. He also indicated that the town would hire them again.



Pipe Rating Contract #7 (Lining)
Project No. 2010089

NOT TO SCALE



METROPOLITAN SEWERAGE DISTRICT
of
BURCOMBE COUNTY, NORTH CAROLINA

Budget Map

Metropolitan Sewerage District of Buncombe County, North Carolina
CAPITAL IMPROVEMENT PROGRAM

BUDGET DATA SHEET - FY 2012 - 2013

PROJECT:	Pipe Rated Project Contract #7 (Lining)	LOCATION:	Various
TYPE:	Pipe Rated Projects	DATE OF REPORT:	January 2012
PROJECT NO.	2010110	TOTAL L.F.:	10,000
PROJECT BUDGET:	\$902,500.00	PROJECT ORIGIN:	Pipe Rating Program

DESCRIPTION	ESTIMATED PROJECT COST	TOTAL EXPENDS THRU 12/31/11	EST. COST JAN - JUNE 2012	EST. BUDGET FY 12-13
56310 - PRELIM. ENGINEERING				
56320 - SURVEY - DESIGN	\$500.00		\$500.00	
56330 - DESIGN				
56340 - PERMITS				
56350 - SPECIAL STUDIES				
56360 - EASEMENT PLATS				
56370 - LEGAL FEES				
56380 - ACQUISITION SERVICES				
56390 - COMPENSATION				
56400 - APPRAISAL				
56410 - CONDEMNATION				
56420 - CONSTRUCTION	\$900,000.00			\$900,000.00
56430 - CONST. CONTRACT ADM.				
56440 - TESTING	\$2,000.00			\$2,000.00
56450 - SURVEY - ASBUILT				
TOTAL AMOUNT	\$902,500.00	\$0.00	\$500.00	\$902,000.00

ENGINEER:	MSD	ESTIMATED BUDGETS - FY '13 -'22	
R.O.W. ACQUISITION:	N/A	# PLATS: [0]	FY 13-14 \$0.00
CONTRACTOR:			FY 14-15 \$0.00
CONSTRUCTION ADM.:	MSD		FY 15-16 \$0.00
INSPECTION:	MSD		FY 16-17 \$0.00
			FY 17-18 \$0.00
PROJECT DESCRIPTION:	This is a trenchless technology project that includes lining substandard sewer lines with either CIPP or Fold and Form pipe. Existing manholes will also be repaired or replaced as part of the work.		FY 18-19 \$0.00
			FY 19-20 \$0.00
			FY 20-21 \$0.00
			FY 21-22 \$0.00
SPECIAL PROJECT NOTES:			

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: December 12, 2012

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

PREPARED BY: Kevin Johnson

REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Kenilworth Healthy Built Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary off Biltmore Avenue in the City of Asheville. The developer of the project is David Schweizer. The project included the installation of approximately 255 linear feet of 8" gravity sewer to serve a five (5) unit residential subdivision. A wastewater allocation was issued in the amount of 1,500 GPD for the project. The estimated cost of the sewer extension is \$24,140.00.

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

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

Kenilworth Healthy Built #2011030

Printed: Dec 04, 2012
Scale 1:1200



The Metropolitan Sewerage District of Buncombe County, NC has prepared these maps based on best available information for use in assisting District maintenance work, service area analysis, and planning. The District does not warrant the accuracy of any of the information shown. Field verification is advised for all information shown on the maps or included with manhole data. No guarantee is given as to the accuracy or currency of any of the data. Therefore, in no event shall the District be liable for any special, indirect, or consequential damages or any damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action, arising out of or in connection with the use of the information herein provided. Grid shown is North Carolina State Plane Coordinate System NAD 1983 (North American Datum 1983).

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: December 12, 2012

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

PREPARED BY: Kevin Johnson

REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Dollar Tree – Weaverville Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary off Monticello Road/US 25/70 in the Town of Weaverville. The developer of the project is Sam D. Lovelace III of Dollar Tree Stores, Inc. The project included the installation of approximately 81 linear feet of 8" gravity sewer to serve a commercial development. A wastewater allocation was issued in the amount of 500 GPD for the project. The estimated cost of the sewer extension is \$10,000.00.

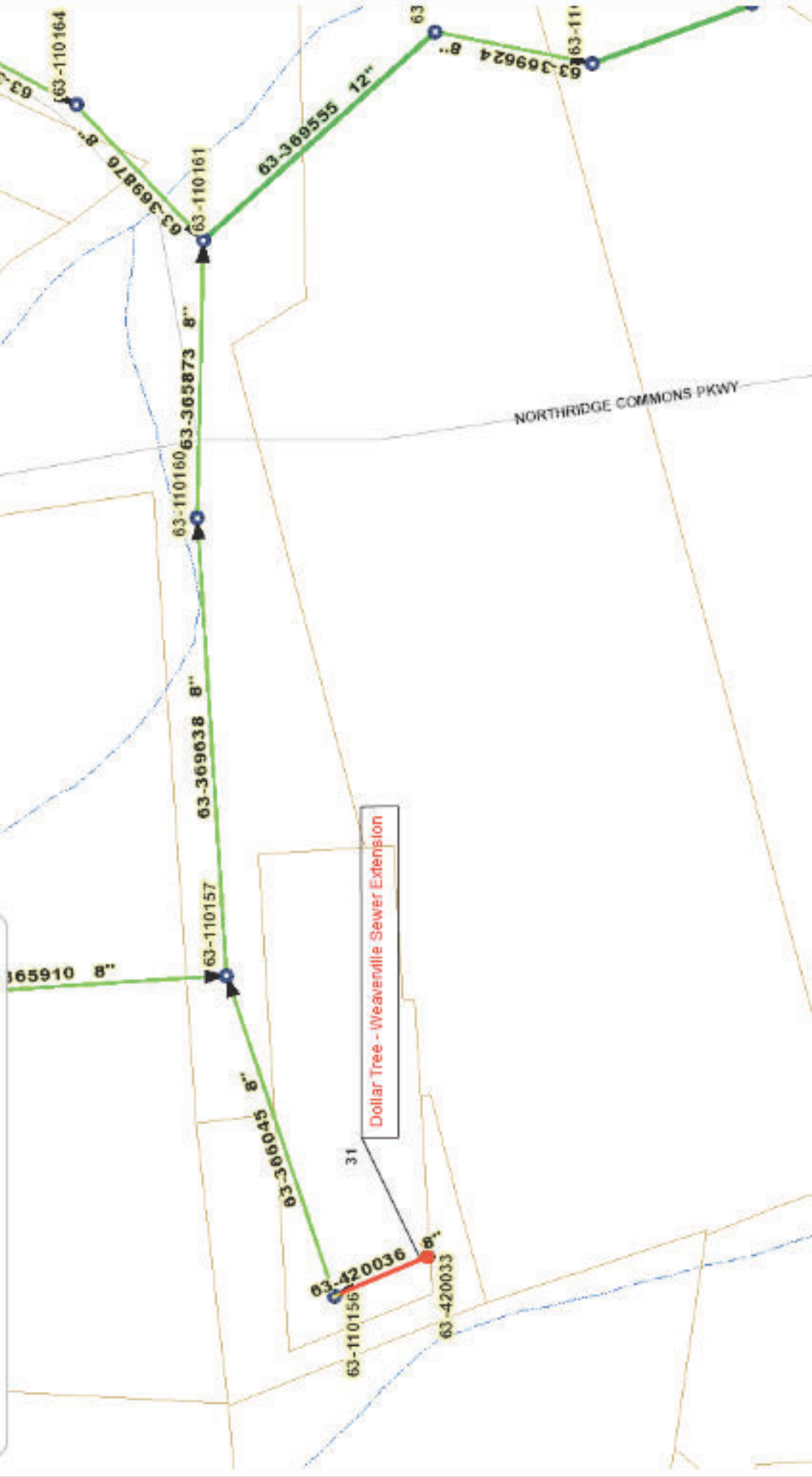
STAFF RECOMMENDATION: Acceptance of developer constructed sewer system.
(All MSD requirements have been met)

