

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
JANUARY 16, 2013**

1. Call to Order and Roll Call:

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, January 16, 2013. Chairman Aceto presided with the following members present: Bryson, Creighton, Haner, Kelly, Manheimer, Pelly, Root, Stanley, VeHaun and Watts. Mr. Russell was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, PA, Joseph Martin with Woodfin Sanitary Water & Sewer District, Patty Beaver, CIBOA, Mark Barrett, Asheville Citizens Times, Phil Kleisler, City of Asheville, Nic Dierkes, Brown & Caldwell, Sheryl Williams and husband Jim Williams, Roberts & Stevens, Natalie Berry, Henderson County, Sam Speciale, Teddy Jordan, Beth Jezek, Linda Smathers, Barry Summers, Citizens, and MSD Staff, Ed Bradford, Stan Boyd, Peter Weed, Jim Hemphill, Scott Powell, Mike Stamey, Ken Stines, Matthew Walter, Angel Banks, Pam Nolan, Wesley Banner, and Cheryl Rice.

2. Inquiry as to Conflict of Interest:

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

3. Approval of Minutes of the December 12, 2012 Board Meeting:

Mr. Aceto asked if there were any changes to the Minutes of the December 12, 2012 Board Meeting. Mr. Vahaun moved the Minutes be approved as presented. Mr. Stanley 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 and called for public comment. He recognized Mr. Barry Summers.

Mr. Summers said he wanted to clarify something from the last Board meeting. He stated that during the discussion about the proposed merger scenario with the Asheville Water System, it became clear that some of the members who voted on it at the Planning Committee were under the impression that the separation of water accounting and sewer accounting was still one of the "bedrock principal" and Mr. Hartye explained that separation was removed after Chuck McGrady let MSD know that he was expecting a merger with Cane Creek. Mr. Summers asked for more detail as to why that separation was removed. Mr. Hartye stated that he was responding to the legislation itself in that Cane Creek was to be considered as a part of the legislation, and that he was not referring to the accounting. Mr. Summers asked why this was not in the proposal as distributed. Mr. Hartye said he was sorry for any confusion in this regard and that it will become clear in today's presentation that the water & sewer accounting will remain separate. Mr. Hartye stated that it was an underlying assumption of the study and of the proposal and that's how it's normally done. He further stated that Mr. Summer's question and concern is well founded; they should be separate. Mr. Summers stated he was concerned about the system as a whole going forward and, if in fact, MSD takes in the Water System, will those accounting be held separate; the document suggest they won't. Mr. Hartye stated he will rectify that.

6. Report of General Manager:

Mr. Hartye reported the preliminary report of Phase II of the Water Study will be given to the Planning Committee in mid-February. The final report for Phase I and Phase II will be presented at the February or March Board Meeting.

Mr. Hartye reported the District has once again been granted the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award. This year a "Special Capital Recognition" was given as well for the Budget being "Outstanding as a Communications Device." He expressed his thanks to Scott Powell and Teresa Gilbert who put this together.

Mr. Hartye reported that in November 2012 MSD received the Collection System of the Year Award (Large System) from the N.C. American Water Works Association – Water Environment Association (AWWA-WEA). This award, which was the only one awarded state-wide, recognizes MSD's significant activities regarding collection system management, operation & maintenance, and capital re-investment/rehabilitation of the collection system. He stated MSD has an amazing amount of in-house expertise between Engineering and System Services with flow monitoring, smoke testing CCTVing, jet cleaning, root removal, pipe rating and line bursting, which are used to improve infiltration/inflow situations. A lot of this is done in-house which saves money and time. He recognized System Services Directors, Ken Stines, who is over preventative maintenance and cleaning and Mike Stamey who is over the construction section. Chairman Aceto presented the Collection System of the Year Award to both Directors. for their outstanding work.

Mr. Aceto called on Angel Banks for a presentation. Ms. Banks recognized Sheryl Williams with Roberts & Stevens who has served MSD for the last 32 years as Title Counsel. She stated that Sheryl is the utmost professional, all while being amiable, very caring and easy going and is the most sought after real estate attorney in Western North Carolina; particularly for difficult and involved closings. She's dependable and has been very expedient with MSD's work all these years. When finding issues, Sheryl is always ready to explain the legal technicality, but she also presents a balanced reality check in terms of the potential risks to the District. She has therefore been instrumental in streamlining the acquisitions process; saving the District time and money. Ms. Banks stated that she would miss her expertise, her humor and friendship and that it's been a pure joy and privilege to work with her during these thirty-two years. Chairman Aceto and Vice Chairman Stanley presented Sheryl with a manhole hook plaque. Ms. Williams stated she has enjoyed working with MSD for 32 years and was the only client she had throughout her career from beginning to end. Mr. Clarke announced that a formal resolution commemorating her service to the MSD is forthcoming.

Mr. Hartye presented an email from Wes Harkins of Asheville expressing appreciation for Mike Rice and Herman Shelton. He reported a call was received from Monroe Harvell of Russell Street wanting to let MSD know that the crew was very efficient and polite and did a great job. She also said they were very quick to let people through the road closure. Thanks to Shane Meadows, Randy Mull and Marvin Felder. He further reported that a call was received from Kathy Rubendall of Wilshire Drive to compliment Eric Sams and Scott Graham for their thorough work on Saturday. She appreciated their efforts checking the entire situation even though it ended up being a private issue.

Mr. Hartye reported the next regular Board Meeting will be held February 20th at 2 pm. The Right of Way Committee meeting for January has been cancelled. The next meeting is scheduled for February 27th.

7. Report of Committees:

Finance Committee

Mr. Kelly reported the Finance Committee met prior to the Board Meeting to consider a resolution authorizing filing application to the Local Government Commission (LGC) to issue Refunding Bonds saving the District \$5.25 million over a period of time. He called on Mr. Powell for a report.

Mr. Powell reported that behind tab d. of the Consolidated Motion Agenda is a Resolution authorizing the filing of an application with the LGC to issue Refunding Bonds. He stated there are two Refunding Bonds that are being proposed; 2003 and 2008B. Both of these bonds have future debt service savings from a range of \$20,247 for the current year to \$785,850. The savings to District over the life of both bond series will be to the extent of \$8.8 million with a net present value savings of \$5.25 million. He further stated that these bonds exceed the threshold of the LGC's requirement for refundings of 2%. Both bonds exceed 10% of savings.

8. Consolidated Motion Agenda:

a. Consideration of Annual Meeting Dates:

This item was presented as information only.

b. Consideration of Developer Constructed Sewer Systems: Riverbend Apartments, Bojangles – Airport Road, and 404 Old Haw Creek Road:

Mr. Hartye reported that the Riverbend Apartments is located inside the District boundary off Bleachery Boulevard in the City of Asheville. The project included the installation of approximately 1,245 linear feet of 8" gravity sewer to serve the 252 unit apartment complex. The Bojangles – Airport Road project is located inside the District boundary off Airport Road in the City of Asheville. The project included the installation of approximately 211 linear feet of 8" gravity sewer to serve a commercial development. The 404 Old Haw Creek Road Sewer Extension project is located inside the District boundary off Old Haw Creek Road in the City of Asheville. The project included the installation of approximately 106 linear feet of 8" gravity sewer to serve the four (4) unit residential development. Mr. Hartye stated that staff recommends acceptance of the developer constructed sewer systems. All MSD requirements have been met.

c. Adoption of Budget Calendar – FY2013-2014:

Mr. Hartye reported the District's budget process must satisfy requirements in the North Carolina General Statutes as well as the 1999 Amended and Restated Bond Order. The budget calendar is designed to allow for input by all stakeholders into a systematic and deliberate process. Staff recommends approval of the proposed Budget Calendar.

d. Consideration of Resolution Authorizing Filing of Application to LGC to Issue Refunding Bonds:

Mr. Hartye stated this item was previously reported by Mr. Powell under Report of Committees. The Finance Committee recommends approval of the Bond Resolution, authorizing the filing of an application with the North Carolina Local Government Commission for approval of the issuance and public offering of revenue refunding bonds.

e. Cash Commitment/Investment Report – Month Ended November 30, 2012:

Mr. Powell reported 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 November. The weighted average maturity of the investment portfolio is 406 days. The yield to maturity is .83% and is exceeding the bench marks of the 6 month T-Bill and NCCMT cash portfolio. Page 4 is the MSD analysis of Cash Receipts. YTD domestic & industrial sewer revenues are considered reasonable based on timing of cash receipts in their respective fiscal periods. YTD Facility and Tap fees are considered reasonable based on timing of cash receipts in their respective fiscal periods. Page 5 is the MSD analysis of Expenditures. O&M, Debt Service and Capital Project expenditures are considered reasonable based on historical trends. Page 6 is the MSD Variable Debt Service report. Both the 2008 A&B Series Bonds are performing better than budgeted expectations. As of the end of December, both issues have saved District rate payers approximately \$6.2 million dollars in debt service since April, 2008. Mr. Aceto asked if the 2008B bonds will be refunded. Mr. Powell said yes, but the 2008A bonds will not.

Mr. Watts moved for approval of the Consolidated Motion Agenda as presented. Mr. Creighton seconded the motion. With no discussion, Mr. Aceto called for the question. Roll call vote was as follows: 11 Ayes; 0 Nays.

9. Cane Creek Water and Sewer District Updated Analysis:

Mr. Aceto called on Mr. Hartye for a PowerPoint presentation.

Mr. Hartye reported there have been changes to the Cane Creek Water & Sewer District (CCWSD) system and finances since it was last studied back in 2010; before any of the water issues or legislation came about. He stated from an environmental and public health standpoint, it makes sense for Cane Creek to come into the District since it flows toward the MSD Treatment Facility and MSD is currently treating that flow. He further stated that Representative McGrady brought up the idea that the legislation might include something having to do with Cane Creek, but was not sure what shape or form that would take, but wanted to update the numbers because Cane Creek's finances have changed, and they have gotten further along with their projects since 2010.

Mr. Hartye reported that last summer House Bill 1009 was passed, which changed the governance portion of how Cane Creek could come into the District. Prior to that, if Cane Creek came into the District, Buncombe County and the City of Asheville would each lose representatives on the MSD Board, but the new legislation provided that Buncombe County and the City of Asheville would retain their representation and Henderson County would have two (2) representatives if MSD expanded into Henderson County. He stated there has been a lot of confusion regarding Henderson County, in that they would have to come to the MSD and ask to come into the District. Mr. Aceto pointed out if that should occur, MSD does not have to take them in. Mr. Hartye stated that is how this whole representation issue came about and this study is an update of the CCWSD 2010 study.

Mr. Hartye reported the Henderson County 2020 Comprehensive Plan is the basis for a Sewer Master Plan later developed by William G. Lapsley & Associates, PA. He presented a map showing the Henderson County 2020 Comprehensive Plan sewer service areas and districts and a map showing the CCWSD existing service area and potential service areas.

Mr. Hartye reported the existing CCWSD System consists of approximately 63 miles of sewer lines; 11 pump stations; approximately 3,100 residential customers; 254

commercial customers; 6 industrial customers; water service provided by the City of Asheville and City of Hendersonville and Capital Asset value of approximately \$12.5 million. He presented a map showing the CCWSD Existing System.

Mr. Hartye reported MSD has an Agreement with CCWSD to provide Treatment Services for up to 1.35 MGD of wastewater. CCWSD's current Average Daily Flow is approximately 0.7 MGD. In 2009, CCWSD developed a Master Plan/Basin Study to determine what their future needs would be and identified a future build-out flow of 3.0 MGD. In 2010, MSD began preliminary discussions with CCWSD to update the existing agreement from 1.35 MGD to provide 3.0 MGD with a 7.5 MGD instantaneous peak. He stated these were the requirements MSD was looking to change in the agreement. Also, Cane Creek requested information about what would be involved with formally joining the District, so MSD set out to do a due diligence evaluation in 2010.

Mr. Hartye presented a chart showing the MSD Customer Makeup should CCWSD come into the District. He presented a map showing the CCWSD Master Plan and 2009 Basin Study and a map from the same study showing the District Priority Sewer Projects. He stated that development of this is good for the public health and environment long-term.

