

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
FEBRUARY 20, 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, February 20, 2013. Chairman Aceto presided with the following members present: Bryson, Creighton, Haner, Kelly Manheimer, Pelly, Russell, Stanley, VeHaun and Watts. Mr. Root was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, PA, Joseph Martin with Woodfin Sanitary Water & Sewer District, Gary Jackson, Steve Shoaf and Phil Kleisler, City of Asheville, Marcus Jones and Natalie Berry with Henderson County, Nick Dirkes with Brown and Caldwell, Mark Barrett with the Asheville Citizen-Times, Patti Beaver with CIBO, Beth Jezek and Sam Speciale, Citizens, and MSD Staff, Ed Bradford, Stan Boyd, Peter Weed, Jim Hemphill, Scott Powell, Mike Stamey, Ken Stines, Matthew Walter, Angel Banks, Julie Willingham 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 January 16, 2013 Board Meeting:**

Mr. Aceto asked if there were any changes to the Minutes of the January 16, 2013 Board Meeting. With no changes, the Minutes were approved by acclamation.

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

Mr. Hartye asked that an additional item be added to the Consolidated Motion Agenda under item f. (Moore Circle PRP). In addition, he noted the inclusion of the Resolution concerning Cane Creek Water and Sewer District under item c.

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

Mr. Aceto welcomed guests and call for public comment. There was no public comment.

**6. Report of General Manager:**

Mr. Hartye reported the preliminary report for Phase II of the Water Study was presented to the Planning Committee on February 13<sup>th</sup>. The Final report for Phase I and Phase II will be brought before the Board at the March 20<sup>th</sup> meeting. The City study and the proposal response letter from Gary Jackson will be discussed under "Old Business."

Mr. Hartye called on Ed Bradford for a presentation on the new filters that have recently been put into operation at the treatment plant.

Mr. Bradford reported that based on the Facilities Plan recommendations, design of the final Microscreen Project began in September, 2007. The Board awarded the construction contract in October, 2010 at a cost of \$9.1 million over three fiscal years. Construction & Performance Testing is complete and the facility is in operation and working very well. He presented slides showing the building interior prior to construction; during the demolition phase; construction underway; construction complete and the 16 AquaDisk Units and filters during hydrostatic testing. He explained that the filters are hollow and carpet like and wastewater flows by gravity through each one and is filtered. He presented a slide showing the control room. He stated the controls for the Intermediate Pump Project and the Microscreen Project were combined into one; saving

the District money. He presented a slide showing the control panel screen in operation, which is part of the SCADA for the AquaDisk units. He presented a slide showing the control panels in the bay; drywell showing pumps & valves; unit in operation; filling the basin for the first time, and testing backwash sequence during filling. In summary, he reported the system is working very well and the performance numbers are better than expected with TSS (Total Suspended Solids) reduced on average by 60%. He presented slides showing filter project results. Mr. Aceto asked how this has affected wastewater treatment plant performance. Mr. Bradford said it's much better.

Mr. Hartye reported the next regular Board Meeting will be March 20<sup>th</sup> at 2pm. The next Right of Way Committee meeting is scheduled for February 27<sup>th</sup> at 9am. The Home Show will be held the weekend of March 15<sup>th</sup> at which MSD will have a booth.

## **7. Report of Committees:**

### **Planning Committee**

In the absence of Mr. Root, Mr. Hartye reported the Planning Committee met February 13, 2013 to hear a report by Malcolm Pirnie/Arcadis. Both the report and study are posted on the MSD website. He further reported the study only looked at potential savings with water function, not impacts to each Town's general operations or the effect of policy issues like double rates versus annexation and future tax revenues and is only a preliminary study to identify the major factors and efficiencies that could be realized.

Mr. Hartye reported the Weaverville system consist of 62 miles of pipe, 7 tanks, 4 pump stations, 1.5 MGD treatment plant and serves 2000 customers. There are 8 full time employees, some admin staff partially allocated to the water fund, and water rates are slightly less than Asheville.

Mr. Hartye reported the Biltmore Forest system buys bulk from Asheville through 3 meters, 20 miles of water mains and serves 770 customers. There is no full-time staff. They have some admin/PW staff allocated to the water function. He further reported in 2002 Biltmore Forest replaced 85% of the lines; their water rates are higher than Asheville and Biltmore Forest is currently servicing their existing water debt from the general fund.

Mr. Hartye reported the Montreat system has 670 customers, 12 wells, 2 tanks and 2 pump stations. There is no full-time staff, but the Town has 8 employees partially allocated to the water function. Since the mid 1980's, Montreat has replaced 80% of its water lines. Its water rates are higher than Asheville.

Mr. Hartye reported with regard to the results of the mergers. For Weaverville there are two (2) scenarios. Merger Scenario 1 involves keeping the plant running as is and bringing over 8 employees (distribution and treatment). Merger Scenario 2 involves 4 employees brought over for distribution and reducing treatment employees from 4 to 1 while mothballing the plant and building a pump station and trunk main to transfer Asheville water to Weaverville. Both scenarios include no transfer of admin staff; debt paid for and CIP maintained. Savings for Scenario 1 equals \$209,000 over 9 years while savings for Scenario 2 equals \$675,000 over 9 years. Savings for Biltmore Forest is \$200,000 over 9 years, assuming debt still being funded from general fund. The savings for Montreat is negligible. Mr. Aceto stated this information was gathered as a result of the District's desire to respond to what the Legislative Research Commission directed that a study, in connection with their legislation be done on the merger impact of the surrounding communities. Mr. Haner asked if that legislation has been filed. Ms. Manheimer stated in terms of timing, it was mentioned that if legislation was filed it would wait until Representative Fisher returned from Japan; in about 2 weeks.