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

Dollar Tree - Weaverville #2011113

Printed: Dec 04, 2012

Scale 1:1200



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Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: December 12, 2012

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

PREPARED BY: Kevin Johnson

REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Bee Tree Village Phase IIIA Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary off Bee Tree Road in the Swannanoa Community of Buncombe County. The developer of the project is Stan Caton. The project included the installation of approximately 2,222 linear feet of 8" gravity sewer to serve a one hundred forty-nine (149) unit residential subdivision. A wastewater allocation was issued in the amount of 44,700 GPD for the project. The estimated cost of the sewer extension is \$146,910.00.

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

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

scale 1:2400



The Metropolitan Sewerage District of Buncombe County, NC has prepared these maps based on best available information for use in assisting District maintenance work, service area analysis, and planning. The District does not warrant the accuracy of any of the information shown. Field verification is advised for all information shown on the maps or included with manhole data. No guarantee is given as to the accuracy or currency of any of the data. Therefore, in no event shall the District be liable for any special, indirect, or consequential damages or any damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action, arising out of or in connection with the use of the information herein provided. Grid shown is North Carolina State Plane Coordinate System NAD 1983 (North American Datum 1983).

Metropolitan Sewerage District of Buncombe County BOARD ACTION ITEM

Meeting Date: December 12, 2012

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

Prepared By: W. Scott Powell, CLGF0, Director of Finance

Subject: Presentation of Audit & CAFR – Fiscal Year Ended June 30, 2012

Background

Both North Carolina law and the Bond Order require an annual audit of the District's financial records. The District has incorporated the audited financial statements into a Comprehensive Annual Financial Report (CAFR), which adds transmittal and statistical data to assist readers in analyzing the audited financial statements. The CAFR is also used to satisfy continuing disclosure requirements imposed by the Bond Order and other contractual agreements.

Discussion

The auditors' unqualified (commonly called "clean") opinion is the first document behind the "Financial Section" tab.

Included with the CAFR is a standard letter from the independent auditors describing the auditors' responsibilities under accounting standards, their understanding of District policies and estimates, and assurance that no significant adjustments to the District financial records are required.

Finally, there is no Management Letter because the auditors did not find any reportable conditions or other issues requiring communication to the Board.

Staff Recommendation

Acceptance of the CAFR.

Action Taken

Motion by:

Second by:

Other:

Follow-up required:

Person responsible:

to

Approve
Table

Disapprove
Send to Committee

Deadline:

Metropolitan Sewerage District of Buncombe County

BOARD INFORMATIONAL ITEM

Meeting Date: December 12, 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 October 31, 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 October 31, 2012 were \$31,764,559. The detailed listing of accounts is available upon request. The average rate of return for all investments is 1.804%. 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 October 31, 2012 do not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of October 31, 2012 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is (\$6,480,361).

Total Cash & Investments as of 10/31/2012		31,764,559
Less:		
Budgeted Commitments (Required to pay remaining FY13 budgeted expenditures from unrestricted cash)		
Construction Funds	(13,953,703)	
Operations & Maintenance Fund	(10,428,722)	
		(24,382,425)
Bond Restricted Funds		
Bond Service (Funds held by trustee):		
Funds in Principal & Interest Accounts	(15,562)	
Debt Service Reserve	(2,660,831)	
Remaining Principal & Interest Due	<u>(7,139,440)</u>	
		(9,815,833)
District Reserve Funds		
Fleet Replacement	(530,487)	
WWTP Replacement	(597,653)	
Maintenance Reserve	<u>(912,925)</u>	
		(2,041,065)
Post-Retirement Benefit		(911,829)
Self-Funded Employee Medical		<u>(1,093,768)</u>
Designated for Capital Outlay		<u><u>(6,480,361)</u></u>

Staff Recommendation

None. Information Only.