Mr. Hartye reported that the sewer mains are generally in good shape; there is no permit footage requirement for rehab of lines, however, there is a significant amount of line cleaning CCTV-ing, GIS mapping and pipe rating required. A field reconnaissance of the 9 pump stations to assess condition was conducted. Rehab necessary to bring the level of service up to MSD standards includes instrumentation, SCADA, generator work, site and mechanical work. He further reported that the entire Master Plan would be incorporated into the MSD Master Plan and projects prioritized and updated annually based upon changing conditions. He presented a spreadsheet showing the evaluation of the Pump Stations and what would be required for bringing them up to MSD standards and used to develop the CIP. He explained this is running CCWSD's CIP through MSD's CIP. He stated that Mr. Bradford developed this in concert with Henderson County and he went over this with Mr. Lapsley as well and came up with a viable CIP which is about \$11,627,000. Of that, there is about \$1 million worth of grants. In general CIP terms, MSD is spending about \$15 million per year on its CIP and if you add another \$1 million per year from Cane Creek CIP that would be \$16 million per year. The component of the money required from Cane Creek CIP is 1/16th, which is about 6% which corresponds to the percentage of customers. Mr. Hartye stated they ran MSD's financial model with it to see if there is any impact to MSD rates with only minor adjustments. He further stated Cane Creek is not considered a wholesale customer. They pay MSD the full cost of treatment. New customers in the expansion area pay MSD Facility and Impact fees for tying onto the system and Henderson County charges Cane Creek customers a typical residential fee of approximately \$16.00 per month, which is well more than MSD customers pay per month. He gave a comparison of what the City of Asheville charges its wholesale customers, i.e., Woodfin, Black Mountain, which is half of what the Asheville customers pay for the same water and noted that Asheville does not get impact fees from new customers in these areas. He stated that Cane Creek is not considered a wholesale customer and MSD treats them as if they are an extension of the District, pursuant to its agreement with them. He presented a spreadsheet showing the MSD Business Plan with the deletion of the CCWSD; revenues and CIP.

Mr. Hartye reported Cane Creek is studying whether or not it wants to put in a treatment plant in northern Henderson County to treat their own waste, which would be a very expensive plant with the need for new interceptor lines, etc. If this should happen, there would be no impact to the business plan and rate structure for existing MSD customers. Mr. Hartye stated since MSD is a regional authority, it will not do separate accounting for each and every political entity because there will be some winners and some losers and that is not what MSD is about; it's here to provide infrastructure to the

whole area. However, since this did come up in a political way, an additional analysis was done to consider whether Cane Creek could sustain itself based on its own revenues and expenses. Ms. Manheimer asked if the Cane Creek fixed/variable cost is part of this report. Mr. Hartye said no; it represents what their cost is to MSD. Ms. Manheimer asked what the difference is between the cost and what they are currently paying. Mr. Powell stated they are currently paying over \$1.4 million to MSD. The variable fixed component is only \$200,000. Ms. Manheimer asked if Cane Creek were to merge with the MSD, would there still be a cost to treat their waste, which she assumes is embedded in the overall treatment plan. Mr. Hartye said yes.

Mr. Hartye presented a slide showing the following Potential Environmental, Public Health, and Rate Benefits which include:

- A separate wastewater treatment plant discharge to the French Board River will not be required.
- MSD has a track record of completing CIP projects, i.e. the backbone necessary to facilitate both growth and the resolution of private systems.
- MSD has policies in place that provide for cost sharing for both expansion and for resolution of private system failures.
- The sewer charges for Cane Creek customers will be reduced down to current MSD levels (from approximately \$37 per month down to \$27 per month).

Mr. Hartye stated these are the conditions that would be good for the environment and the public health and are the conditions under which CCWSD would be absorbed if they should ask to come into the District.

Mr. Hartye presented a slide showing the following recommendations for Consolidation of CCWSD with MSD:

- The sewer charges for Cane Creek customers will be reduced down to current MSD levels (from approximately \$37 per month down to \$27 per month).
- The current fund balance of approximately \$3.4 million will be used toward funding CIP in the CCWSD.
- MSD will assume CCWSD current debt at approximately \$1.48 million.
- All three employees funded for at least 1 year with one being required through the entire term.
- MSD will assume ownership of CCWSD facilities as a Public Transfer with no compensation.

Mr. Hartye stated a recommendation for MSD if it were approached by Cane Creek would be to allow them to come in under these conditions. He stated this is MSD's recommendations which is only for information, and Cane Creek has not approached the District about it and he has no inclination they will, but wanted to update this information for the benefit of the Board.

Mr. Haner asked if Cane Creek merged with MSD, could the additional line cleaning and maintenance be handled without hiring additional staff. Mr. Hartye said yes, that staff time is included.

Ms. Manheimer stated the concept of bringing in the Cane Creek system sounds positive and it's unfortunate it happens to be tied up with the water discussion, which is more controversial. Ms. Manheimer asked if the line item called Cane Creek Debt Service of \$1.48 million and runs for six years are the debt MSD would have to assume. Mr. Powell said yes. Ms. Manheimer asked if the debt service on the Cane Creek CIP is embedded in the MSD debt service. Mr. Powell said yes. Ms. Manheimer asked if the drop-off in the Cane Creek CIP after a few years is due to some of these things being done initially. Mr. Hartye stated this was done as a worst case scenario. He explained these are not permitted requirements. For example our permit requires MSD to rehab or

replace 50,000 lineal feet per year. These projects are not required, there is no time element with these; they are in the process. What MSD did was to make the more critical ones happen sooner and the ones that were not so critical done much later. The other layer of conservatism is that MSD assumed a 0.75% growth and its likely there will be a higher percentage in Cane Creek, particularly because the topography is favorable for development and Sierra Nevada is coming in. Also, the revenue projections are conservative as well. Ms. Manheimer asked if the CIP line item is the total CIP and if the pay-as-go is a portion of that. Mr. Hartye stated the pay-as-go is for Cane Creek only. Ms. Manheimer questioned the revenue amount MSD will receive from Cane Creek. Mr. Hartye reported the treatment portion of the bill will remain the same. The only difference is MSD will receive a flat rate (meter) charge of \$6 per month and the Henderson County flat rate charge of \$16 will be taken off. Ms. Manheimer asked where the volumetric revenue for 2011 is shown. Mr. Powell stated this is included in the domestic and industrial revenue. He explained what they were trying to demonstrate with the model is the impact going forward, not going backwards. Ms. Manheimer stated that it looks like the merger of the system would result in a net negative to the MSD and asked what the debt service would be on that CIP relative to what the additional revenue would be coming in. Mr. Hartye said it would be small; not significant enough to change the rates.

Mr. Kelly asked if there is language in MSD's current agreement with Cane Creek that says the agreement can be terminated by mutual agreement or does it have a definite termination date. Mr. Clarke stated there is a provision for termination by mutual agreement of the parties. He said he is not sure if there is a time limit, but will check into it.

Mr. Pelly stated that in looking at the MSD Customer Makeup chart, it shows Henderson County/CCWSD with 6% of MSD customers and it's his understanding that the legislation is talking about extending the Board from 12 to 15 members with three (3) seats going to Henderson County. Mr. Clarke stated that last summer's legislation made it so that if MSD expands into another county, the smaller county would get two (2) members and the larger county would continue to get three (3) members and the largest city three (3) members so long as it was at least 50% the size of all the other entities combined. Mr. Root asked who would make the appointments. Mr. Clarke stated that CCWSD is run by the Henderson County Commission and they would make both appointments. Mr. Pelly stated that if this Board has any influence in the process, it's to ensure that the makeup of Board reflects the customer base. He further stated the Board might want to consider, as with the Census, there is some process that happens on a timely basis as well to ensure that representation reflects the makeup of the customer base. Mr. Aceto stated this was a concern expressed to the Legislators last summer during MSD's input into legislation that addressed representation. Mr. Clarke stated the legislation also says you would not get a member on the MSD Board unless you were operating a sewerage system at the time. Mr. Aceto mentioned a recent article that said a merger would cost the ratepayers \$26 million dollars and asked what that figure represented. Mr. Hartye stated the \$26 million dollars was the total figure when adding up the 20-year basin plan. Of note was the \$6 million dollar treatment fee, which does not apply in this case. He explained that the Consultant was under the opinion that the option was to come into the MSD and that a fee would be required. As MSD started talking with Cane Creek, that whole dynamic changed. The \$6 million dollars is for the MSD capacity fee and the \$20 million represents a million dollars a year for 20 years. Mr. Pelly stated it makes practical sense to bring in Cane Creek, but questioned why this hasn't happened before. He further stated that unlike the Cane Creek situation, he reported there are up to 25 cities across North Carolina that have adopted resolutions opposing legislation that provides for forced taking of the water system. With regard to why CCWSD has not come into the District before now, Mr. Hartye stated that they are looking at the possibility of a new treatment facility. Mr. Haner pointed out that the other part of that is they still have not asked to come into the District. Mr. Aceto stated it is characteristic of this Board that it has exercised restraint in political issues and when the

legislation passed, last summer, MSD felt it created a fair platform and level playing field to bring Henderson County in.

10. Old Business:

None

11. New Business:

Mr. Aceto reported that he and Mr. Hartye received communication from the City of Asheville regarding its draft merger study and draft governance study. He stated that the studies have not been distributed to the Board, but are available. He stated that Mayor Bellamy did not request any action on the studies, but were supplied to MSD as a courtesy. He further stated if the Board would like the Planning Committee to consider them in their draft form, staff would be pleased to respond. Mr. Hartye stated the studies can be found on the MSD Website under "Water Studies." Mr. Root asked Mr. Hartye to distribute by e-mail a direct link to the website. Ms. Manheimer reported the City had a Water Work Session where the studies were presented to the City Council Members and any general public who wanted to attend, but City staff did not present to us the MSD study. Mr. Aceto stated that the Compensation Proposal voted on and approved by the Board was forwarded to the City, but there has been no response. Ms. Manheimer said this is true, but there will soon be some correspondence in response to that.

Mr. Aceto recognized Mr. Speciale. Mr. Speciale asked if the rate differential of \$37 per month down to \$27 per month only applies to Cane Creek customers. Mr. Hartye said yes. Mr. Speciale asked what the cost of a new treatment facility would be. Mr. Hartye stated CCWSD has hired an Engineer to come up with an estimate for that facility and required interceptors and it could cost \$20 million or more.

12. Adjournment:

With no further business, Mr. Aceto called for adjournment at 3:19 pm.

Jackie W. Bryson, Secretary/Treasurer

MSD

Regular Board Meeting

Metropolitan Sewerage District
of Buncombe County, NC

AGENDA FOR 1/16/13

✓	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 December 12, 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. Consolidated Motion Agenda	Aceto	2:45	
	a. Consideration of Annual Meeting Dates	Hartye		
	b. Consideration of Developer Constructed Sewer Systems: Riverbend Apartments, Bojangles – Airport Road and 404 Old Haw Creek Road.	Hartye		
	c. Consideration of FY 13-14 Budget Calendar	Powell		
	d. Consideration of Resolution Authorizing Filing Application to LGC to Issue Refunding Bonds.	Powell		
	e. Cash Commitment Investment Report as of November 30, 2012	Powell		
	07. Cane Creek Water & Sewer District Study	Hartye	3:00	
	08. Old Business	Aceto	3:20	
	09. New Business	Aceto	3:25	
	10. Adjournment (Next Meeting 2/20/13)	Aceto	3:30	

APPROVAL OF MINUTES

**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 the 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 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 @ Bordeau 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 @ Bordeau 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

REPORT OF GENERAL MANAGER

MEMORANDUM

TO: MSD Board
FROM: Thomas E. Hartye, P.E., General Manager
DATE: January 10, 2013
SUBJECT: Report from the General Manager

- Update on Water Study

The preliminary report for Phase II will be given to the Planning Committee in late January or early February. The Final report for Phase I and Phase II will be presented at the February Board Meeting.

- GFOA Distinguished Budget Presentation Award

The District has once again been granted the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award. This year a "Special Capital Recognition" was given as well for the Budget being "Outstanding as a Communications Device." Many thanks to Teresa Gilbert and Scott Powell.

- Collection System of the Year Award

In November 2012 MSD received the Collection System of the Year Award (Large System), from the N.C. American Water Works Association- Water Environment Association (NCAWWA-WEA). This award, only one of which was awarded state-wide, recognizes MSD's significant activities regarding collection system management, operation & maintenance, and capital re-investment/rehabilitation of the collection system. Congratulations to the System Services Department and the CIP Department for their outstanding work!