**8. Consolidated Motion Agenda:**

**a. Consideration of Bids for Dump Truck Replacement – Fleet Purchase:**

Mr. Hartye reported at the March 12, 2012 Fleet Replacement Committee meeting members recommended the purchase of one (1) new dump truck replacement. This purchase was included in the FY2013 budget. The following bids were received and opened on January 15, 2013: The Pete Store/Peterbilt with a total bid of \$115,745; MHC Kenworth with a total bid of \$126,178 and Piedmont Peterbilt with a total bid of \$116,679. Staff recommends award of the bid from The Pete Store/Peterbilt in the amount of \$115,745. Mr. Aceto asked what will happen to the old dump truck and how old it is. Ms. Willingham said it's a 1993 model that will be sent to auction.

**b. Consideration of Developer Constructed Sewer System for the Versant Subdivision on-site – Phase 1 Sewer Extension Project:**

Mr. Hartye reported the project is located inside the District boundary off Baird Cove Road in the Town of Woodfin. The project included the installation of approximately 13,815 linear feet of 8" gravity sewer to serve the 327 unit residential development. Staff recommends acceptance of the developer constructed sewer system. All MSD requirements have been met.

**c. Consideration of Resolution Concerning Cane Creek Water and Sewer District Recommended Terms of Merger:**

Mr. Hartye reported the Resolution is a follow-up from the last Board Meeting where the Board considered terms and conditions for bringing the Cane Creek Water & Sewer District (CCWSD) into the District (MSD). Mr. Watts stated the Resolution does not address any change to the Board and asked if it intended to. Mr. Hartye said no, that representation was addressed in House Bill 1009, which was passed last summer. Mr. Watts asked about the consequences of the Bill. Mr. Hartye stated CCWSD would get two (2) Board Members and everyone else would keep their same representation. Mr. Clarke stated CCWSD would still have to adopt a Resolution asking to become a part of the MSD, and MSD would have to adopt a Resolution allowing them in. Mr. Aceto asked whether we have any knowledge that they want to come into the District. Ms. Hartye said we're not really sure, but want to make it clear what the MSD terms would be if they ask to come in; however, they would ultimately have to take the first step. Mr. Aceto stated the LRC is not involved in this case, but the Board is being asked to take the initiative to consider a Resolution that is appropriate for its rate payers. Mr. Manheimer asked what would happen if they asked to come in. Mr. Clarke stated the governing body of the CCWSD (Henderson County) would adopt a resolution asking MSD to take them in then the MSD Board would vote yes or no. If the vote is yes, MSD would forward its Resolution to the Buncombe County Commissioners and the Environmental Management Commission and if they think it's a good idea, they would hold a public hearing. If at that public hearing they decide to go forward there's an opportunity for people in the areas to be brought in, to object. If 10% of the people in the area to be included object, an election on the question would be held.

**d. Second Quarter Budget to Actual Review – FY2013:**

Mr. Powell reported Domestic and Industrial User Fees are at budgeted expectations. Facility and Tap Fees are slightly below budgeted expectations due to the unpredictable nature of collections. Interest and miscellaneous income are above budgeted expectations. This is a direct result of the District selling renewable energy credits associated with the hydro-electric facility, as well as receiving \$314,000 from the termination of the District's forward delivery agreement in August. He further

reported O&M expenditures are at 48.01% of budget. The favorable variance is attributed to utilities and fuel trending lower than budget. Bond principal and interest actually spent are less than budget due to actual variable interest rates averaging .16% as well as timing of debt service principal and interest payments. Amounts budgeted for capital projects are rarely expended proportionately throughout the year. Additionally the amounts include encumbered amounts of \$3.7 Million.

**e. Cash Commitment/Investment Report – Month Ended December 31, 2012:**

Mr. Powell reported Page 2 presents the makeup of the District's Investment Portfolio. There has been a slight change in the makeup of the portfolio from the prior month. The debt service reserve had a maturity which was held as cash at the end of the month. This amount was reinvested at the first of January. Page 3 is the MSD Investment Manager report as of the month of December. The weighted average maturity of the investment portfolio is 396 days. The yield to maturity is .85% and exceeds the benchmarks of the 6 month T-Bill and NCCMT cash portfolio. Page 6 is the MSD Variable Debt Service Report. Both the 2008 A&B series are performing better than budgeted expectations. As of the end of January both issues have saved the District rate payers approximately \$6.3 million dollars in debt service.

**f. Consideration of Bids for Sanitary Sewer Rehabilitation Project – Moore Circle PRP:**

Mr. Hartye reported this project is for the replacement of an aged eight-inch vitrified clay and PVC sanitary sewer line. This project was generated through MSD's Pipe Rating program and is located near Ridgecrest and I-40. The project is comprised of 1,561 linear feet of 8-inch DIP. The following bids were received on February 7, 2013: Cana Construction Co., with a total bid of \$298,439.00; Carolina Specialties, LLC with a total bid of \$282,669.00; T&K Utilities with a total bid of \$267,667.00; Huntley Construction Company with a total bid of \$263,673.69; Terry Brothers Construction Co., Inc. with a total bid of \$248,470.00 and Bryant's Land & Development, Inc. with a total bid of \$240,640.58. Mr. Hartye stated the apparent low bidder is Bryant's Land & Development, Inc. with a bid of \$240,640.58. Because Bryant's has not had previous experience with MSD rehabilitation projects, staff performed an extensive reference check and although there were mixed results, there were more positive reviews than negative. Therefore, staff recommends award of this contract to Bryant's Land & Development, Inc., subject to review and approval of District Counsel.