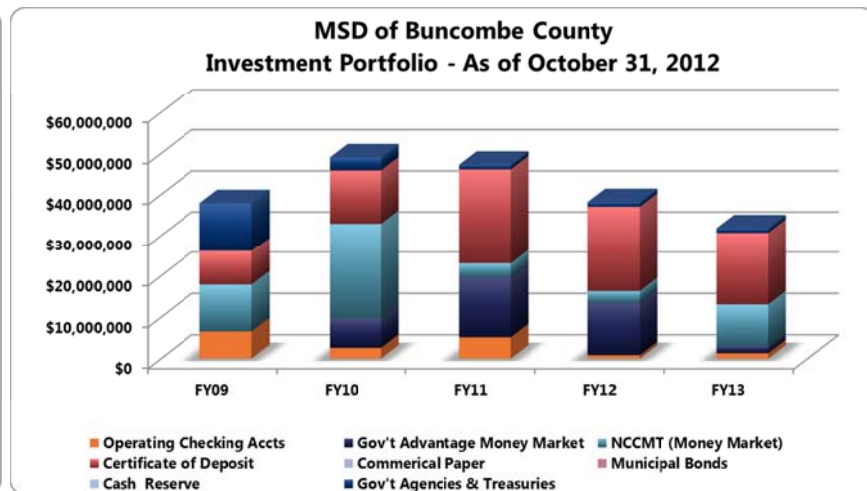
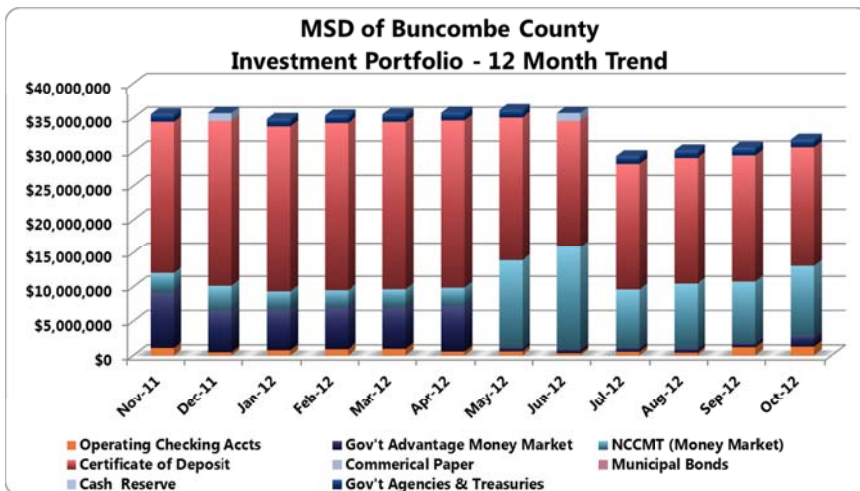
Action Taken

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

Metropolitan Sewerage District of Buncombe County Investment Portfolio

	Operating Checking Accounts	Gov't Advantage Money Market	NCCMT (Money Market)	Certificate of Deposit	Commercial Paper	Municipal Bonds	Cash Reserve	Gov't Agencies & Treasuries	Total
Held with Bond Trustee	\$ -	\$ -	\$ 15,562	\$ -	\$ -	\$ -	\$ -	\$ 1,116,802	\$ 1,132,364
Held by MSD	1,275,176	1,646,543	10,119,620	17,590,856	-	-	-	-	30,632,195
	\$ 1,275,176	\$ 1,646,543	\$ 10,135,182	\$ 17,590,856	\$ -	\$ -	\$ -	\$ 1,116,802	\$ 31,764,559

<u>Investment Policy Asset Allocation</u>	<u>Maximum Percent</u>	<u>Actual Percent</u>	
U.S. Government Treasuries,			
Agencies and Instrumentalities	100%	3.52%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	55.38%	
Commercial Paper	20%	0.00%	The District 's YTM of .81% is exceeding the YTM benchmarks of the 6 month T-Bill and NCCMT Cash Portfolio.
North Carolina Capital Management Trust	100%	31.91%	
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		4.01%	
Gov't Advantage Money Market		5.18%	



Board Meeting: December 12, 2012

Subject: Cash Commitment/Investment Report-Month Ended October 31, 2012

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**METROPOLITAN SEWERAGE DISTRICT
INVESTMENT MANAGERS' REPORT
AT October 31, 2012**

Summary of Asset Transactions

	Original Cost	Market	Interest Receivable
Beginning Balance	\$ 25,676,689	\$ 25,676,689	\$ 306,190
Capital Contributed (Withdrawn)	1,239,633	1,239,633	
Realized Income	6,681	6,681	(5,318)
Unrealized/Accrued Income		-	18,248
Ending Balance	<u>\$ 26,923,003</u>	<u>\$ 26,923,003</u>	<u>\$ 319,120</u>

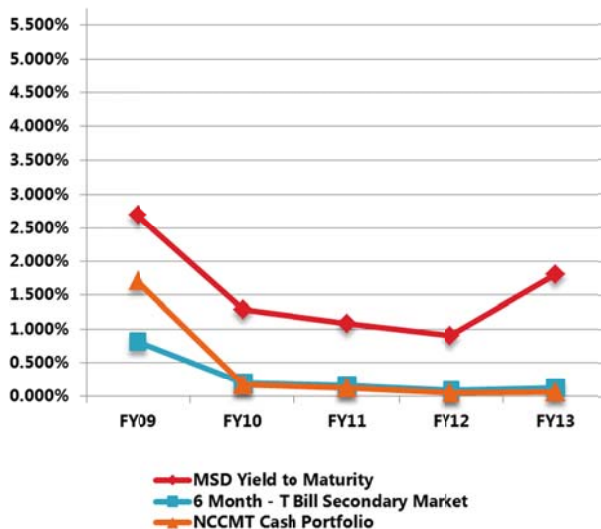
Value and Income by Maturity

	Original Cost	Income
Cash Equivalents <91 Days	\$ 9,332,147	\$ 6,798
Securities/CD's 91 to 365 Days	17,590,856	12,813
Securities/CD's > 1 Year	-	-
	<u>\$ 26,923,003</u>	<u>\$ 19,611</u>

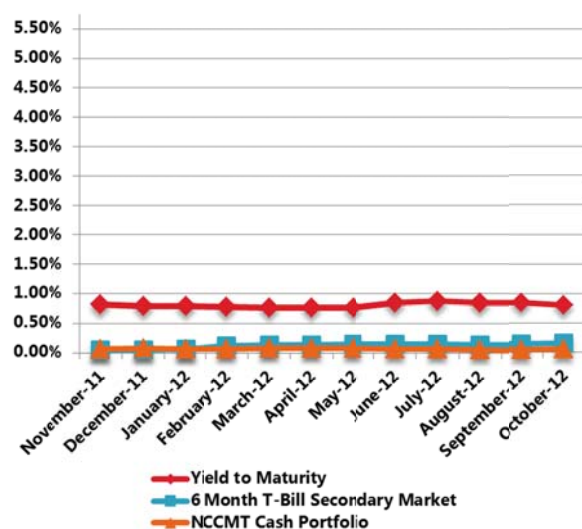
Month End Portfolio Information

Weighted Average Maturity	409
Yield to Maturity	0.81%
6 Month T-Bill Secondary Market	0.15%
NCCMT Cash Portfolio	0.05%