- Special Thanks to Sheryl Williams

Staff would like to recognize and thank Sheryl Williams for her outstanding service as the MSD Title and Easement Counsel from 1980 to 2012.

- Kudos

- Attached is an email from Wes Harkins of Asheville expressing appreciation for Mike Rice and Herman Shelton.

- Also a call from Monroe Harvell of Russell St. wanting to let us know that the crew was very efficient and polite and did a great job. She also said they were very quick to let people through the road closure. Thanks to Shane Meadows, Randy Mull, and Marvin Felder.
- Call from Kathy Rubendall of Wilshire Dr. to compliment Eric Sams and Scott Graham for their thorough work on Saturday. She appreciated their efforts checking the entire situation even though it ended up being a private issue.

- **Board/Committee Meetings/Events**

There will be a Finance Committee Meeting just before the January Board Meeting at 1:30pm on January 16th. The next Regular Board Meeting will be February 20th, at 2 pm. Please pull out the Annual Meeting Dates behind tab A and the Budget Calendar behind tab C for your reference. The ROW Committee for January has been cancelled, the next meeting is scheduled for February 27th.

Subject: FW: Thank you!!

Date: Friday, January 4, 2013 2:38:19 PM Eastern Standard Time

From: Weed, Peter

To: Stines, Ken, Hartye, Tom

CC: Hemphill, Jim

FYI>>>

-----Original Message-----

From: Wesley Harkins [<mailto:talon61@charter.net>]

Sent: Friday, January 04, 2013 12:38 PM

To: Weed, Peter

Subject: Thank you!!

Peter,

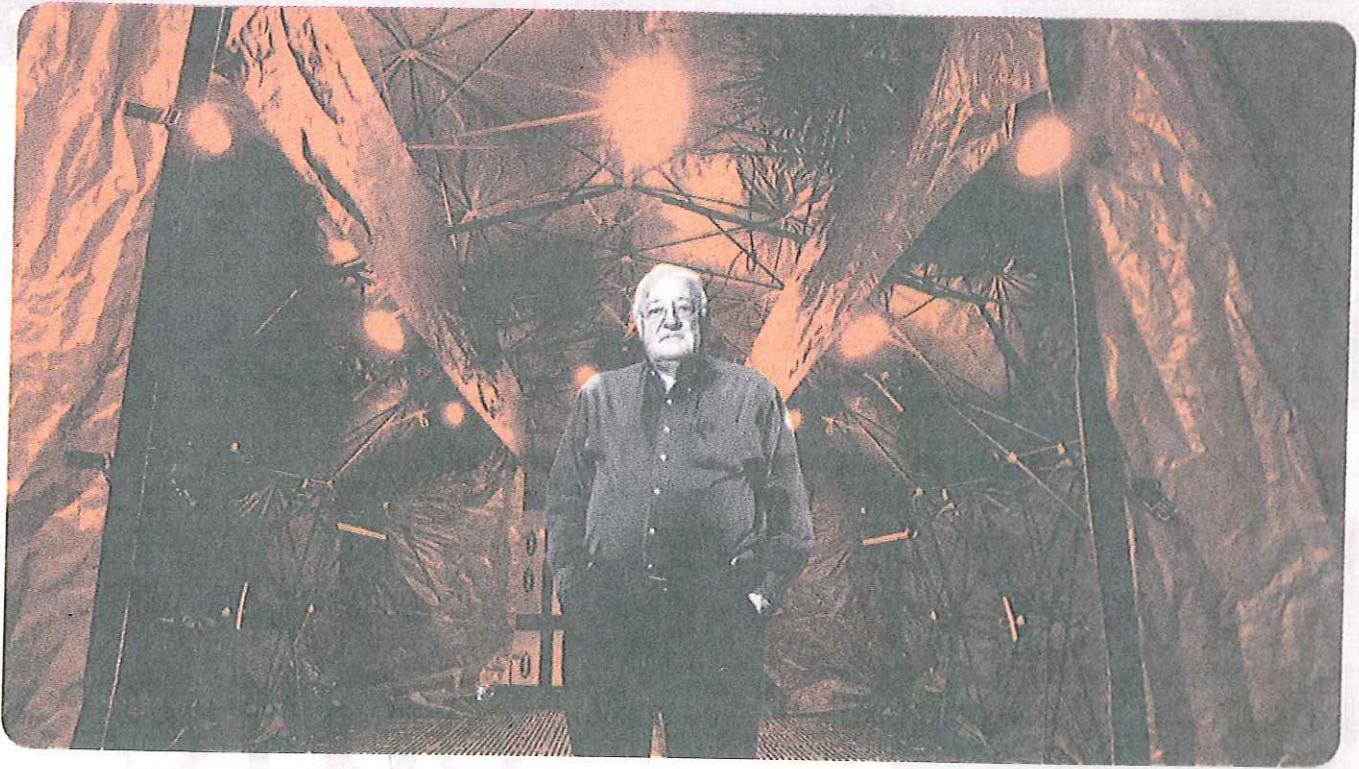
My name is Wes Harkins and I live at 22 Wilshire Drive, in west Asheville. I had a sewer line problem on New Year's night and was happy to find out that MSD had people working the holiday for emergency repairs. My problem was minor compared to some, I'm sure, but your guys were great in their response and follow up. I just wanted to commend Mike Rice and Herman Shelton for their efforts. Mike came out that night and had my issue resolved quickly and was great to work with. I couldn't have asked for better service. Great job, Mike. Also, the next day, Herman came out for a follow up with the "scope" and found some other potential problems they he relayed to crews for repairs.

It's nice to see people, these days, that take so much pride in the work and take the time to make things right. I just wanted to let you know. Please pass this along to Ken Stines. I couldn't find his email address. I understand that these men work directly for him.

Thanks again,

Wes Harkins

22 Wilshire Drive, AVL, 28806



JUST IN CASE: Buncombe County Emergency Services Director Jerry VeHaun stands in a decontamination tent used to treat people exposed to chemical, biological or nuclear toxins. *Photo by Max Cooper*

CONSOLIDATED MOTION AGENDA

**METROPOLITAN SEWERAGE DISTRICT
ANNUAL MEETING DATES
2013**

BOARD MEETINGS – 2:00 PM

January 16

February 20

March 20

April 17

May 15

June 12

July 17

August 21

September 18

October 16

November 20

December 11

COMMITTEE MEETINGS - (See Budget Calendar)

Planning Committee - As needed by notice.

Right of Way Committee - 4th Wednesday of each month at 9 a.m. No meeting in December.

Personnel Committee - As needed by notice. (See Budget Calendar)

Finance Committee - As needed by notice (See Budget Calendar)

CIP Committee - Annual – (See Budget Calendar)

Construction Committee - As needed by notice

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: January 16, 2013

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 Riverbend Apartments Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary off Bleachery Boulevard in the City of Asheville. The developer of the project is J. Russ Davis, Jr. of Riverbend of Asheville, LLC. The project included the installation of approximately 1,245 linear feet of 8" gravity sewer to serve the 252 unit apartment complex. A wastewater allocation was issued in the amount of 40,500 GPD for the project. The estimated cost of the sewer extension is \$89,520.00.

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:	



Riverbend Apartments MSD Project #2011076

Author: K. Johnson

1 in = 100 ft
Date: 1/9/2013

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: January 16, 2013

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

PREPARED BY: Kevin Johnson

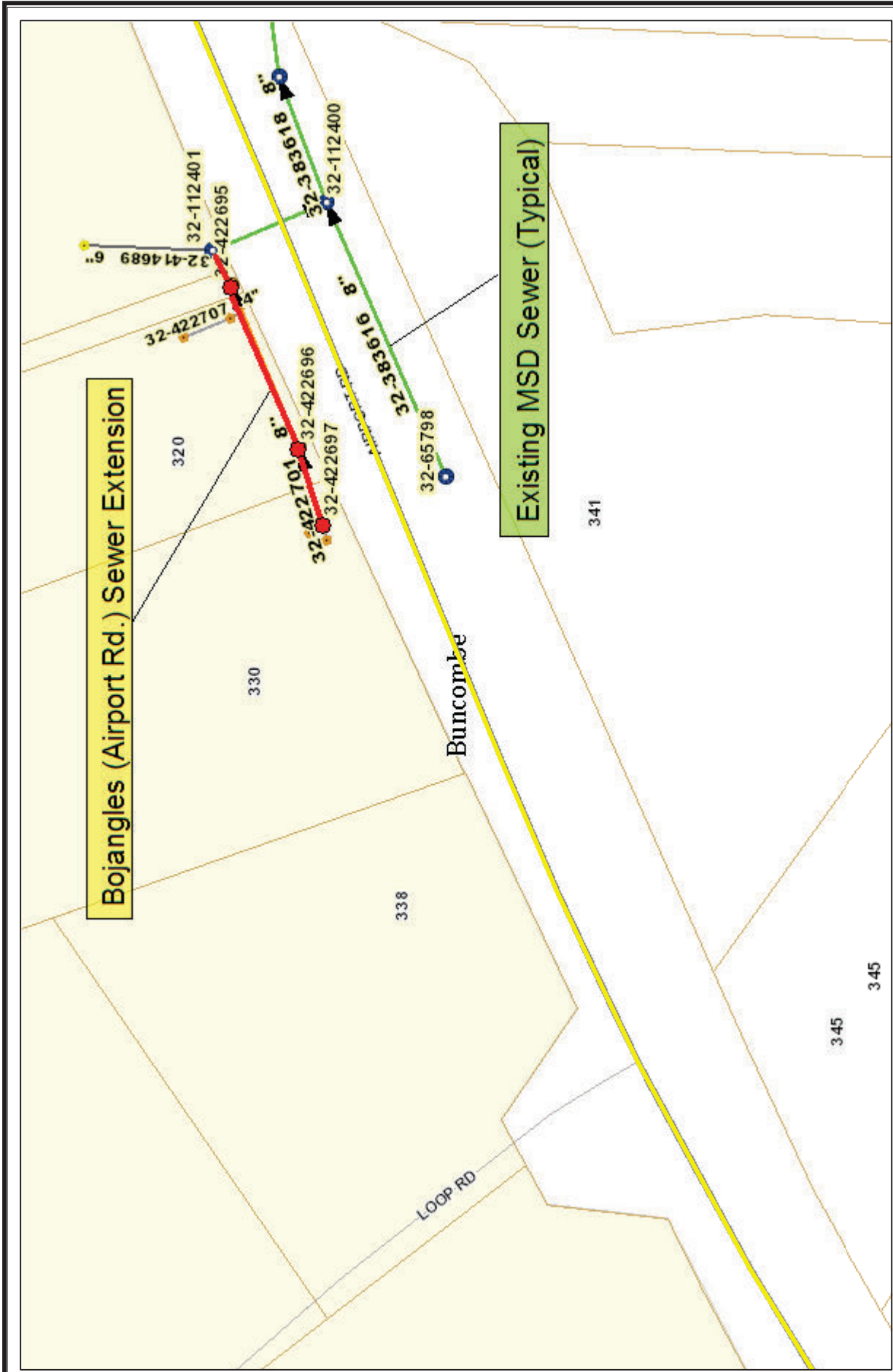
REVIEWED BY: Stan Boyd, PE, Engineering Director

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

BACKGROUND: This project is located inside the District boundary off Airport Road in the City of Asheville. The developer of the project is John C. Jamison of NC Asheville Airport, LLC. The project included the installation of approximately 211 linear feet of 8" gravity sewer to serve a commercial development. A wastewater allocation was issued in the amount of 3,120 GPD for the project. The estimated cost of the sewer extension is \$23,000.00.