With regard to item b. (Versant Subdivision), Mr. Russell expressed a concern about erosion control on this property and asked what MSD has done to ensure installation is done properly and how it protects itself against liability issues. Mr. Hartye stated that MSD's Planning & Development staff inspect and test the lines and all documents and warranties are in place. Mr. Boyd stated staff recently performed inspections, quality assurance tests and low pressure air tests, which were satisfactory. He stated most of the pipeline is ductile iron pipe and although staff did not do a TV inspection, they re-performed the quality assurance tests.

Mr. Russell moved the Board approve the Consolidated Motion Agenda as presented. Mr. Stanley seconded the motion. Mr. Aceto called for discussion. Mr. Kelly asked if the Board adopts the CCWSD Resolution and Cane Creek says yes will MSD have an opportunity to vote on whether to accept them. Mr. Clarke said yes and explained the process. With no further discussion, Mr. Aceto called for the question. Roll call vote was as follows: 11 Ayes; 0 Nays.

**9. Old Business:**

Mr. Hartye reported that following the Planning Committee meeting, Chairman Root requested that staff look at the differences in the MSD Arcadis Consultant Report and the City's Staff report. He stated that both reports generally found a merger could save money for the rate payers and that the effect on the bottom line, the monthly bill would be similar. However, above that line, in terms of allocating water and sewer charges there are significant differences. He called on Mr. Powell for a presentation on those differences.

Mr. Powell reported that in comparing both reports, staff focused on observations as it pertains to assertions made by the MSD consultant's report. He stated that City staff confirmed that savings to the rate payer would occur with the Public Water System merging with MSD. City staff did not consult with MSD as to the allocation of savings between water and sewer functions identified in the MSD report. Instead they chose to allocate MSD consultant findings using the Cost Allocation Plan the City currently uses, which based on responses MSD received in its data request, are believed to be erroneous assumptions. With regard to the City's CIP, Mr. Powell reported in July, 2012, City Council approved a 5-year \$36.7 million CIP. On October 11, 2012 MSD received a 10-year \$153.9 million CIP from the City, which was revised down to a 10-year \$122.3 million CIP on October 24, 2012. He questioned whether the revised CIP is a bona fide number and will it be approved and funded by Council if the merger does not happen. He stated that the numbers from a CIP perspective are a moving target, which has an impact on both MSD and City reports as it pertains to the projected rate increases the City communicated in their report as well as the MSD report. Mr. Powell reported that the City, in the various merger scenarios they were analyzing from MSD's consultant report that in Merger Scenario 1, there would be a cost impact to the water rate payer from MSD and that the sewer rate payer would see a substantial savings. He stated he did not think the City intended to misrepresent this information to the public, but the numbers are different from the MSD analysis and a lot of that is due to the nature of how costs were allocated between the water and sewer functions.

Mr. Powell further reported that on 12/10/12 MSD requested the City provide details/assumptions for Water impact as it pertains to the MSD's report in relation to cost allocation of Central Services. The City responded with the following assumptions: The 13 positions that were identified in MSD's report would be allocated to the Water impact 100% and that Central Services expenses from MSD would be allocated to each utility based on the percentage of customer accounts. He stated that MSD then asked the City to provide detail/assumptions for Sewer impact as it pertains to savings from shared Central Services cost. The response from the City was the same. Mr. Powell presented a table from the City's report showing the cost allocation of Central services at \$2.9 million and that savings to the sewer rate payer in year one would be approximately \$1.7 million.

Mr. Powell reported the concerns MSD has in relation to the report include: the impact of the 13 additional staff that were allocated to Water only compared to 12 of 13 staff identified in the Malcolm Pirnie Study were specifically central services related; 1 for purchasing, 3 for IT, 3 for HR, etc. He stated the City allocated 100% of those people to the Water side, but if the allocation is done properly, all staff will be put in central services and allocate that amount to both sides, which did not occur. This had an annual impact of about \$670,000 in relation to those numbers. Also included in the central services numbers the City used was they allocated MSD's existing Building & Trades Department. In the Malcolm Pirnie Report, page 4-7, it clearly communicated that the 13<sup>th</sup> position was specifically to address the Building & Trades element for the Water Department. MSD was told if it were asked by the City, MSD had no intention to allocate its Building & Trades Department to the Water side because they are already 100% allocated. Mr. Powell further stated the City was just looking at cost from MSD allocating over to the Water Department, but in their own Cost Allocation Plan, they

allocated Customer services and Meter services to various other departments, which did not occur in their analysis. He explained that MSD did a direct cost allocation and took into consideration all of those variables and allocated as if MSD would be running the merged utility system. In relation to all the scenarios, the water impact versus the sewer impact, there are savings to both rate payers. Mr. Powell stated the reason Malcolm Pirnie did not go into trying to do that allocation is because they were asked to show a net impact. Mr. Hartye stated the main point is that 80% of the customers have both water & sewer and that all of the customers will realize a savings no matter what side it comes from. He expressed his appreciation to Scott Powell for his report.