**Metropolitan Sewerage District
Annual Yield Comparison**



**Metropolitan Sewerage District
Yield Comparison - October 31, 2012**



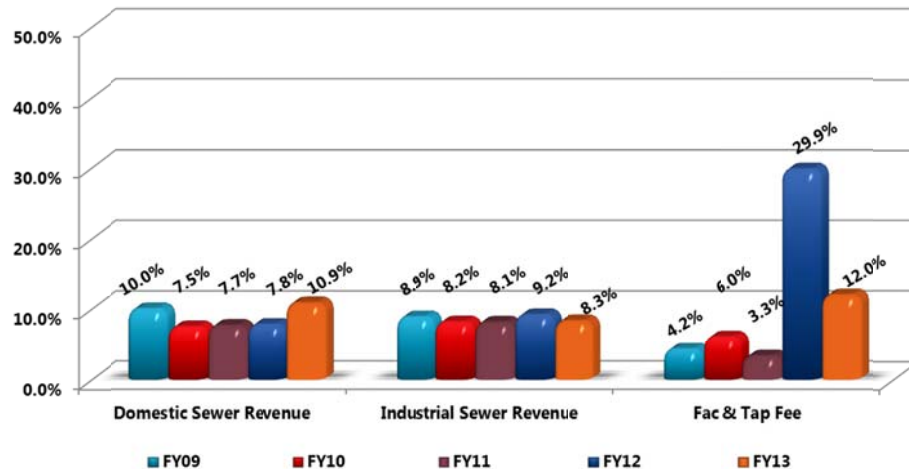
Board Meeting: December 12, 2012

Subject: Cash Commitment/Investment Report-Month Ended October 31, 2012

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**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF CASH RECEIPTS
AS OF October 31, 2012**

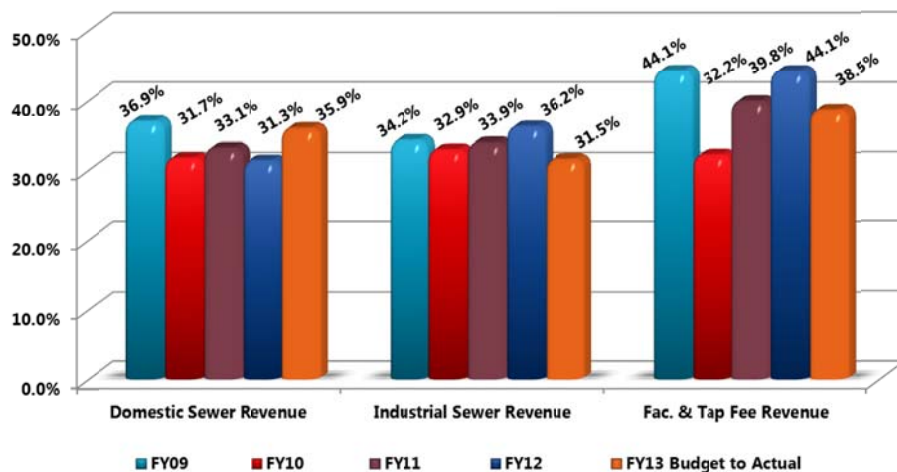
Monthly Cash Receipts Analysis



Monthly Cash Receipts Analysis:

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

YTD Cash Receipt Analysis

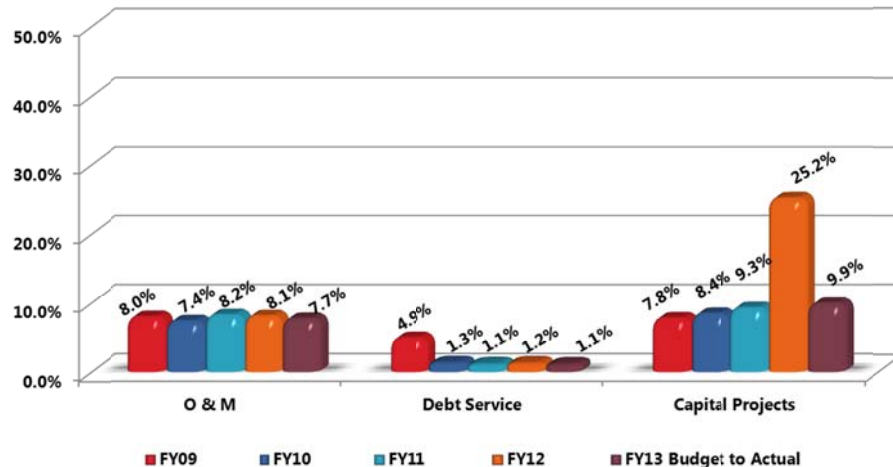


YTD Actual Revenue Analysis:

- ✿ YTD domestic sewer revenue is considered reasonable based on historical trends.
- ✿ YTD industrial sewer revenue is considered reasonable based on historical trends.
- ✿ Due to the unpredictable nature of facility and tap fee revenue, staff considers facility and tap fee revenue reasonable.

**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF EXPENDITURES
AS OF OCTOBER 31, 2012**

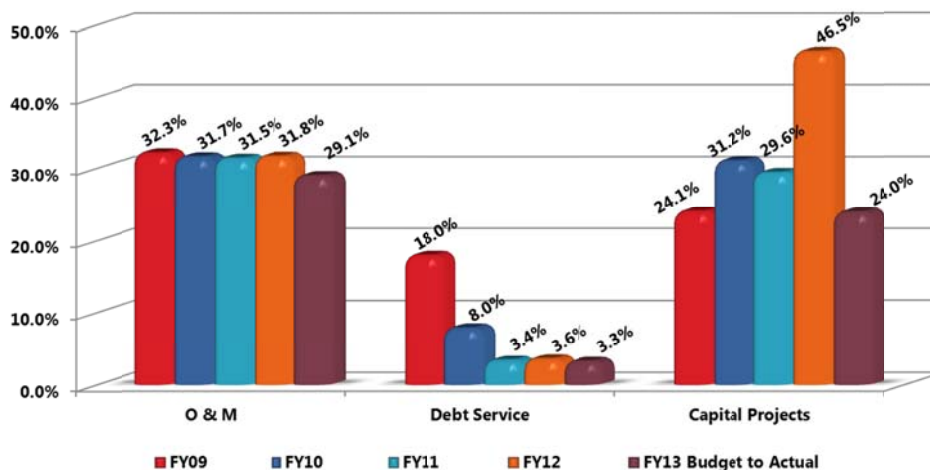
Monthly Expenditure Analysis



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 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.