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:	



Bojangles (Airport Rd.) MSD Project #2012042

Author: K. Johnson

1 in = 100 ft

Date: 1/7/2013

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Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: January 16, 2013

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

PREPARED BY: Kevin Johnson

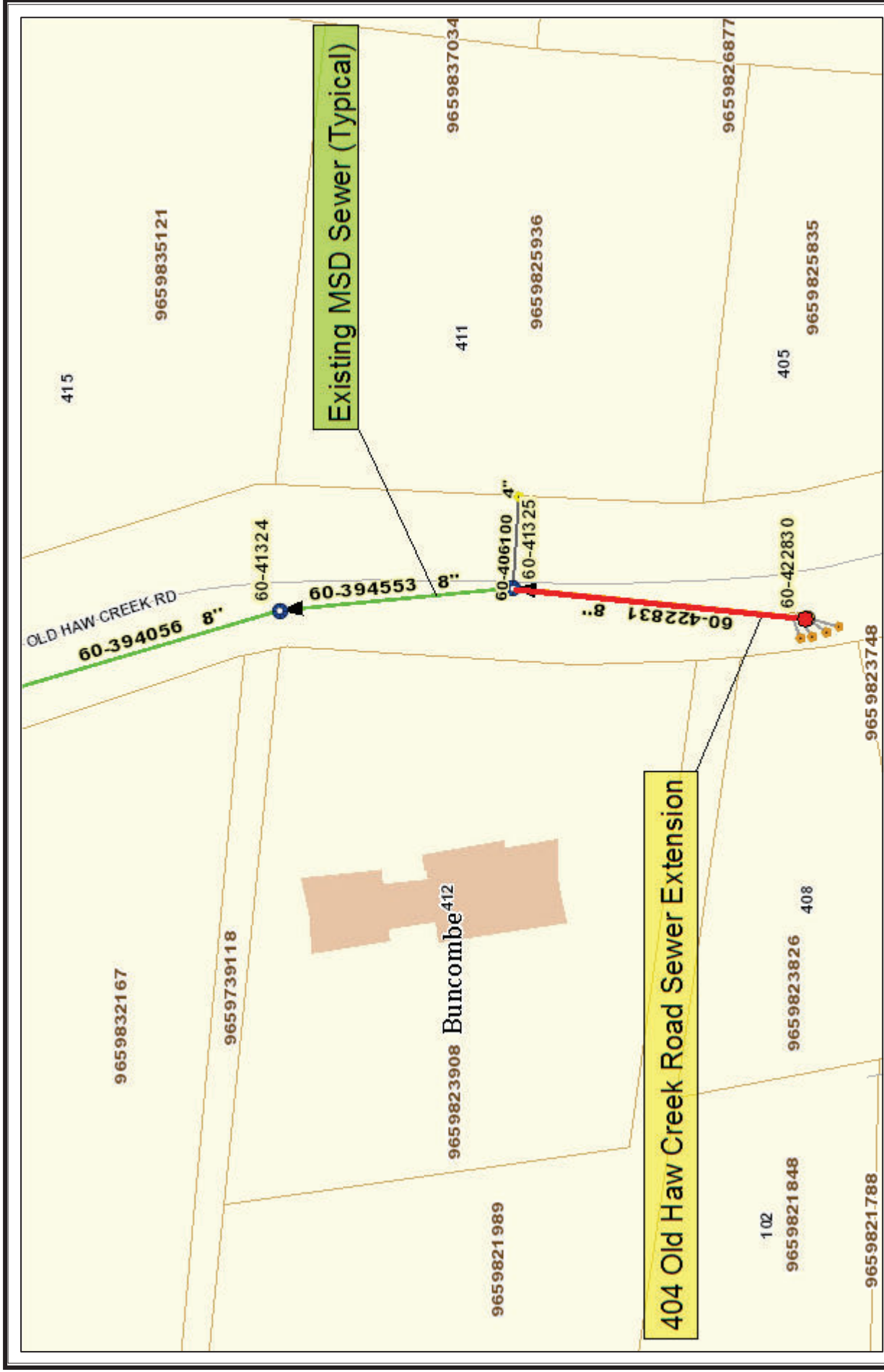
REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the 404 Old Haw Creek Road Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary off Old Haw Creek Road in the City of Asheville. The developer of the project is Ward Griffin of Griffin Realty and Construction Enterprises, Inc. The project included the installation of approximately 106 linear feet of 8" gravity sewer to serve the four (4) unit residential development. A wastewater allocation was issued in the amount of 1,200 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:	



404 Old Haw Creek Road MSD Project #2007000

Author: K. Johnson

1 in = 50 ft
Date: 1/9/2013

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Metropolitan Sewerage District of Buncombe County BOARD ACTION ITEM

Meeting Date: January 16, 2013
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, CLGFO Director of Finance
Subject: Adoption of Budget Calendar – FY2013-2014

Background

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

Discussion

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

The Finance Committee meeting to discuss the proposed budget is scheduled for May 6th with the expectation that fairly firm estimates of health and other insurance renewal care costs will be available by the middle of April.

This calendar is a guide and committee meetings may be added and/or rescheduled as necessary to accommodate the Preliminary Budget being presented on May 15th and the Final Budget being adopted on June 12th.

Fiscal Impact

None.

Staff Recommendation

Approval of the proposed Budget Calendar.

Action Taken

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

Budget Calendar FY 2014

APRIL

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

MAY

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

JUNE

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

JULY

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

DATE	TIME	SUBJECT
April 25	9:00 a.m.	Personnel Committee Meeting
		◆ Cost of Living & Merit Pay
		◆ Benefit Allocations
May 2	8:30 a.m.	CIP Committee Meeting
		◆ Update of Ten-Year Capital Improvement Program
		◆ Update Construction Program Financing
		◆ 2013-2014 Construction Fund Budget
May 6	2:00 p.m.	Finance Committee Meeting
		◆ Nine Month Revenue/Expenditure Report
		◆ Self-Funded Medical & Dental Program
		◆ Proposed FY14 Construction Fund Budget
		◆ Proposed FY14 Operating Budget & Sewer Rates
May 15	2:00 p.m.	Board Meeting
		◆ Preliminary FY14 Budgets & Sewer Rates
June 12	2:00 p.m.	Board Meeting
		◆ Public Hearing
		◆ Adoption of FY14 Budgets & Sewer Rates
July 1		Start of Fiscal Year 2013-2014

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

Meeting Date: January 16, 2013

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

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

Subject: Resolution Authorizing Filing Application to LGC to Issue Refunding Bonds

Reviewed by: Billy Clarke, District Counsel

Background

All debt issued by local governmental entities in the state of North Carolina must be authorized by the Local Government Commission (LGC). The LGC requires an application, approved by the entity's Board, to initiate the formal process. This application in no way obligates the District to issue the debt.

Periodically, staff and the District's underwriters analyze our debt portfolio for refunding opportunities. Staff assesses the refunding opportunities and its impact on future debt service. In addition, staff looks at opportunities to combine debt refundings with any upcoming debt needs to maximize savings on debt issuance cost.

Discussion

This resolution includes certain requirements in accordance with North Carolina General Statutes and others for the LGC application.

- The Board has determined that the amount of the proposed bonds is reasonable based on the need of the District to borrow funds to pay the cost of acquiring and constructing certain improvements to the District's sewerage system
- Names of the staff members authorized to submit the application
- Identification of the financing team including attorneys, underwriters, and trustees
- Authorization for the LGC to sell the bonds

Approval of this resolution is necessary to allow staff and the financing team to file an application with the Local Government Commission, which is the next step in the process. As stated above, filing an application does not obligate the District to issue debt. For more information on the proposed refunding, attached is the January 16th Finance Committee agenda item on the Current Refunding of Series 2003 Revenue Refunding Bonds and Series 2008B Revenue Bonds.

Board Meeting: January 16, 2013

Subject: Resolution Authorizing Filing Application to LGC to Issue Refunding Bonds

Page -2-

Financial Impact

Based on market conditions as of December 28, the District might be able to reduce future annual debt service from a range of \$20,247 to \$785,850 over the remaining life of both bond series with a total net value present savings of nearly \$5.25 million.

In the event the process is abandoned, the \$2,500 application fee to the LGC is non-refundable. The District may be liable for other minor expenditures such as printing and travel, to the extent ancillary goods and services are provided. However, any attorney and underwriting fees contingent on issuing the bonds need not be paid.

Staff Recommendation

Staff recommends approval of the attached resolution.

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

The District Board of the Metropolitan Sewerage District of Buncombe County met in a regular session in the Boardroom at the District's office in Woodfin, North Carolina, the regular place of meeting, at 2:00 P.M. on January 16, 2013.

Present: Chairperson Steven T. Aceto, presiding, and Boardmembers _____

Absent: _____

* * * * *

Chairperson Aceto introduced the following resolution which was read by title and summarized by the General Manager of the District:

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION WITH THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF THE ISSUANCE AND PRIVATE SALE OF METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 2013 AND RELATED ACTIONS

WHEREAS, the Metropolitan Sewerage District of Buncombe County (the "District"), acting by and through its District Board (the "Board"), is authorized by the North Carolina Metropolitan Sewerage Districts Act, being Article 5 of Chapter 162A of the North Carolina General Statutes, as amended, and The State and Local Government Revenue Bond Act of North Carolina, being Article 5 of Chapter 159 of the North Carolina General Statutes, as amended (collectively, the "Enabling Act"), to issue revenue bonds for the purpose of financing the cost of acquisition, construction, reconstruction, enlargement, equipping, extension, maintenance or improvement of facilities for the collection, treatment, purification or disposal of sewage and to issue revenue refunding bonds; and

WHEREAS, the District owns and operates facilities for the collection, transmission, treatment and disposal of sewage; and

WHEREAS, the District proposes to issue its Sewerage System Revenue Refunding Bonds, Series 2013 (the “Series 2013 Bonds”) in an aggregate principal amount not to exceed \$37,500,000, for the purpose of providing funds, together with other available funds, to (i) refund the District’s outstanding Sewerage System Revenue Bonds, Series 2003 (the “Series 2003 Bonds”), (ii) refund the District’s outstanding Sewerage System Revenue Refunding Bonds, Series 2008B (the “2008 Bonds”), and (iii) pay certain costs and expenses incurred in connection with the issuance of the Series 2013 Bonds; and

WHEREAS, the District has selected for recommendation to the North Carolina Local Government Commission (the “Local Government Commission”) a financing team to be used in connection with the issuance and sale of the Series 2013 Bonds; and

WHEREAS, the District wishes to obtain the approval of the Local Government Commission for said financing team;

NOW, THEREFORE, BE IT RESOLVED BY THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY:

Section 1. The Board hereby finds and determines, in connection with the issuance of the Series 2013 Bonds, that (i) the issuance of the Series 2013 Bonds is necessary or expedient for the District, (ii) the proposed principal amount of the Series 2013 Bonds is adequate and not excessive for the proposed purpose of such issue, (iii) the refunding of the Series 2003 Bonds and the Series 2008B Bonds to be effectuated by the issuance of the Series 2013 Bonds is feasible, (iv) the District’s debt management procedures and policies are good

and the District’s finances are managed in strict compliance with law and (v) under current economic conditions, the Series 2013 Bonds can be marketed at a reasonable interest cost to the District.

Section 2. The Board hereby authorizes the filing of an application with the North Carolina Local Government Commission (the “Local Government Commission”) for approval of the issuance of the Series 2013 Bonds pursuant to The State and Local Government Revenue Bond Act and hereby directs Thomas Hartye, General Manager of the District, and W. Scott Powell, Director of Finance of the District, as representatives of the District, to file such application with the Local Government Commission.

Section 3. The Board hereby recommends that the following financing team members be engaged in connection with the issuance and sale of the Series 2013 Bonds and requests that the Local Government Commission approve said financing team members:

- Bond Counsel: Sidley Austin LLP
- Underwriter: Wells Fargo Bank, National Association
- Underwriter’s Counsel: McGuire Woods LLP
- Financial Advisor: Davenport & Company LLC
- Trustee and Bond Registrar: The Bank of New York Mellon Trust Company, N.A.
- Escrow Agent: The Bank of New York Mellon Trust Company, N.A.
- Verification Agent: Bingham Arbitrage Rebate Services Incorporated

Section 4. The Local Government Commission is hereby requested to sell the Series 2013 Bonds at private sale without advertisement to any purchaser or purchasers thereof, at

such price as the Local Government Commission determines to be in the best interest of the District, subject to the approval of the District.

Section 5. This resolution shall take effect immediately upon its passage.

Thereupon, upon motion of Boardmember _____, seconded by Boardmember _____, the resolution entitled "RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION WITH THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF THE ISSUANCE AND PRIVATE SALE OF METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 2013 AND RELATED ACTIONS" was adopted by the following vote:

Ayes: Boardmembers _____

_____.

Noes: _____.

The Chairman then announced that the resolution entitled: "RESOLUTION DIRECTING THE FILING OF AN APPLICATION WITH THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF THE ISSUANCE AND PRIVATE SALE OF METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 2013 AND RELATED ACTIONS" had been adopted.