With regard to the impact on the rate payer for both Water and Sewer, Mr. Aceto asked if they are better off or worse if they remain separate entities. Mr. Hartye stated that there are savings to consolidating the water/sewer function. Mr. Hartye presented a copy of the letter from Asheville City Manager, Gary Jackson. Mr. Hartye referenced the December 18<sup>th</sup> letter from Mayor Bellamy to Chairman Steve Aceto regarding a Resolution passed by City Council stating its commitment to negotiate a local solution. Mr. Hartye stated MSD is always open to good faith negotiation. Ms. Manheimer asked about the combined cost of health care. Mr. Hartye stated this is something that will need to be looked at. Mr. Aceto stated that Mr. Jackson's letter is not unwelcome, but is not a response to MSD's proposal and MSD is now being asked to consider something different. He further stated that efforts to share expenses would take time to work out and is a matter that should go back to the Planning and Personnel Committees or staff to work out and that MSD has done what it thinks is responsible.

**10. New Business:**

None

**11. Adjournment:**

With no further business, Mr. Aceto called for adjournment at 2:59 p.m.

---

Jackie W. Bryson, Secretary/Treasurer

# MSD

## Regular Board Meeting

Metropolitan Sewerage District  
of Buncombe County, NC

## AGENDA FOR 2/20/13

✓	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 January 16, 2012 Board Meeting.	Aceto	2:10	
	03. Discussion and Adjustment of Agenda	Aceto	2:15	
	04. Informal Discussion and Public Comment.	Aceto	2:20	
	05. Report of General Manager	Hartye	2:30	
	06. Report of Committees a. Planning Committee – 2/13/13 – AI Root	Aceto	2:45	
	07. Consolidated Motion Agenda	Aceto	3:00	
	a. Consideration of Bids Dump Truck Replacement – Fleet Purchase.	Hartye		
	b. Consideration of Developer Constructed Sewer System – Versant Subdivision.	Hartye		
	c. Consideration of Resolution Concerning Cane Creek Water and Sewer District Recommended Terms of Merger. (Handout)	Hartye		
	d. Second Quarter Budget to Actual FY13	Powell		
	e. Cash Commitment Investment Report as of December 31, 2012	Powell		
	08. Old Business	Aceto	3:30	
	09. New Business	Aceto	3:35	
	10. Adjournment (Next Meeting 3/20/13)	Aceto	3:40	

## **APPROVAL OF MINUTES**



**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 20<sup>th</sup> at 2 pm. The Right of Way Committee meeting for January has been cancelled. The next meeting is scheduled for February 27<sup>th</sup>.

**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 1/16<sup>th</sup>, 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



# **REPORT OF GENERAL MANAGER**

## MEMORANDUM

TO: MSD Board  
FROM: Thomas E. Hartye, P.E., General Manager  
DATE: February 20, 2013  
SUBJECT: Report from the General Manager

- Update on Water Study

The preliminary report for Phase II was presented to the Planning Committee last Wednesday. The Final report for Phase I and Phase II will be brought before the Board at the March 20<sup>th</sup> meeting. The City study and the proposal response letter from Gary Jackson will be discussed under "old business."

- New Filters at Treatment Plant

A short slide presentation will be given on the new filters that have recently been put into operation at the treatment plant.

- Board/Committee Meetings/Events

The next Regular Board Meeting will be March 20<sup>th</sup>, at 2 pm. The next ROW Committee is scheduled for February 27th. The Home show will be held the weekend of March 15<sup>th</sup> at which MSD will have a booth.

# **REPORT OF COMMITTEES**

# **CONSOLIDATED MOTION AGENDA**

## Metropolitan Sewerage District of Buncombe County Board Action Item

**Meeting Date:** February 20, 2013

**Subject:** Dump Truck Replacement - Fleet Purchase

**Prepared by:** Peter Weed, Division Director  
Julie Willingham, CLGPO; Purchasing Supervisor  
Neil Hall, Fleet Manager

**Reviewed by:** Billy Clarke, District Counsel  
Scott Powell, CLGFO; Finance Director

**Background:** The District's policy is to annually evaluate the condition of fleet vehicles and purchase replacements when the estimated cost of repair and maintenance will exceed the cost of a new one. At the March 12, 2012, Fleet Replacement Committee meeting, the members recommended the purchase of one (1) New Dump Truck Replacement, as presented to this Board for approval. This purchase was included in the FY2013 Budget.

**Discussion:** Pursuant to North Carolina Purchasing Statutes and MSD Procedures, bids for the excavator were emailed to four vendors and an advertisement placed on the MSD web site. Three bid packages were received and opened on January 15, 2013, at 2:00 pm. The Pete Store/Peterbilt bid was the lowest responsive bidder to the MSD specifications. The bids are summarized below. Because the cost of this dump truck exceeds \$90,000.00, the contract must receive Board approval.

**Fiscal Impact:** The total cost of this contract will be \$115,745.00. \$125,000.00 was budgeted for this item budgeted in the FY2013 Fleet Replacement Fund.