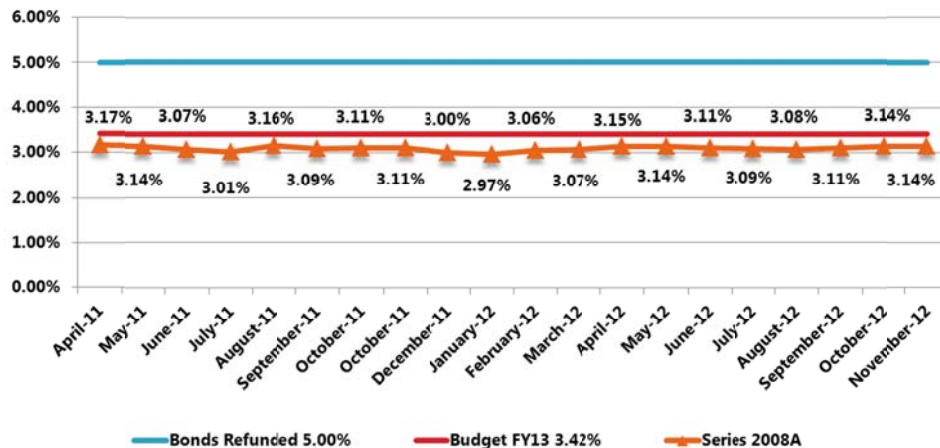
Board Meeting: December 12, 2012

Subject: Cash Commitment/Investment Report-Month Ended October 31, 2012

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

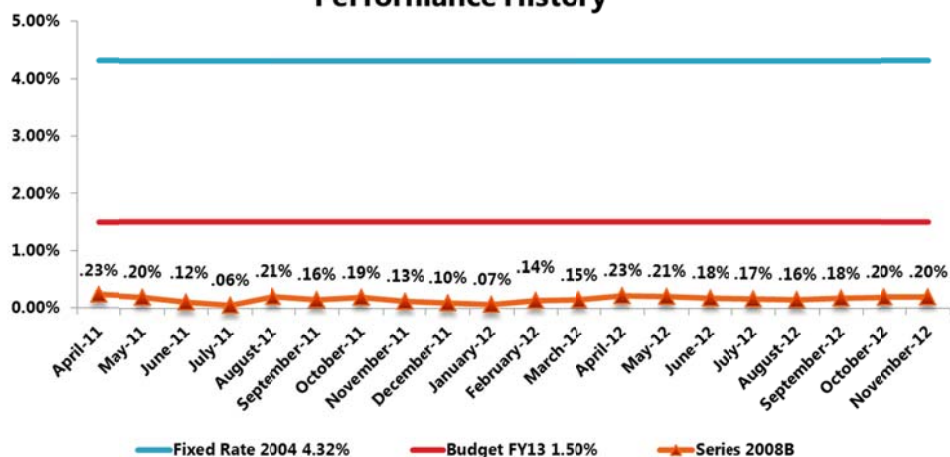
**Series 2008A Synthetic Fixed Rate Bonds
Performance History**



Series 2008A:

- Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$2,488,678 as compared to 4/1 fixed rate of 4.85%.
- Assuming that the rate on the Series 2008A Bonds continues at the current all-in rate of 4.0475%, MSD will achieve cash savings of \$4,730,000 over the life of the bonds.
- MSD would pay \$6,750,000 to terminate the existing Bank of America Swap Agreement.

**Series 2008B Variable Rate Bond
Performance History**



Series 2008B:

- Savings to date on the 2008B Variable Rate Bonds is \$3,560,665 as compared to 5/1 fixed rate of 4.32%.
- Since May 1, 2008, the Series 2008B Bonds average variable rate has been 0.52%.
- MSD will achieve \$9,030,000 in cash savings over the life of the bonds at the current average variable rate.

Metropolitan Sewerage District of Buncombe County Planning Committee

COMMITTEE MEETING DATE: November 30, 2012

SUBMITTED BY: Tom Hartye, General Manager

SUBJECT: Consideration of Water/Sewer Consolidation Proposal

BACKGROUND:

The Metropolitan Sewerage / Water Committee issued a Final Report to the Legislative Research Committee of the North Carolina General Assembly containing recommendations to merge the City of Asheville Water system with the Metropolitan Sewerage District of Buncombe County (MSD). An additional recommendation is to consider how other interested water systems in the region may be merged with MSD as well.

The MSD Board of Directors voted to conduct a detailed impact study of the proposed merger/consolidation of the City of Asheville Water system and other systems with MSD and instructed staff to seek the services of a reputable national firm experienced in utility operations, management, budgeting and finance, and utility mergers. Potential legal, governance, valuation and compensation issues associated with a potential merger were beyond the scope of the consultant study.

Malcolm Pirnie/Arcadis is providing their report in two phases. The first phase is to evaluate the City of Asheville water system merger with MSD. The second phase will be to examine other MSD member agency water system mergers.

The Draft Report for Phase I found the following:

- There would be no impact on sewer rates from water/sewer consolidation. Current sewer rate projections and assumptions would remain the same as if there were no water/sewer consolidation.
- The operational impact of water/sewer consolidation would be positive. Operational efficiencies would result in reduced operating costs for the combined systems. The projected operational efficiencies can be achieved while retaining all of the present MSD employees and all of the present City of Asheville water employees and maintaining at least the current level of service.
- There would be no impact of water/sewer consolidation on MSD capital costs related to sewer. There would be some initial capital costs at the outset for facilities and equipment necessary to operate and maintain current service levels for the water system. There would be no negative impact to MSD from continuing the City's recent significantly increased projected capital expenditures related to water after water/sewer consolidation.

The MSD Board asked that Staff prepare a proposal in an effort to formulate a local solution to the LRC merger recommendation that includes a recommendation concerning compensation for assets along with the other items (assumptions) that have been previously discussed by the Planning Committee.

DISCUSSION:

The LRC recommended a merger of the public water system with MSD, and a public transfer of all assets. The assets shall remain public. The recommended transfer of assets did not include compensation due to the fact that the water customer revenues originally paid for the assets. The assets and their value should remain with the customers.

The following proposal for the MSD Planning Committee to consider is an attempt to craft a local solution.

The proposal elements are as follows:

1. MSD to retain all current Water Department employees subject to the same MSD personnel policies applicable to current MSD employees.
 2. MSD to assume and pay off all outstanding Water Capital Indebtedness which was \$71 Million as of June 2012.
 3. MSD to fund the City's newly increased 10 year CIP of \$107 Million.
 4. MSD to officially oppose privatization of assets and of operational control.
 5. Water to be eligible for same MSD financial incentives and partnerships for new public and private development currently available for sewer.
 6. The City of Asheville to retain title to Bee Tree and North Fork Reservoir watersheds less areas underlying water operation facilities.
 - A. MSD will lease for 199 years, the watershed properties from the City for the sole purpose of providing clean, safe drinking water. Compensation for this lease is included within the compensation for total capital assets.
 - B. MSD will operate, maintain and expand if necessary all water production facilities on the watershed properties. MSD to own property underlying water production facilities.
 - C. MSD will have operational control over watershed properties and maintain them in accordance with the 1996 Conservation Easement as may be amended by the City of Asheville.
 7. Water System Asset Compensation:
- LRC Recommendation:
- A. Water Assets remain public.
 - B. Water Customers already paid for assets.