Metropolitan Sewerage District of Buncombe County FINANCE COMMITTEE ACTION ITEM

Meeting Date: January 16, 2013
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, CLGFO, Director of Finance
Subject: Consideration of the Current Refunding of Series 2003 and 2008B Bonds

Background

Periodically, staff and the District's underwriters analyze our debt portfolio for refunding opportunities. Staff assesses the refunding opportunities and its impact on future debt service. In addition, staff looks at opportunities to combine debt refundings with any upcoming debt needs to maximize savings on debt issuance cost.

Discussion

In December of 2012, staff and the District's underwriters analyzed the debt portfolio. Due to the current interest rate environment, the District has an opportunity to pursue a public refunding of \$17.84 million Series 2003 Revenue Refunding Bonds and \$19.15 million Series 2008B Revenue Bonds. At December 28, 2012, the percentage of net present value savings on the refunded bonds was 10.83% and 17.31% respectively. The Local Government Commission requires present value percentage savings of at least 2% on current refundings.

The refunding could have an average annual debt service savings of a range from \$20,247 to \$785,850 (Exhibit 1) over the remaining life of both bond series. Additionally, the refunding will have a positive impact on the District's debt composition (Exhibit 2) by increasing its percentage of traditional fixed from 41.7% to 59.9% while reducing the amount of outstanding debt from \$86.6 million to \$80.2 million.

Staff Recommendation

Staff recommends the Finance Committee approve and forward to the Board the preliminary bond resolution, authorizing the filing of an application with the North Carolina Local Government Commission for approval of the issuance and public offering of revenue refunding bonds.

Action Taken

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

Exhibit 1

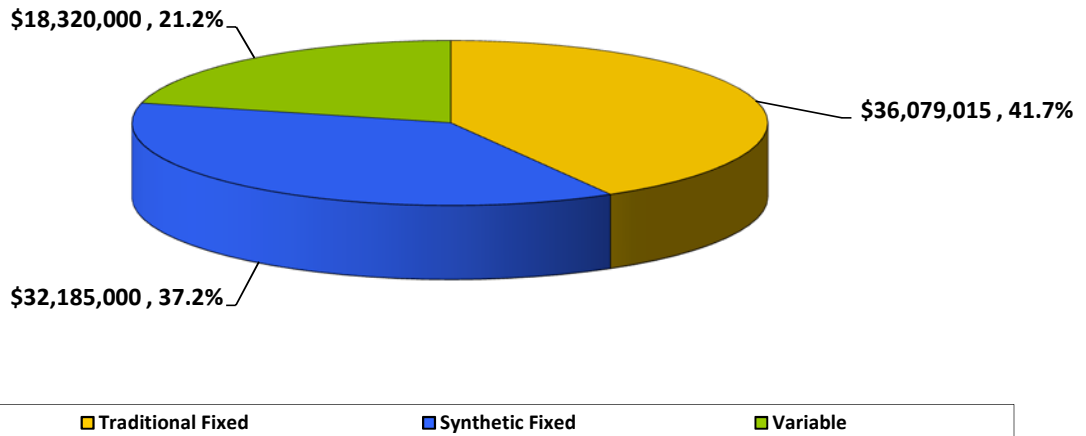
Metropolitan Sewerage District of Buncombe County, NC Refunding Analysis - Series 2003/2008B Bonds Market as of December 28, 2012			
Refunded Bonds	Series 2003	Series 2008B	Aggregate
Par Amount	17,840,000	19,145,000	36,985,000
Coupons	3.90% - 5.25%	Varying ²	--
Maturities	July 1, 2014-2022	July 1, 2013-2029	July 1, 2013-2031
Maximum Annual Net Debt Service ^{1,2}	4,466,215	1,732,053	6,172,070
Total Net Debt Service ^{1,2}	21,338,021	26,570,361	47,908,383
Call Date	July 1, 2013 @ 100%	May 1, 2013 @ 100%	--
Refunding Bonds ¹			
Par Amount	13,945,000	15,480,000	29,425,000
Maturities	July 1, 2014-2022	July 1, 2014-2029	July 1, 2014-2031
Maximum Annual Debt Service	3,925,700	1,484,100	5,387,050
Total Debt Service	16,421,556	22,708,728	39,130,283
Net Present Value Savings (\$) ^{1,2}	1,931,997	3,313,467	5,245,464
Net Present Value Savings (%) ^{1,2}	10.83%	17.31%	14.18%
Annual Savings (7/1) ^{1,2}			
2013	39,636	-19,389	20,247
2014	543,360	242,490	785,850
2015	540,515	244,505	785,020
2016	539,665	241,097	780,762
2017	540,665	244,652	785,317
2018	542,035	242,543	784,578
2019	543,335	243,727	787,062
2020	542,885	239,789	782,674
2021	543,885	241,822	785,707
2022	540,485	240,728	781,213
2023	0	243,703	243,703
2024	0	241,771	241,771
2025	0	243,159	243,159
2026	0	240,532	240,532
2027	0	242,285	242,285
2028	0	243,801	243,801
<u>2029</u>	<u>0</u>	<u>244,419</u>	<u>244,419</u>
Total Savings	4,916,466	3,861,634	8,778,099
All-in True Interest Cost	1.63%	2.65%	2.37%
Negative Arbitrage (\$)	74,893	19,992	94,885

¹ Assumes annual, ongoing fees (liquidity, remarketing, trustee) of 0.70% thru 7/1/14 and 0.85% thereafter on Series 2008B Bonds

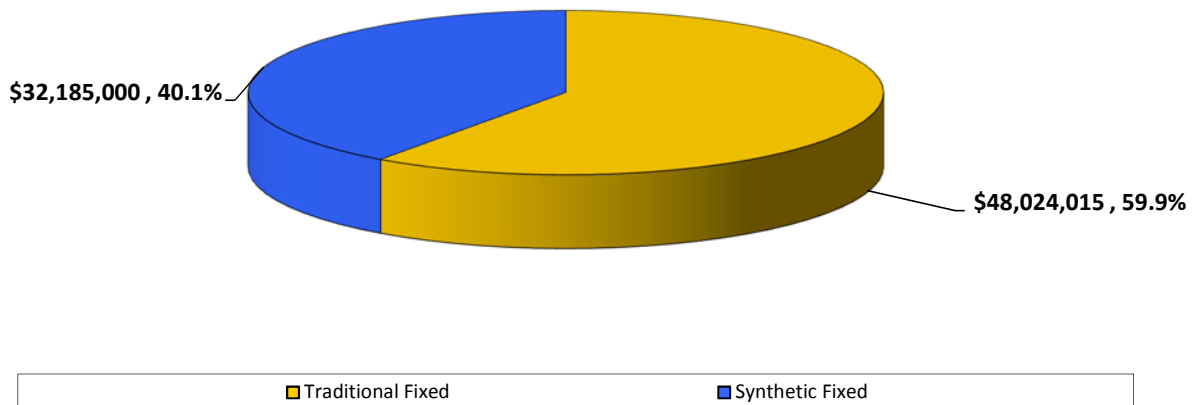
² Assumes interest rates on the underlying variable rate bonds of 3.50% thru 7/1/14 and 4.00% thereafter on Series 2008B Bonds

Exhibit 2

Debt Portfolio Composition as of July 1, 2013 before refunding
\$86,584,015



Debt Portfolio Composition as of July 1, 2013 after refunding
\$80,209,015



Metropolitan Sewerage District of Buncombe County

BOARD INFORMATIONAL ITEM

Meeting Date: January 16, 2013

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 November 30, 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 November 30, 2012 were \$30,746,144. The detailed listing of accounts is available upon request. The average rate of return for all investments is 1.812%. 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 November 30, 2012 do not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of November 30, 2012 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is (\$4,898,623).

Total Cash & Investments as of 11/30/2012	30,746,144
Less:	
Budgeted Commitments (Required to pay remaining FY13 budgeted expenditures from unrestricted cash)	
Construction Funds	(12,796,892)
Operations & Maintenance Fund	(9,055,308)
	(21,852,200)
Bond Restricted Funds	
Bond Service (Funds held by trustee):	
Funds in Principal & Interest Accounts	(16,554)
Debt Service Reserve	(2,661,132)
Remaining Principal & Interest Due	(7,039,457)
	(9,717,143)
District Reserve Funds	
Fleet Replacement	(433,752)
WWTP Replacement	(592,503)
Maintenance Reserve	(912,945)
	(1,939,200)
Post-Retirement Benefit	(937,949)
Self-Funded Employee Medical	(1,198,275)
Designated for Capital Outlay	(4,898,623)

Staff Recommendation

None. Information Only.

Action Taken

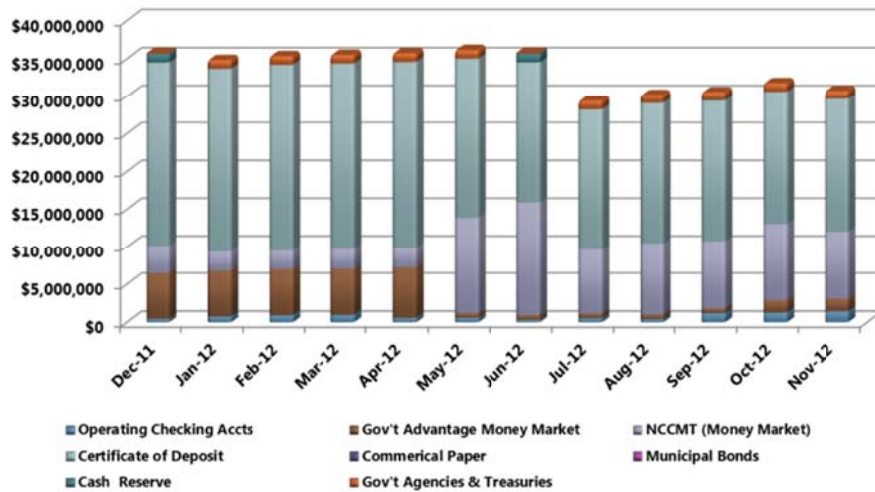
Motion by:	to	Approve Table	Disapprove Send to Committee
Second by:			
Other:			
Follow-up required:			
Person responsible:			Deadline:

Metropolitan Sewerage District of Buncombe County Investment Portfolio

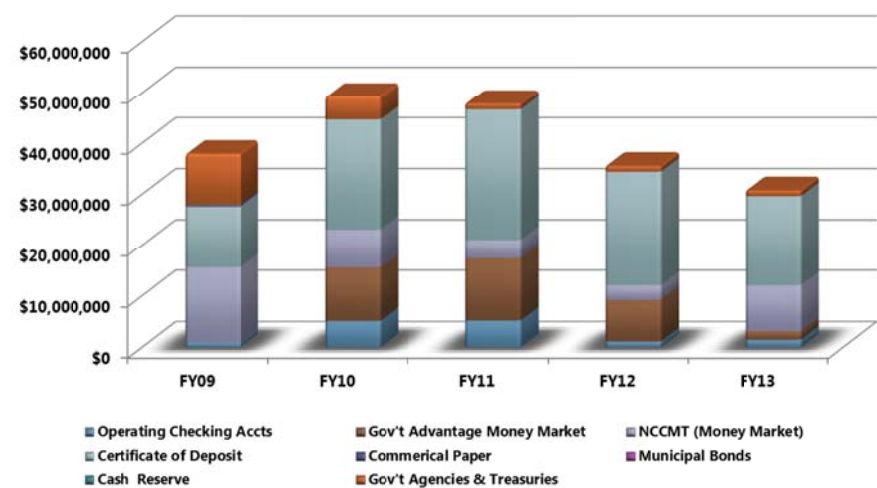
	Operating Checking Accounts	Gov't Advantage Money Market	NCCMT (Money Market)	Certificate of Deposit	Commercial Paper	Municipal Bonds	Cash Reserve	Gov't Agencies & Treasuries	Total
Held with Bond Trustee	\$ -	\$ -	\$ 16,553	\$ -	\$ -	\$ -	\$ -	\$ 1,116,802	\$ 1,133,355
Held by MSD	1,444,874	1,646,756	8,930,303	17,590,856	-	-	-	-	29,612,789
	\$ 1,444,874	\$ 1,646,756	\$ 8,946,856	\$ 17,590,856	\$ -	\$ -	\$ -	\$ 1,116,802	\$ 30,746,144