**Staff Recommendation:** Staff recommends that the bid from The Pete Store/Peterbilt be awarded.

Vendor	Dump Truck Cost	Comments
The Pete Store, Knoxville, TN	\$115,745.00	Peterbilt 382
MHC Kenworth, Hickory, NC	\$126,178.00	Kenworth T800
Piedmont Peterbilt, Greensboro, NC	\$116,679.00	Peterbilt 382

# Metropolitan Sewerage District of Buncombe County

## Board Action Item

BOARD MEETING DATE: February 20, 2013

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

PREPARED BY: Kevin Johnson

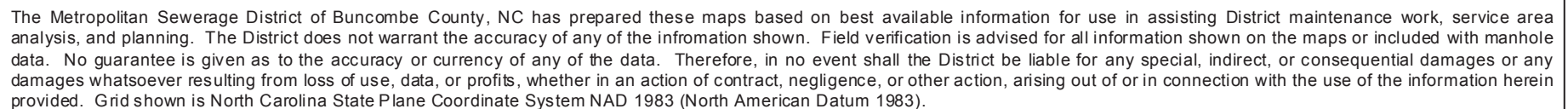
REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Versant Subdivision On-site – Phase 1 Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary off Baird Cove Road in the Town of Woodfin. The developer of the project is REDUS NC-ALL, LLC. The project included the installation of approximately 13,815 linear feet of 8" gravity sewer to serve the 327 unit residential development. A wastewater allocation was issued in the amount of 130,800 GPD for the project. The estimated cost of the sewer extension is \$1,675,000.00.

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:	



# Metropolitan Sewerage District of Buncombe County

## BOARD INFORMATIONAL ITEM

**Meeting Date:** February 20, 2013

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

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

**Subject:** Second Quarter Budget to Actual Review – FY2013

### **Background**

At the end of each quarter, actual revenue and expenditure amounts are compared with the budget to evaluate the District's financial performance. The attached schedule includes year-to-date actual amounts as of December 31, 2012 as well as the adopted budget for FY12-13.

### **Discussion**

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

- Domestic and Industrial User Fees are at budget expectations. Staff monitors consumption trends as they have a direct effect on the District's current and future revenue projections.
- Facility and Tap Fees, also conservatively budgeted, can be significantly higher or lower than budget. Facility and Tap fees are slightly below budgeted expectations due to the unpredictable nature of collections.
- Interest and miscellaneous income are above budgeted expectations. The positive variance is due to the termination of the forward delivery agreement with Citigroup Financial Products Inc. in the amount of \$314,000.
- Rental income reflects expected earnings.
- O&M expenditures are at 48.01% of budget. The expenditures include encumbered amounts and are below the budget to actual of 50%. The aforementioned encumbrances will be spent in the future.
- Bond principal and interest actually spent is less than 50% of budget. This is due to the timing of the District's debt service payments. The District is required to make a semi-annual interest payment on December 1, 2012 and a principal and semi-annual interest payment on July 1, 2013.
- Amounts budgeted for capital equipment and capital projects are rarely expended proportionately throughout the year and are expected to be fully spent prior to the end of the year.

### **Staff Recommendation**

None – Informational only



**Meeting Date:** February 20, 2013

**Subject:** Second Quarter Budget to Actual Review – FY2013

Page -2-

**Metropolitan Sewerage District**

**Budget to Actual Revenue and Expenditure Report**

For the six months ended December 31, 2012

UNAUDITED--NON-GAAP

	Budget	Actual to Date	% Budget to Actual
<b>REVENUES</b>			
Domestic User Fees <sup>1</sup>	\$ 26,171,162	\$ 13,396,607	51.19%
Industrial User Fees	1,696,137	799,093	47.11%
Facility Fees	1,250,000	578,105	46.25%
Tap Fees <sup>2</sup>	105,000	158,000	150.48%
Billing and Collection	677,544	350,303	51.70%
Interest and Misc. Income <sup>3</sup>	325,659	629,833	193.40%
Employee Contribution to Health Ins.	413,000	203,082	49.17%
City of Asheville (Enka Bonds) <sup>4</sup>	37,000	-	0.00%
Rental Income	67,872	35,178	51.83%
Use of Available Funds <sup>5</sup>	11,201,767	2,687,415	23.99%
<b>Total Revenues <sup>6</sup></b>	<b>\$ 41,945,141</b>	<b>\$ 18,837,617</b>	<b>44.91%</b>
<b>EXPENDITURES</b>			
Operations and Maintenance <sup>7</sup>	\$ 14,688,640	\$ 7,051,598	48.01%
Bond Principal and Interest <sup>8</sup>	8,238,321	1,331,070	16.16%
Capital Equipment (Other than O&M) <sup>7</sup>	654,000	324,782	49.66%
Capital Projects <sup>7</sup>	17,364,180	10,130,166	55.16%
Contingency	1,000,000	-	
<b>Total Expenditures</b>	<b>\$ 41,945,141</b>	<b>\$ 18,837,617</b>	<b>44.91%</b>

**Notes**

<sup>1</sup> Revenues are on the cash basis

<sup>2</sup> Increase in number of Taps requiring Bore Fees

<sup>3</sup> Increase in interest due to termination of forward delivery agreement

<sup>4</sup> Payment to be received in May

<sup>5</sup> Pay-as-go funds to be used for CIP

<sup>6</sup> Budget-to-Actual Ratio does not include use of available funds

<sup>7</sup> Includes encumbered amounts as well as actual insurance expenditures

<sup>8</sup> Below 50% because 100% of principal payments due on July 1, 2013 for the entire FY13

**Action Taken**

Motion by:

to

Approve

Disapprove

Second by:

Table

Send to Committee

Other:

Follow-up required:

Person responsible:

Deadline:

# Metropolitan Sewerage District of Buncombe County

## BOARD INFORMATIONAL ITEM

**Meeting Date:** February 20, 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 December 31, 2012

### **Background**

Each month, staff presents to the Board an investment report for all monies in bank accounts and specific investment instruments. The total investments as of December 31, 2012 were \$30,809,135. The detailed listing of accounts is available upon request. The average rate of return for all investments is 1.859%. These investments comply with North Carolina General Statutes, Board written investment policies, and the District's Bond Order.