- C. Assets and asset value stay with customers who paid for them. Customers should not pay for them twice.

MSD Compensation Proposal:

- A. Water Assets remain public.
- B. Water Customers to pay the City of Asheville the Book Value for all water assets. This figure of \$169 million will be adjusted for outstanding debt, developer contributed assets, and cash transfers to General Fund. This adjusted cost is estimated at \$57 million to be paid over 50 years.
- C. Merger savings are estimated to be positive, inclusive of this payment.

Since this is a public transfer, market value is not applicable, either the discounted cash flow method or the original cost (book value) are customarily used. Staff evaluated the discounted cash flow method which yielded negative values due to the amount of CIP (water system rehabilitation) that will be required. Therefore, the book value was used and adjusted for outstanding debt, developer contributed assets, and cash transfers from the Water Fund to the General Fund. It was assumed that the value of the Buncombe County assets along with grants and other public contributions stayed with the City.

Germane to the discussion of valuation and compensation is the condition of the underground assets (water pipes). The typical industry goal for rehabilitation/replacement of pipes is 1% per year. For the Asheville area public water system this would amount to approximately 85,000 feet per year. For the last 5 years the City rehab/replacement effort averaged approximately 34,000 feet per year. Prior to this period the footage was significantly less. For this reason, the cash transfers from the ratepayers to the General Fund at the City were deducted from the value of the system of pipes. Those transfers would have paid for an additional 30,000 feet per year, which, although less than 1%, would have helped retain the system condition level. In the next 10 years the rehab/replacement effort will ramp up to over 60,000 feet per year on average.

Staff will give a presentation of this proposal along with supporting information at the Planning Committee.

Committee Recommendation: By a vote of 6 – 2, the Planning Committee recommends approval of Staff's proposal to be presented to the full Board at its December 12, 2012 meeting.

Planning Committee

November 30, 2012

Water/Sewer Consolidation

- The Legislative Research Commission (LRC) recommended in April 2012, the consolidation of Public Water System for Asheville area with MSD.
- The LRC recommendation stated that they would consider a local solution if a good faith effort under way prior to them developing legislation for the session beginning in January 2013.
- Additional recommendation was made that the other water systems in the region be considered.

Water/Sewer Consolidation

- The MSD Board of Directors, in response to this directive, determined that an impact study of the proposed consolidation was needed.
- Malcolm Pirnie/Arcadis, a national firm experienced in water and sewer utility mergers was selected to conduct an impact study with the first phase addressing the Asheville system to be complete by November.
- The draft study is complete and was presented to the Board which indicated that savings could be realized from the merger.

Water/Sewer Consolidation

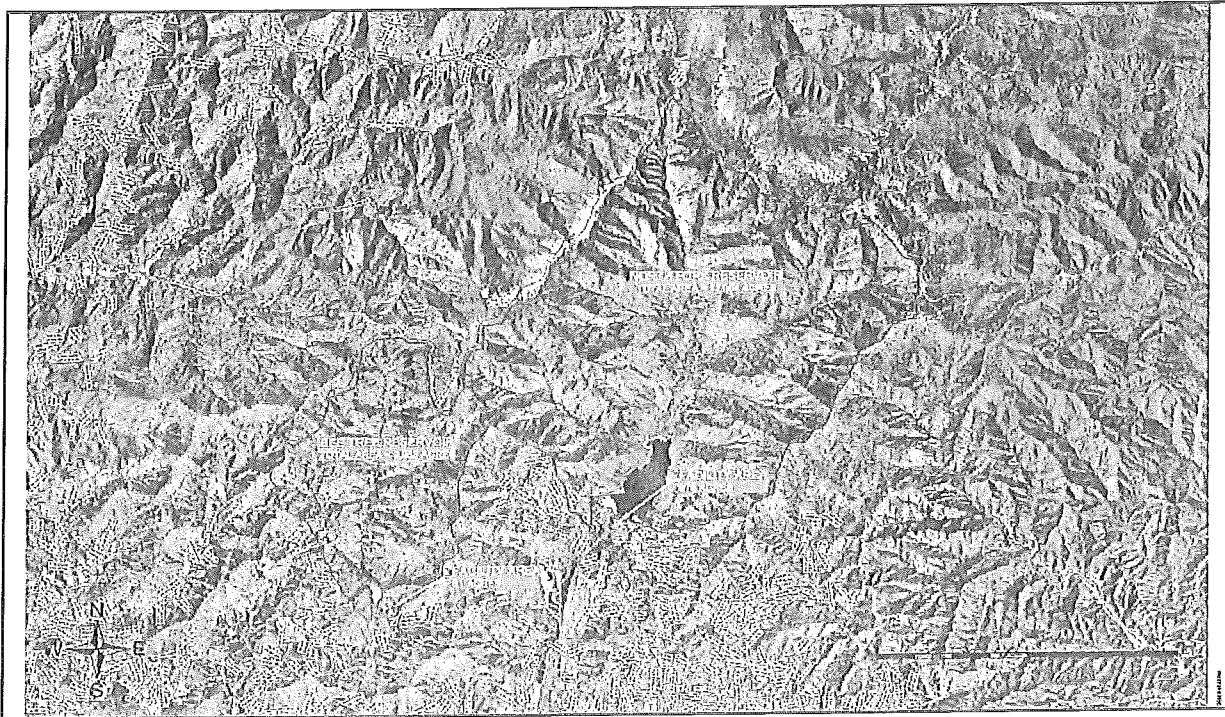
- Legislators are now beginning to develop legislation for the upcoming session.
- The MSD Board at its last meeting instructed staff to develop a proposal for the merger in a good faith effort to forge a local solution.
- The following is a proposal for consolidation crafted to facilitate a local solution to the LRC recommended consolidation.

Water/Sewer Consolidation Proposal

1. MSD to retain all current Water Department employees.
2. MSD to assume and pay off all outstanding Water Capital Indebtedness - \$71 Million as of June 2012.
3. MSD to fully fund the City's newly increased 10 year CIP of \$107 Million.
4. MSD to officially oppose privatization of assets and of operational control.
5. Water to be eligible for same MSD financial incentives and partnerships for new public and private development currently available for sewer.