Investment Policy Asset Allocation	Maximum Percent	Actual Percent	
U.S. Government Treasuries, Agencies and Instrumentalities	100%	3.63%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	57.21%	The District 's YTM of .83% is exceeding the YTM benchmarks of the 6 month T-Bill and NCCMT Cash Portfolio.
Commercial Paper	20%	0.00%	
North Carolina Capital Management Trust	100%	29.10%	
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		4.70%	
Gov't Advantage Money Market		5.36%	

**MSD of Buncombe County
Investment Portfolio - 12 Month Trend**



**MSD of Buncombe County
Investment Portfolio - As of November 30, 2012**



**METROPOLITAN SEWERAGE DISTRICT
INVESTMENT MANAGERS' REPORT
AT November 30, 2012**

Summary of Asset Transactions

	Original Cost	Market	Interest Receivable
Beginning Balance	\$ 26,923,003	\$ 26,923,003	\$ 319,120
Capital Contributed (Withdrawn)	(1,364,639)	(1,364,639)	
Realized Income	1,266	1,266	
Unrealized/Accrued Income		-	17,680
Ending Balance	<u>\$ 25,559,630</u>	<u>\$ 25,559,630</u>	<u>\$ 336,800</u>

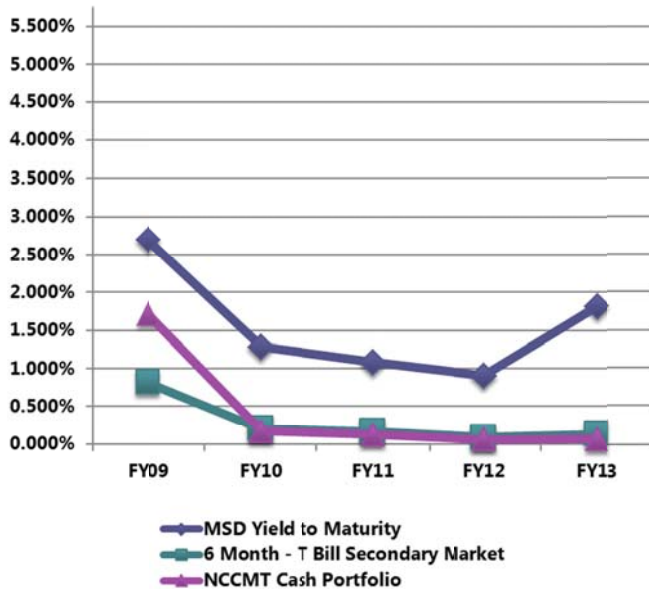
Value and Income by Maturity

	Original Cost	Income
Cash Equivalents <91 Days	\$ 7,968,774	\$ 5,907
Securities/CD's 91 to 365 Days	17,590,856	\$ 13,039
Securities/CD's > 1 Year	-	\$ -
	<u>\$ 25,559,630</u>	<u>\$ 18,946</u>

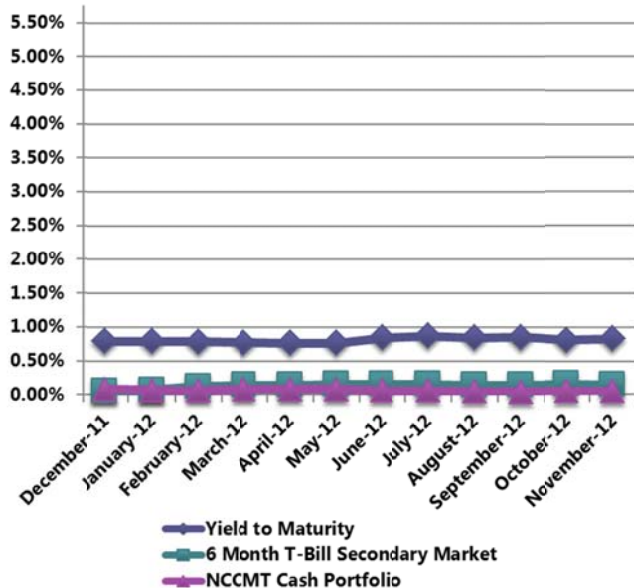
Month End Portfolio Information

Weighted Average Maturity	406
Yield to Maturity	0.83%
6 Month T-Bill Secondary Market	0.14%
NCCMT Cash Portfolio	0.05%

**Metropolitan Sewerage District
Annual Yield Comparison**

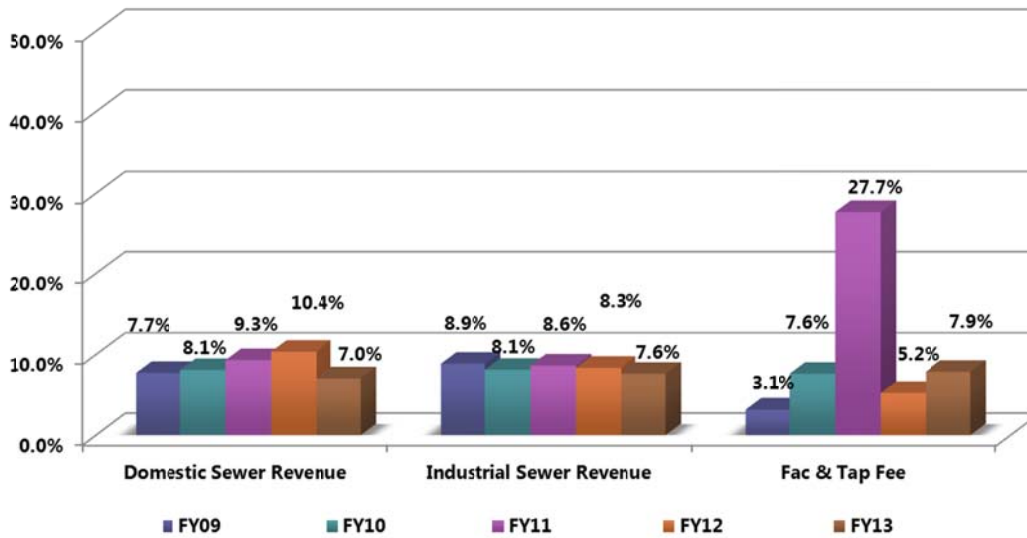


**Metropolitan Sewerage District
Yield Comparison - November 30, 2012**



**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF CASH RECEIPTS
AS OF November 30, 2012**

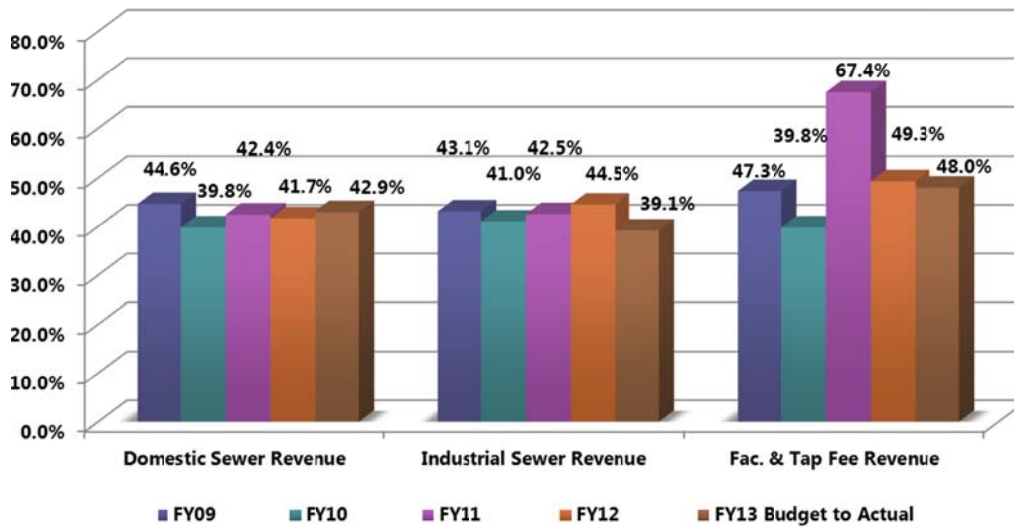
Monthly Cash Receipts Analysis



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

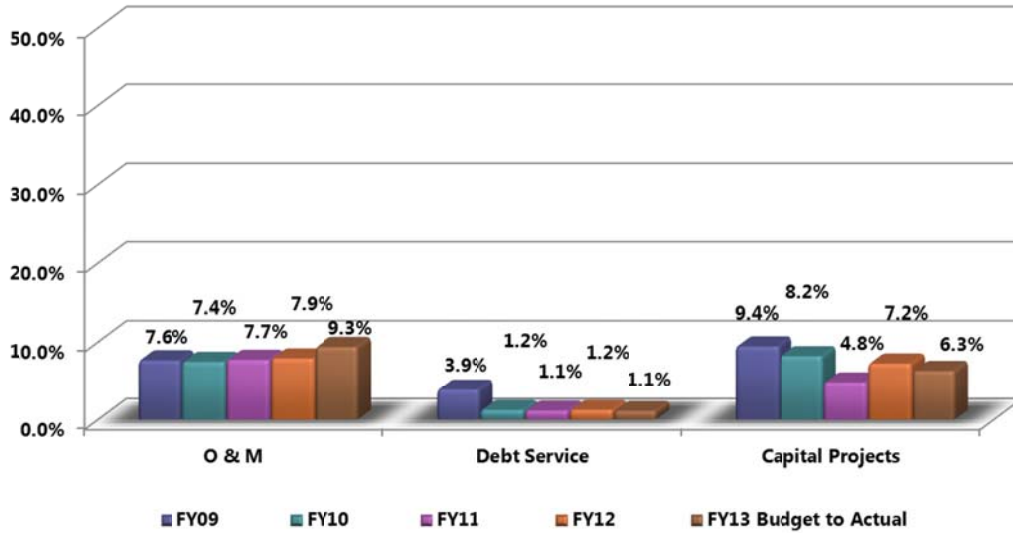


YTD Actual Revenue Analysis:

- 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 NOVEMBER 30, 2012**

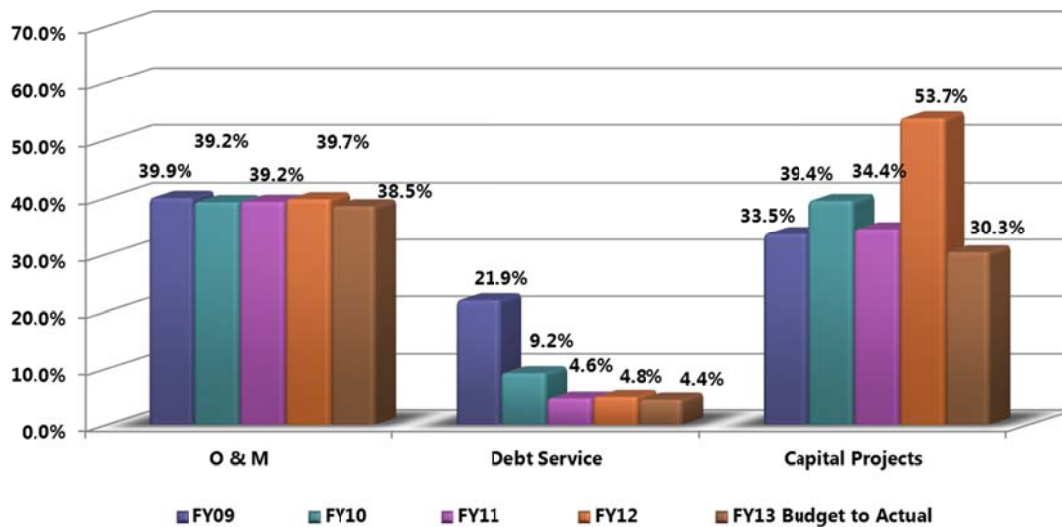
Monthly Expenditure Analysis



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

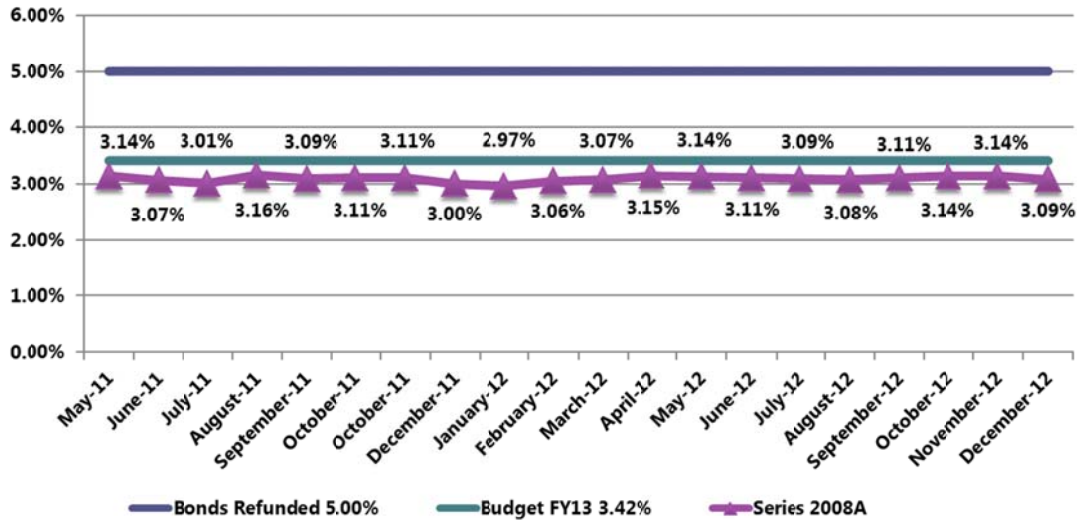


YTD Expenditure Analysis:

- 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.