The attached investment report represents cash and cash equivalents as of December 31, 2012 do not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of December 31, 2012 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is (\$3,283,983).

<b>Total Cash &amp; Investments as of 12/31/2012</b>		30,809,135
<b>Less:</b>		
Budgeted Commitments (Required to pay remaining FY13 budgeted expenditures from unrestricted cash)		
Construction Funds	(11,910,496)	
Operations & Maintenance Fund	<u>(7,965,750)</u>	
		(19,876,246)
Bond Restricted Funds		
Bond Service (Funds held by trustee):		
Funds in Principal & Interest Accounts	(898,219)	
Debt Service Reserve	(2,690,582)	
Remaining Principal & Interest Due	<u>(6,054,748)</u>	
		(9,643,549)
District Reserve Funds		
Fleet Replacement	(467,374)	
WWTP Replacement	(587,027)	
Maintenance Reserve	<u>(912,964)</u>	
		(1,967,365)
District Insurance Funds		
General Liability	(231,254)	
Worker's Compensation	(258,817)	
Post-Retirement Benefit	(956,005)	
Self-Funded Employee Medical	<u>(1,159,882)</u>	
		<u>(2,605,959)</u>
<b>Designated for Capital Outlay</b>		<u><u>(3,283,983)</u></u>

### **Staff Recommendation**

None. Information Only.

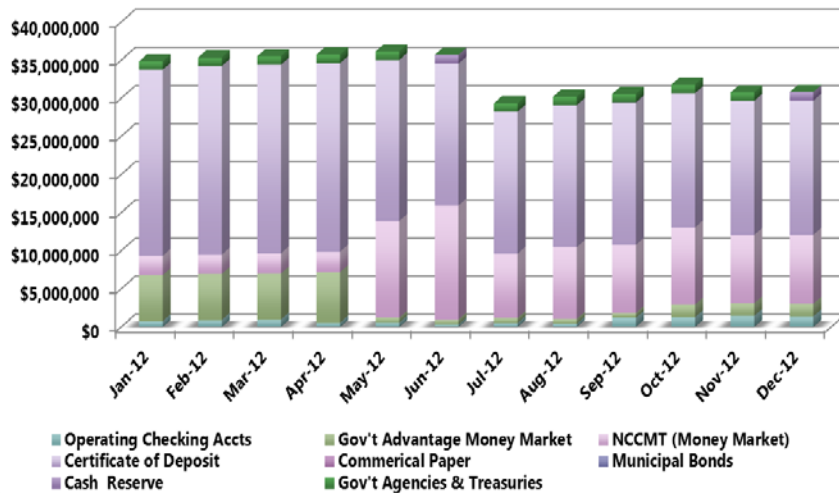
#### **Action Taken**

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

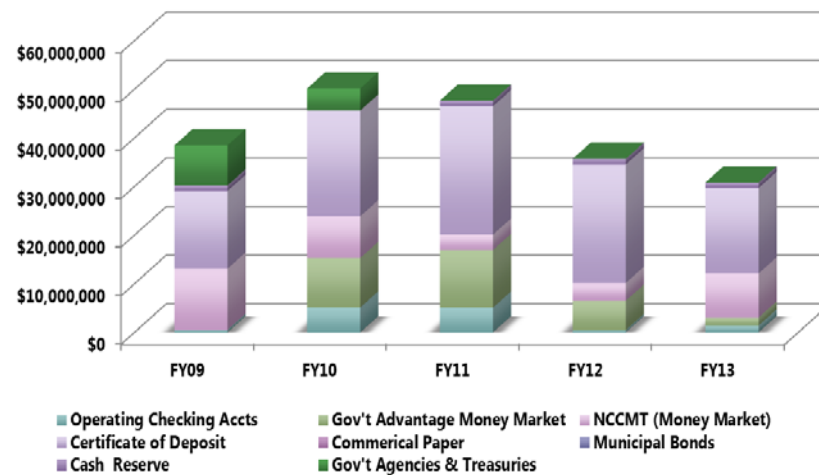
	Operating Checking Accounts	Gov't Advantage Money Market	NCCMT (Money Market)	Certificate of Deposit	Commercial Paper	Municipal Bonds	Cash Reserve	Gov't Agencies & Treasuries	Total
Held with Bond Trustee	\$ -	\$ -	\$ 898,219	\$ -	\$ -	\$ -	\$ 1,146,000	\$ -	\$ 2,044,219
Held by MSD	1,378,077	1,646,966	8,149,017	17,590,856	-	-	-	-	28,764,916
	\$ 1,378,077	\$ 1,646,966	\$ 9,047,236	\$ 17,590,856	\$ -	\$ -	\$ 1,146,000	\$ -	\$ 30,809,135

<u>Investment Policy Asset Allocation</u>	<u>Maximum Percent</u>	<u>Actual Percent</u>	
U.S. Government Treasuries,			
Agencies and Instrumentalities	100%	3.72%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	57.10%	
Commercial Paper	20%	0.00%	The District 's YTM of .85% is exceeding the YTM benchmarks of the 6 month T-Bill and NCCMT Cash Portfolio.
North Carolina Capital Management Trust	100%	29.37%	
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		4.47%	
Gov't Advantage Money Market		5.35%	