Water/Sewer Consolidation Proposal

6. The City of Asheville to retain title to Bee Tree and North Fork Reservoir watersheds less areas underlying water operation facilities.
 - A. MSD will lease for 199 years, the watershed properties from the City for the sole purpose of providing clean, safe drinking water. Compensation for this lease is included within the compensation for total capital assets.
 - B. MSD will operate, maintain and expand if necessary all water production facilities on the watershed properties. MSD to own property underlying water production facilities.
 - C. MSD will have operational control over watershed properties and maintain them in accordance with the 1996 Conservation Easement as may be amended by the City of Asheville.



Water/Sewer Consolidation Proposal

7. Water System Asset Compensation

LRC Recommendation:

- A. Water Assets remain public.
- B. Water Customers already paid for assets.
- C. Assets and asset value stay with customers who paid for them. Customers should not pay for them twice.

Water/Sewer Consolidation Proposal

- Although the LRC recommends a straight public transfer, the MSD Planning Committee asked Staff to evaluate a proposal that might include compensation as a “good faith” measure that would facilitate a local solution.
- MSD Staff evaluated options in this regard after consulting with the NC Institute of Government Environmental Finance Center.

N.C. Utility System Transfers with no compensation

FY 2006	City of Raleigh and Town of Wake Forest	Fixed Assets transferred \$29,895,570
	City of Raleigh and Town of Knightdale	Fixed Assets transferred \$ 8,247,891
	Town of Cary and Town of Morrisville	Fixed Assets transferred \$ 39,385,583
FY 2007	City of Raleigh and Town of Zebulon	Fixed Assets transferred \$16,475,521
	City of Raleigh and Town of Wendell	Fixed Assets transferred \$ 8,742,124
FY 2008	Cape Fear Public Authority and City of Wilmington and Hanover County	Fixed Assets transferred \$422,336,652
FY 2011	MSD and Avery's Creek Sanitary District	Fixed Assets transferred \$ 2,056,471
FY 2012	City of Asheville and Buncombe County	Fixed Assets transferred \$__

Source: Municipal Units CAFRS

Valuation Methods

<u>Method</u>	<u>Type of Transaction</u>
Cost Approach:	
Replacement Cost New	Private Sale
Reproduction Cost / Fair Market Value	Private Sale
Original Cost	Sale of a Regulated Utility
Income Approach:	
Discount Cash Flow	Public/Private Sale

Discounted Cash Flow Assumptions

1. Based on cash flows from the October 24, 2012 model provided by the city.
 - City Projected Rate Increases
 - Future Debt Needs
 - Operating Expenses and Overhead Allocation
 - Current and Future Debt Service Need
 - CIP Needs
2. 30 year T-Bill Rate was used as the discount rate.

Discounted Cash Flow Results

City of Asheville
Compensation Analysis
Discounted Cash Flow Method

Year	1	2	3	4	5	6	7	8	9	10
Cash Flow	1,733,470.00	6,627,970.00	(6,186,138.00)	(731,388.00)	(3,581,809.00)	(3,729,819.00)	7,518,656.00	(5,139,942.00)	6,213,556.00	(6,332,374.00)
Discount Factor	1.0283	1.05740089	1.087325335	1.118096642	1.149738777	1.182276385	1.215734806	1.250140101	1.285519066	1.321899256
Discount Rate	2.83%									
Discounted CashFlows	1685762.91	6268171.384	-5689316.527	-654136.6573	-3115324.169	-3154777.554	6184454.012	-4111492.78	4833499.684	-4790360.516
NPV	(32,543,520.21)	(2,543,520.21)								

Original Cost Assumptions

- Original cost less accumulated depreciation as of June 30, 2012
- Less Outstanding Debt as of June 30, 2012
- Less Contributed Capital since 2004
- Less amounts transferred to the General Fund since 1981
 - Water Agreement
 - Sullivan Act

Original Cost Results

Capital assets as 6/30/12	\$ 169,326,897	
Less: associated debt	<u>70,772,977</u>	
Net invested in Capital Assets	98,553,920	
Less:		
Developer Contributed Capital	17,596,559	
Direct payments to the City		
Per Water Agreement	21,396,956	Equates to 10 Years of additional 30,000 feet of water line replacements at \$80 per lineal foot
Sullivan Act Transfers	<u>2,587,041</u>	
Original Cost to be compensated	<u>\$ 56,973,364</u>	
Amortized over Fifty Years	<u>\$ 1,139,467</u>	

Capital Improvement Program (CIP) Rehabilitation of Water System

- While the above ground water assets are of sufficient service level, the underground assets(pipes) are not.
- Earlier Engineering reports conducted by the City recommended that water line rehab./replacement work be stepped up on a continuous basis.
- Typical goal for rehab/replacement is 1% per year. For Asheville area this would amount to 85,000 feet per year.
- For previous 5 years the City has replaced approximately 34,000 feet per year. The previous \$40 Million Bond Issue Projects are included in this footage.
- Replacement levels for previous years were significantly less.
- The last 10 years should have included at least an additional 30,000 feet/year of water line replacements (approx. \$24 Million over the 10 years).

Capital Improvement Program (CIP) Rehabilitation of Water System

- Currently City of Asheville approved CIP is 5 year \$36 Million.
- New Draft CIP from the City Staff is 10 year \$121 Million (\$107 million exclusive of Sullivan Act/Community Development funding).
- This does not include Main Transmission Line Replacement/Rehab. that is currently under investigation.
- The level of water line replacement in the increased CIP appears adequate and should be greater than 60,000 feet per year on average.

Water/Sewer Consolidation Proposal

MSD Compensation Proposal:

- A. Water Assets remain public.
- B. MSD to pay the City of Asheville the Book Value \$169 Million for all water assets. This figure will be adjusted for outstanding debt, developer contributed assets, and cash transfers to General Fund needed for rehab. This cost is estimated at \$57 Million to be paid over 50 years.
- C. Merger savings are estimated to be positive, inclusive of this payment.

Water/Sewer Consolidation Proposal Anticipated Results of Proposal

- Operational Savings due to the merger, mitigating rate increases.
- Increased Water Line Replacement Program by over 75% to an average of 60,000 feet per year.
- Including all Water Dept. Employees and adjusting salary ranges to market levels.
- Providing compensation to the City of Asheville to mitigate impact to general fund.