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

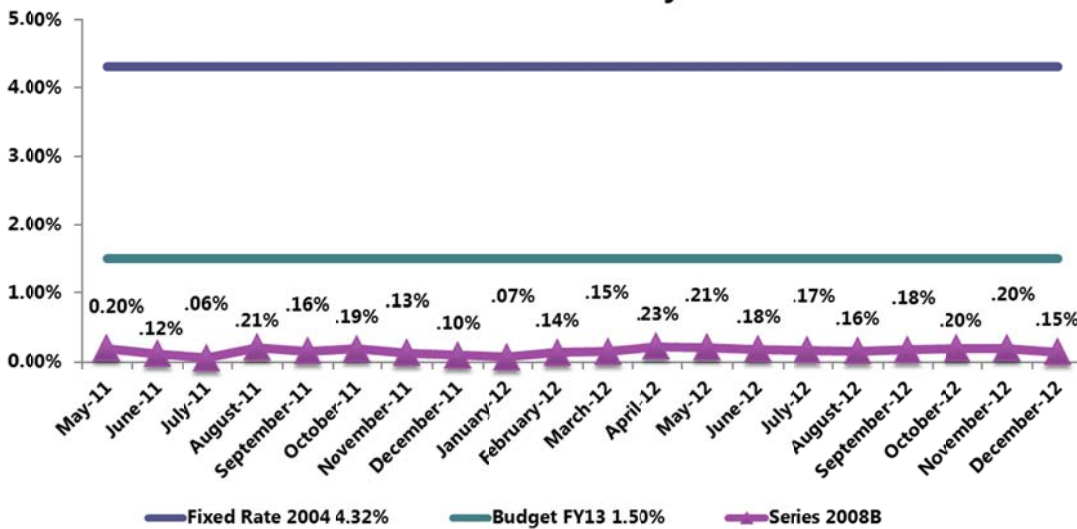
**Series 2008A Synthetic Fixed Rate Bonds
Performance History**



Series 2008A:

- Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$2,535,422 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 \$6,400,000 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 \$3,626,019 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 \$9,045,000 in cash savings over the life of the bonds at the current average variable rate.

CANE CREEK WATER & SEWER STUDY

Metropolitan Sewerage District of Buncombe County

BOARD INFORMATION ITEM

Meeting Date: January 16, 2013

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

Subject: Cane Creek Water and Sewer District Updated Analysis

Background: At the November 30th Planning Committee Meeting, Representative McGrady indicated that the legislators were going to include Cane Creek Water and Sewer District (WSD) in their considerations while developing the upcoming legislation. There have been changes to the Cane Creek WSD system and finances since we last studied them in 2010.

Discussion: Staff has met with Henderson County representatives and their Consultant to go over detailed engineering, planning, and finance information. In addition, MSD engineers and operations personnel have again visited the Cane Creek WSD facilities to perform an up to date condition assessment.

Attached is a copy of the presentation that will be given of the updated analysis of the Cane Creek WSD system and operation along with recommended conditions for a potential merger of the system into MSD.

Recommendation: No action at this time. This information should be considered by the MSD Board at such time as action is required.



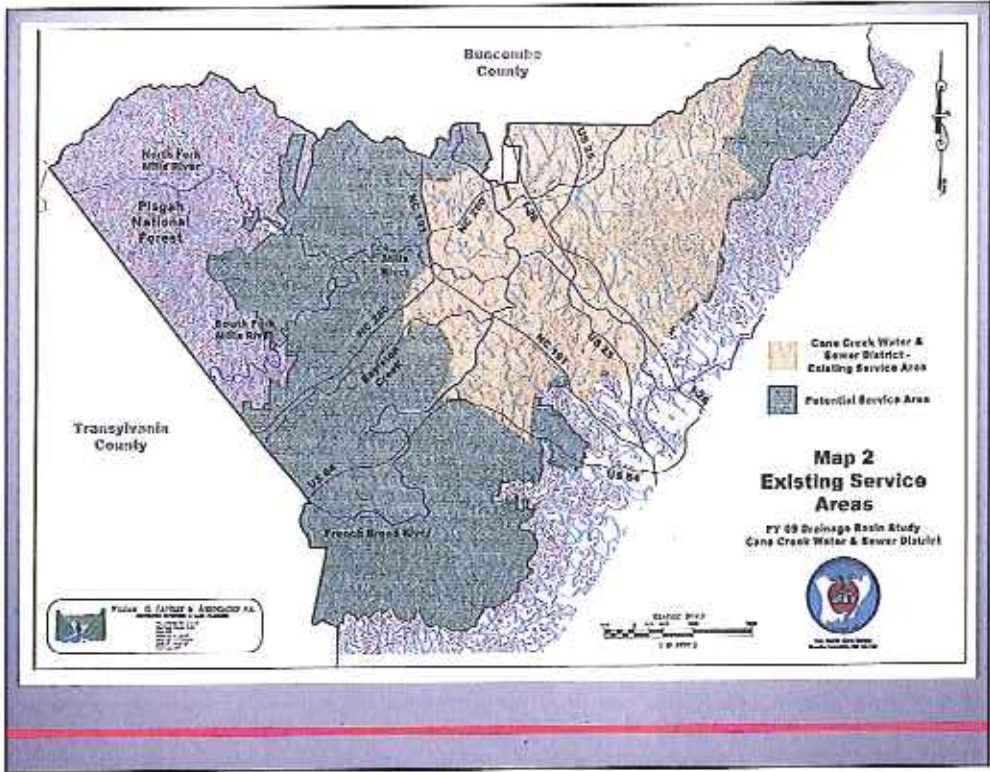
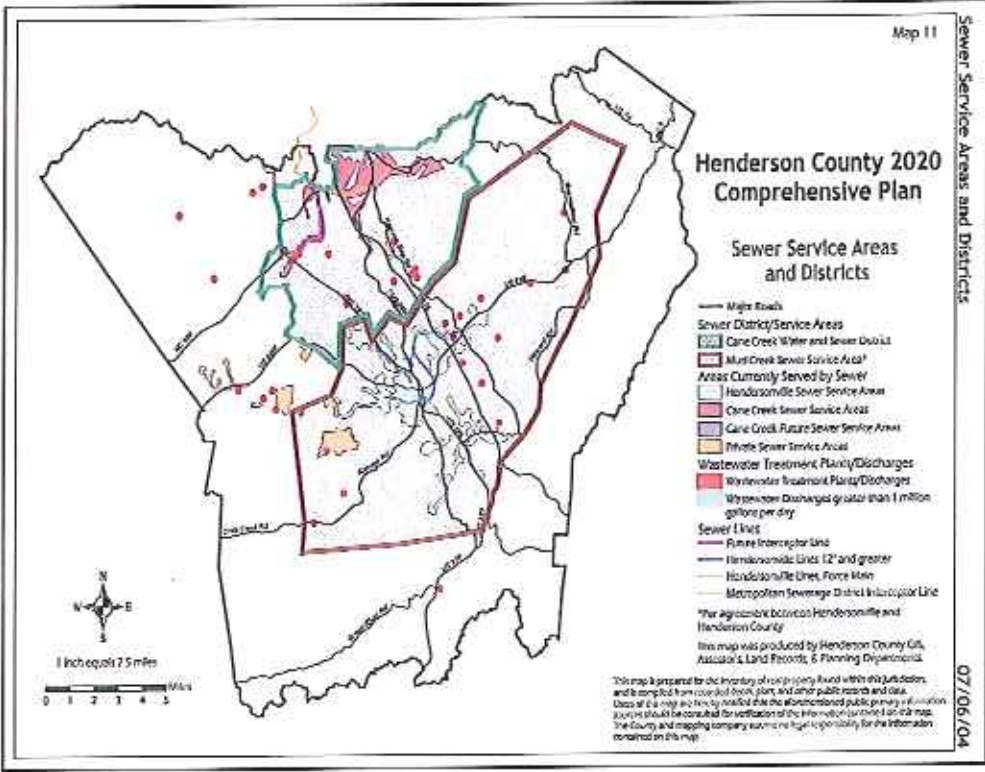
Metropolitan Sewerage District

Cane Creek WSD Merger Impact Analysis



Purpose of Study

- At the November 30th Planning Committee Representative McGrady indicated that the legislators were going to include Cane Creek WSD in the merger legislation that is being brought forth.
- There have been changes to the Cane Creek WSD system and finances since 2010.
- This update will provide guidance for the MSD Board should the Cane Creek WSD merger with MSD be brought forth for consideration.





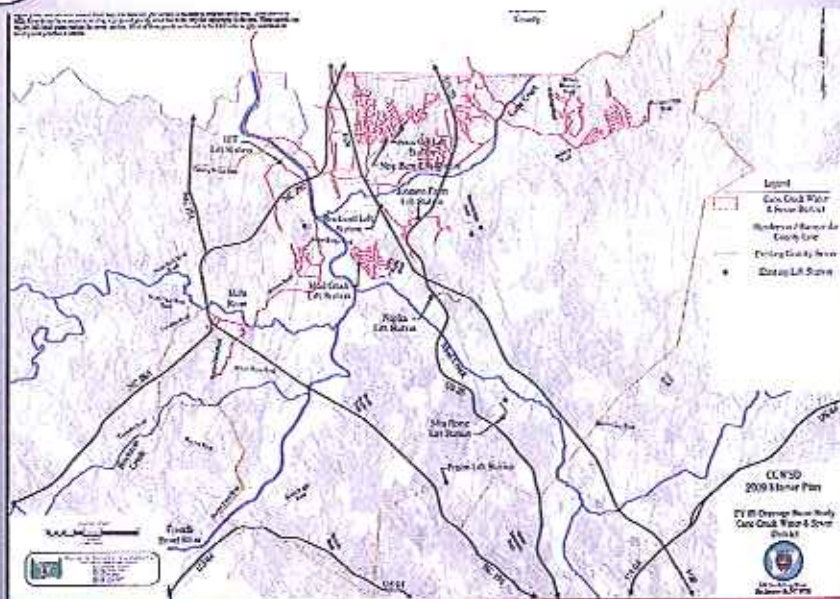
Cane Creek Water and Sewer District (CCWSD)

Existing System

- Approximately 63 miles of sewer lines
- 11 Pump Stations
- Approximately 3100 Residential customers
- 254 Commercial Customers
- 6 Industrial Customers
- Water Service provided by City of Asheville and City of Hendersonville
- Capital Asset value approx. \$12.5 million



CCWSD Existing System





Cane Creek Water and Sewer District (CCWSD)

Current Agreement

- MSD has an Agreement with CCWSD to provide Treatment Services for up to 1.35 MGD of wastewater from CCWSD.
- CCWSD's current Average Daily Flow is approximately 0.7 MGD.
- CCWSD Master Plan/Basin Study identified a Future build-out flow of 3.0 MGD.
- MSD has preliminarily proposed to update the existing agreement to provide for the 3.0 MGD with a 7.5 MGD instantaneous peak.



MSD / CCWSD DISCUSSIONS 2010

- MSD provided CCWSD with conditions for an updated agreement basically centered around the build-out flow estimates and putting CCWSD on par with the rest of the District, particularly in terms of the cost of future growth, level of service, and customer rates.
- CCWSD requested information about what would be involved with formally joining the District.
- MSD set about performing a due diligence investigation of CCWSD facilities and operation.