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



**MSD of Buncombe County  
Investment Portfolio - As of December 31, 2012**



**Board Meeting:** February 20, 2013

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

Page -3-

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

**Summary of Asset Transactions**

	Original Cost	Market	Interest Receivable
Beginning Balance	\$ 25,559,630	\$ 25,559,630	\$ 336,800
Capital Contributed (Withdrawn)	(811,307)	(811,307)	
Realized Income	1,114	1,114	
Unrealized/Accrued Income		-	18,904
Ending Balance	<u>\$ 24,749,437</u>	<u>\$ 24,749,437</u>	<u>\$ 355,704</u>

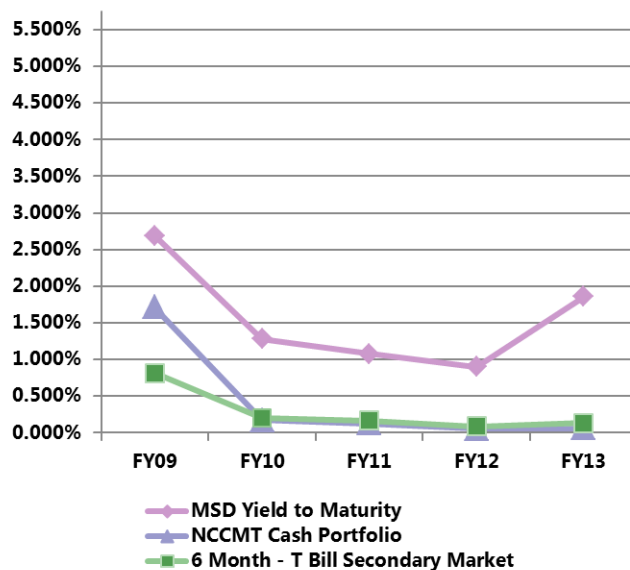
**Value and Income by Maturity**

	Original Cost	Income
Cash Equivalents <91 Days	\$ 7,158,581	\$ 5,790
Securities/CD's 91 to 365 Days	17,590,856	\$ 14,228
Securities/CD's > 1 Year	-	-
	<u>\$ 24,749,437</u>	<u>\$ 20,018</u>

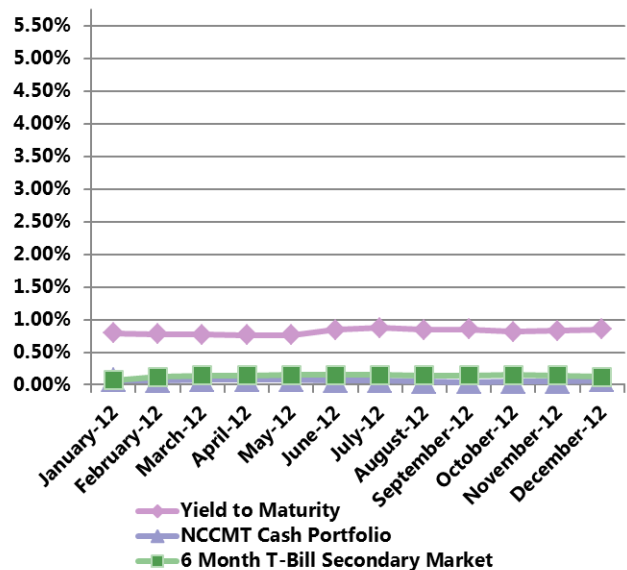
**Month End Portfolio Information**

Weighted Average Maturity	396
Yield to Maturity	0.85%
6 Month T-Bill Secondary Market	0.12%
NCCMT Cash Portfolio	0.07%

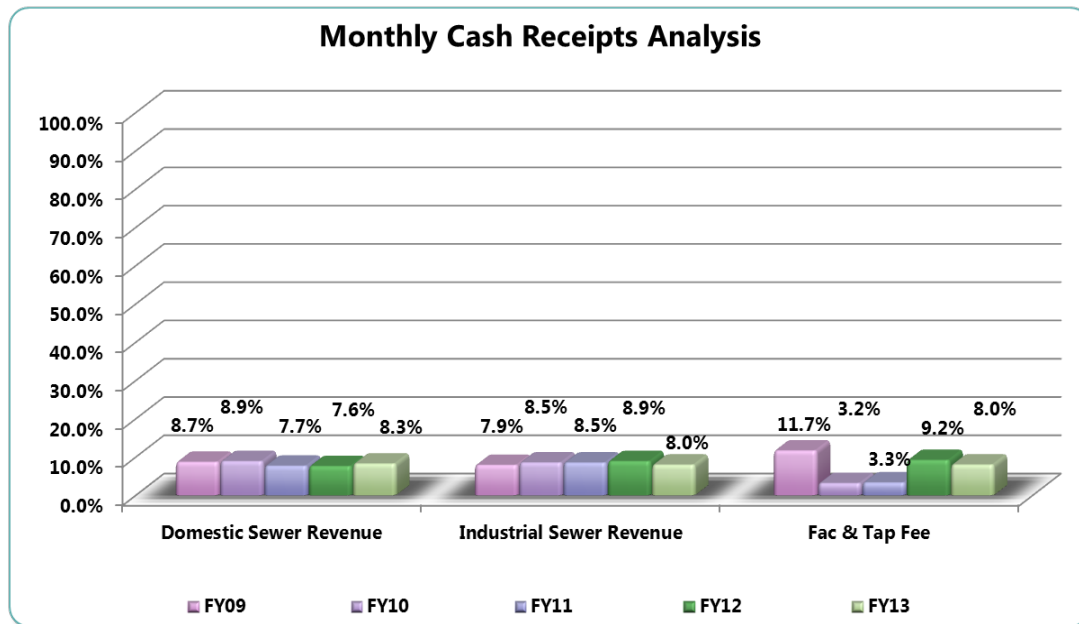
**Metropolitan Sewerage District  
Annual Yield Comparison**