Summary of Water/Sewer Consolidation Proposal

1. MSD to retain all current Water Department employees.
2. MSD to assume and pay off all outstanding Water Capital Indebtedness - \$71 Million as of June 2012.
3. MSD to fully fund the City's newly increased 10 year CIP of \$107 Million.
4. MSD to officially oppose privatization of assets and of operational control.
5. Water to be eligible for same MSD financial incentives and partnerships for new public and private development currently available for sewer.
6. The City of Asheville to retain title to Bee Tree and North Fork Reservoir watersheds less areas underlying water operation facilities.
7. MSD will pay the City of Asheville \$57 Million over 50 years.

STATUS REPORTS

CAPITAL IMPROVEMENT PROGRAM

STATUS REPORT SUMMARY

December 5, 2012

PROJECT	CONTRACTOR	AWARD DATE	NOTICE TO PROCEED	ESTIMATED COMPLETION DATE	*CONTRACT AMOUNT	*COMPLETION STATUS (WORK)	COMMENTS
GIVENS ESTATES	Terry Brothers	10/17/2012	10/24/2012	2/21/2013	\$692,848.50	30%	Formal Hendersonville Road Bore is complete; Contractor working on Sweeten Creek/Railroad Bore. Pipeline progressing well.
MOUNTAIN TERRACE - 4 INCH MAIN	Terry Brothers	8/15/2012	8/21/2012	12/19/2012	\$71,085.00	99%	Informal Contractor working on punchlist.
NORTH GRIFFING BOULEVARD - 4 INCH MAIN	Terry Brothers	8/15/2012	8/21/2012	12/19/2012	\$146,929.50	95%	Informal Pipeline complete and project nearing punchlist inspection.
PATTON AVENUE @ PARKWOOD ROAD	Huntley Construction	1/18/2012	5/11/2012	11/12/2012	\$243,718.16	100%	Informal Project is complete and in close out.
PIPE RATING CONTRACT #6 (LINING)	Improved Technologies Group	10/19/2011	12/5/2011	12/25/2012	\$808,846.50	99%	Formal Contractor working on punchlist.
PIPE RATING CONTRACT #7 (LINING)	TBA	TBA	TBA	TBA	TBA	0%	Formal Bids were open on November 29th. Southeast Pipe Survey, Inc. is the apparent low bidder. Project will be presented at the December Board meeting.
SCENIC VIEW DRIVE (PRP 29020)	Carolina Specialties	9/19/2012	10/29/2012	2/26/2013	\$249,450.00	20%	Informal Construction has begun and progressing very slowly.
SHORT COXE AVENUE AT SOUTHSIDE AVENUE	Cana Construction	7/18/2012	9/4/2012	3/3/2013	\$866,521.50	25%	Formal Contractor has completed 16-inch main from starting point up to the Biltmore Avenue crossing. They will stop here and concentrate efforts on the Short Coxe line prior to making the crossing of Biltmore Avenue.
WRF - CRAGGY HYDRO FACILITY REPAIRS - CONTROL COMPONENTS UPGRADE	Innovative Solutions of NC	7/12/2012	N/A	3/31/2013	\$100,717.72	50%	Informal This is to upgrade the old control panel at the Hydro Facility. In additon to this, Turbine No. 2 is being repaired as well.
WRF - ELECTRICAL IMPROVEMENTS	Haynes Electric	8/15/2012	9/10/2012	6/7/2013	\$1,061,900.00	25%	Formal Project going very well. Conduit banks are at 80% complete. All restoration up to this point is complete including concrete restoration.. NC Dept. of Air Quality has approved permit revisions for new power generation.
WRF - FINAL MICROSCREEN REPLACEMENT	Hickory Construction	10/20/2010	1/3/2011	12/25/2012	\$8,972,321.36	99%	Formal Performance testing ongoing, otherwise project is complete.

*Updated to reflect approved Change Orders and Time Extensions

Planning and Development Projects Status Report
December 12, 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	Complete-Waiting on final documents
	N. Bear Creek Road Subdivision	2005137	Asheville	20	127	7/11/2006	Complete - Waiting on final documents
	Willowcreek Village Ph.3	2003110	Asheville	26	597	4/21/2006	Complete - Waiting on final documents
	Rock Hill Road Subdivision	2005153	Asheville	2	277	8/7/2006	Complete - Waiting on final documents
	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
	New Salem Studios	2011119	Black Mountain	5	36	5/21/2012	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
	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
	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	Complete-Waiting on final documents
	Cottonwood Townhomes	2009110	Black Mtn.	8	580	10/20/2009	Complete-Waiting on final documents
	Straford/Parkside/Woodbine	2012002	Asheville	4	250	8/2/2012	Complete-Waiting on final documents
	Brookgreen Phase 1C	2012015	Woodfin	4	280	8/2/2012	Complete-Waiting on final documents
	MWB Phase II	2012053	Montreat	1	90	8/9/2012	Complete- Waiting on final documents
	Ridgefield Business Park	2004188	Asheville	18	758	2/16/2005	Complete-Waiting on final documents
	Thoms Estate 3A	2011022	Asheville	8	457	10/24/2010	Complete-Waiting on final documents
	Subtotal			977	31,526		

Planning and Development Projects Status Report
December 12, 2012

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	The Settings (6 Acre Outparcel)	2004192	Black Mountain	21	623	3/15/2006	Ready for final inspection
	Swannanoa Habitat Project	2012055	Swannanoa	17	303	6/26/2012	Installing
	Waightstill Mountain PH-8	2006277	Arden	66	3,387	7/26/2007	testing / in foreclosure
	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	Punchlist pending
	Thom's Estate - Phase II	2008071	Asheville	40	3,701	2/9/2011	Punchlist pending
	Berrington Village Apartments	2008164	Asheville	308	4,690	5/5/2009	Ready for final inspection
	Parameter Generation Relocation	2012024	Black Mtn.	Comm.	545	5/24/2012	Ready for final inspection after paving
	Camp Dorothy Walls - Ph. 2	2007294	Black Mtn.	Comm.	593	6/16/2009	Pre-con held, ready for construction
	Harris Teeter - Merrimon Ave.	2011045	Asheville	Comm.	789	3/27/2012	Ready for final inspection
	Pisgah Manor Skilled Nursing Facility	2012008	Candler	Comm.	131	4/9/2011	Ready for final inspection
	Carolina Truck and Body (Cooper)	2012075	Asheville	Comm.	298	10/30/2012	Pre-con held, ready for construction
	Bojangles	2012042	Asheville	Comm.	202	9/7/2012	Ready for final inspection after paving

Subtotal	2416	97,270
Total Units:	3,393	
Total LF:		128,796