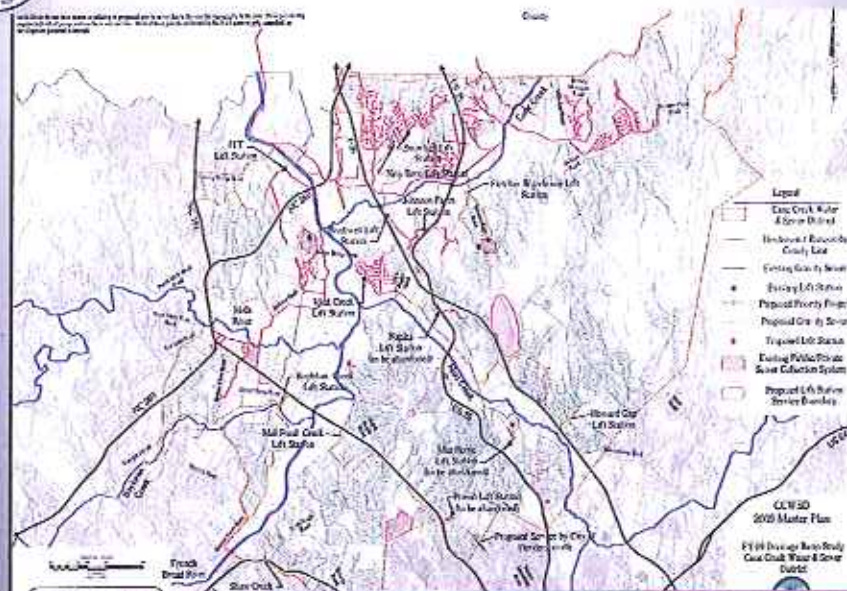


MSD Customer Makeup Including Cane Creek WSD

MSD Domestic Accounts	Total FY11 Billings	Flow Measured in MGD's	FY11 Customers	% of MSD Customers
Asheville	\$ 19,099,799	8.377	30,338	60%
Buncombe County	\$ 1,667,567	0.907	8,350	17%
Henderson County / CCWSD	\$ 961,154	0.522	3,125	6%
Black Mountain	\$ 862,536	0.355	2,901	6%
Woodfin	\$ 848,677	0.357	2,475	5%
Weaverville	\$ 584,685	0.248	1,690	3%
Biltmore Forest	\$ 276,646	0.150	785	2%
Montreat	\$ 200,576	0.071	650	1%
	\$ 24,601,840	10.987	50,314	100%

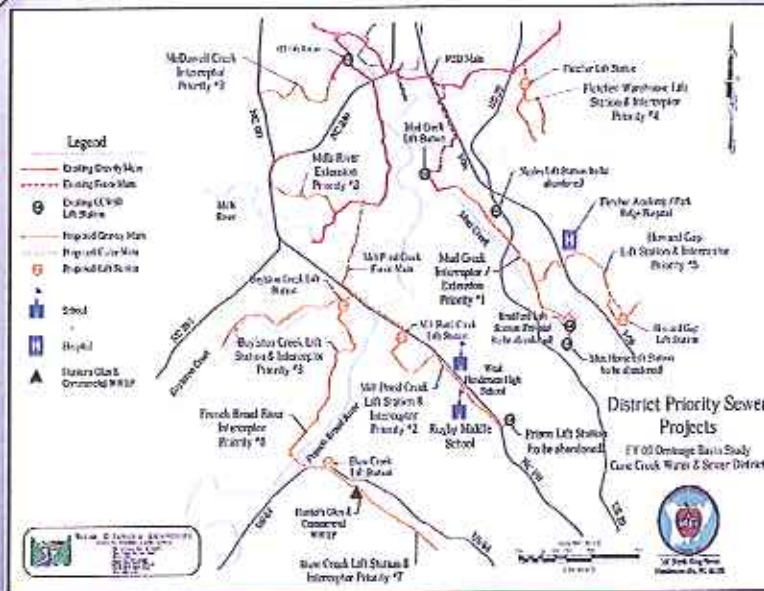


CCWSD Master Plan 2009 Basin Study





CCWSD Master Plan 2009 Basin Study



Development of an updated CIP for Cane Creek Area

- Sewer Mains generally in good shape. There is no permit footage requirement for rehab of lines.
- Significant amount of line cleaning, CCTV-ing, GIS mapping, and pipe rating required.
- Conducted field reconnaissance of 9 Pump Stations to assess condition.
- Rehab necessary to bring level of service up to MSD standards. Necessary work includes instrumentation, SCADA, generator work, site and mechanical work.
- Entire Master Plan would be incorporated into MSD Master Plan.
- Projects prioritized and updated annually based upon changing conditions.



Cane Creek WSD Pump Station Inspection and Upgrade Recommendations

San Joaquin Hills - 2013-2022
 Inspection and Upgrade Recommendations
 November 2012

Prepared by: [Redacted]
 Date: 11/15/12

Asset Name	Asset ID	Asset Type	Asset Class	Asset Age	Asset Status	Asset Condition	Asset Location	Asset Notes	Asset Action
Asset 1	101	1.1	1.1.1	10	Good	Good	101	1.1.1	Good
Asset 2	102	1.1	1.1.2	10	Good	Good	102	1.1.2	Good
Asset 3	103	1.1	1.1.3	10	Good	Good	103	1.1.3	Good
Asset 4	104	1.1	1.1.4	10	Good	Good	104	1.1.4	Good
Asset 5	105	1.1	1.1.5	10	Good	Good	105	1.1.5	Good
Asset 6	106	1.1	1.1.6	10	Good	Good	106	1.1.6	Good
Asset 7	107	1.1	1.1.7	10	Good	Good	107	1.1.7	Good
Asset 8	108	1.1	1.1.8	10	Good	Good	108	1.1.8	Good
Asset 9	109	1.1	1.1.9	10	Good	Good	109	1.1.9	Good
Asset 10	110	1.1	1.1.10	10	Good	Good	110	1.1.10	Good



Updated Capital Improvement Program For Cane Creek WSD

TEN YEAR CAPITAL IMPROVEMENT PROGRAM
2013 through 2022

PROJECT	TOTAL ESTIMATED COST	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
REVENUE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EXPENDITURE	10.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	20.00
TOTAL	10.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	20.00



MSD Business Plan Addition of Cane Creek WSD

FY13 Business Plan Cane Creek WSD Addition	3.0%	3.75%	3.5%	3.0%	2.5%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
Revenue	28,604,000	29,958,000	32,000,000	34,000,000	35,500,000	37,000,000	38,500,000	40,000,000	41,500,000	43,000,000	44,500,000	46,000,000	47,500,000	49,000,000	50,500,000	52,000,000	53,500,000	55,000,000	56,500,000	
Expenses																				
Net Revenue																				
Capital Expenditures																				
Reserve Accumulation																				
Operating Income																				
Debt Service																				
Debt Coverage Ratio	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9	

Event Rate Increase	2.0%	2.5%	3.0%	3.5%	4.0%
Average Monthly Bill	\$37.98	\$42.62	\$47.26	\$51.90	\$56.54
Annual Rate of Change	2.0%	2.5%	3.0%	3.5%	4.0%
Debt Service Ratio	1.1	1.2	1.3	1.4	1.5



MSD Business Plan Deletion of Cane Creek WSD

FY13 Business Plan Deletion of Cane Creek WSD	3.0%	3.75%	3.5%	3.0%	2.5%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%			
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035		
Revenue	24,138,000	25,489,000	27,100,000	28,650,000	30,000,000	31,500,000	33,000,000	34,500,000	36,000,000	37,500,000	39,000,000	40,500,000	42,000,000	43,500,000	45,000,000	46,500,000	48,000,000	49,500,000	51,000,000	
Expenses																				
Net Revenue																				
Capital Expenditures																				
Reserve Accumulation																				
Operating Income																				
Debt Service																				
Debt Coverage Ratio	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9	

Event Rate Increase	2.0%	2.5%	3.0%	3.5%	4.0%
Average Monthly Bill	\$37.98	\$42.62	\$47.26	\$51.90	\$56.54
Annual Rate of Change	2.0%	2.5%	3.0%	3.5%	4.0%
Debt Service Ratio	1.1	1.2	1.3	1.4	1.5



Financial Impact to MSD

- No impact to the Business plan and rate structure for the existing MSD customers by merging Cane Creek WSD with MSD along with the planned improvements from the 2009 Basin Study.
- No impact to the Business plan and rate structure for the existing MSD customers if Cane Creek WSD were to provide for their own wastewater treatment and collection.



Potential Environmental, Public Health, and Rate Benefits

- A separate wastewater treatment plant discharge to the French Broad River will not be required.
- MSD has track record of completing CIP projects i.e. the backbone necessary to facilitate both growth and the resolution of private systems.
- MSD has policies in place that provide for cost sharing for both expansion and for resolution of private system failures.
- The sewer charges for Cane Creek customers will be reduced down to current MSD levels (from approx. \$37 per month down to \$27 per month).



Recommendations for Consolidation of Cane Creek WSD with MSD

- The sewer charges for Cane Creek customers will be reduced down to current MSD levels (from approx. \$37 per month down to \$27 per month).
- The current fund balance of approx. \$ 3.4 million will be used toward funding CIP in Cane Creek WSD
- MSD will assume Cane Creek WSD current debt at approximately \$1.48 million.
- All three employees funded for at least 1 year with one being required through the entire term.
- MSD will assume ownership of CCWSD Facilities as a Public Transfer with no compensation.

STATUS REPORTS

CAPITAL IMPROVEMENT PROGRAM

STATUS REPORT SUMMARY

January 7, 2013

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	60%	Formal Mainline construction downstream of Sweeten Creek bore is installed and in service. The Sweeten Creek bore has been upsized and hand mining is currently underway.
MERRIMON AVENUE @ STRATFORD ROAD	TBA	TBA	TBA	TBA	TBA	0%	Formal Project is scheduled to bid on January 31, 2013.
MOORE CIRCLE (PRP 45001)	TBA	TBA	TBA	TBA	TBA	0%	Informal Project is scheduled to bid on February 7, 2013.
MOUNTAIN TERRACE - 4 INCH MAIN	Terry Brothers	8/15/2012	8/21/2012	12/19/2012	\$71,085.00	100%	Informal Project complete and in close out.
NORTH GRIFFING BOULEVARD - 4 INCH MAIN	Terry Brothers	8/15/2012	8/21/2012	12/19/2012	\$146,929.50	100%	Informal Project 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)	Southeast Pipe Survey, Inc.	12/12/2012	TBA	TBA	\$798,778.61	0%	Formal A preconstruction meeting is scheduled for January 8, 2013.
SCENIC VIEW DRIVE (PRP 29020)	Carolina Specialties	9/19/2012	10/29/2012	2/26/2013	\$249,450.00	45%	Informal Construction is progressing slowly.
SHORT COXE AVENUE AT SOUTHSIDE AVENUE	Cana Construction	7/18/2012	9/4/2012	3/3/2013	\$866,521.50	40%	Formal Contractor is installing the 10-inch line on Short Coxe Avenue. Mainline crossing of Biltmore Avenue to follow that work.
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 addition 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 100% complete. Site work and concrete pads under construction for generators and paralleling gear.
WRF - FINAL MICROSCREEN REPLACEMENT	Hickory Construction	10/20/2010	1/3/2011	1/31/2013	\$8,972,321.36	99%	Formal Awaiting final paperwork from performance testing then final closeout will begin.

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

Planning and Development Projects Status Report
January 16, 2013

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
	Thom's Estate	2006309	Asheville	40	3,422	1/24/2008	Complete-Waiting on final documents
	Thom's Estate - Phase II	2008071	Asheville	40	3,701	2/9/2011	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
	Berrington Village Apartments	2008164	Asheville	308	4,690	5/5/2009	Complete-Waiting on final documents
	Parameter Generation Relocation	2012024	Black Mtn.	Comm.	545	5/24/2012	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	1105	42,634		

Planning and Development Projects Status Report
January 16, 2013

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	Testing
	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
	Onteora Oaks Subdivison	2012026	Asheville	28	1,222	1/4/2013	Pre-con held, ready for construction
	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 Facilit	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

Subtotal	2492	102,275
Total Units:	3,597	
Total LF:		144,909