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

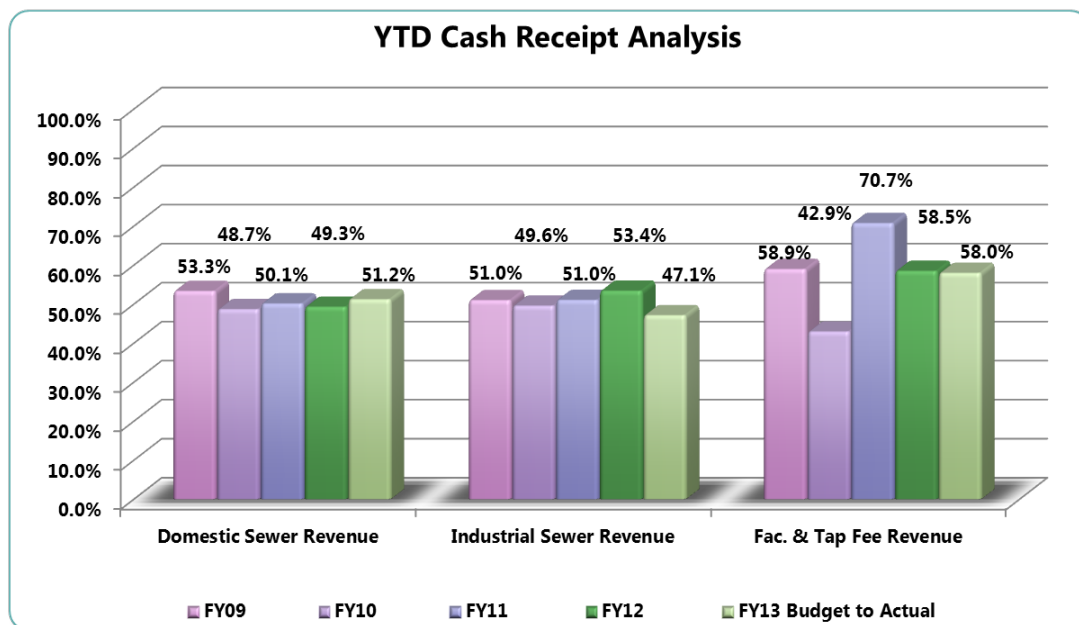


**METROPOLITAN SEWERAGE DISTRICT  
ANALYSIS OF CASH RECEIPTS  
AS OF December 31, 2012**



**Monthly Cash Receipts Analysis:**

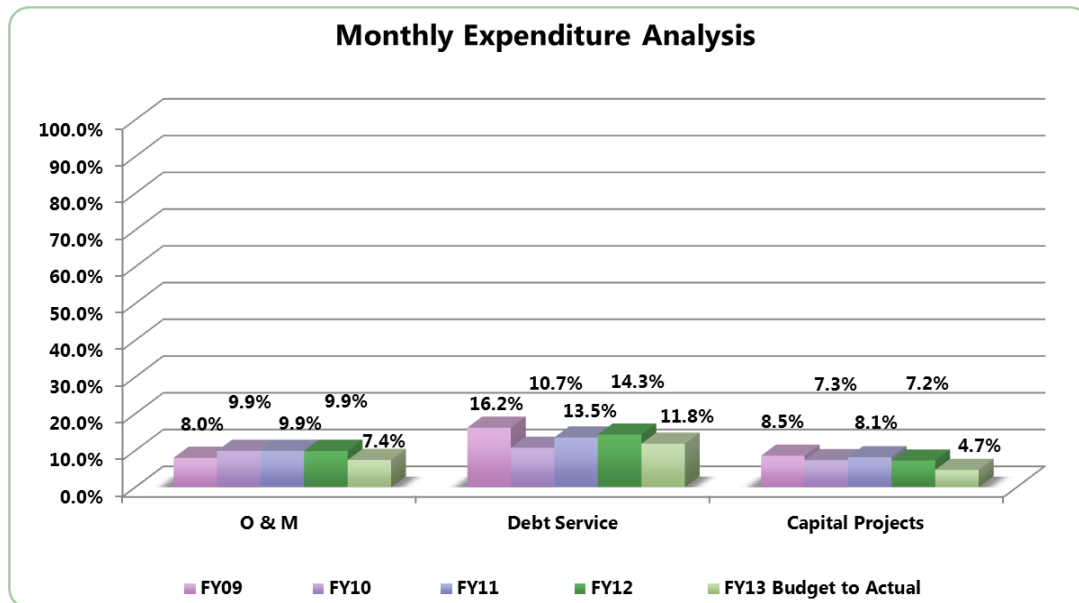
- Monthly domestic sewer revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods.
- Monthly industrial sewer revenue is considered reasonable based on historical trends.
- Due to the unpredictable nature of facility and tap fee revenue, staff considers facility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



**YTD Actual Revenue Analysis:**

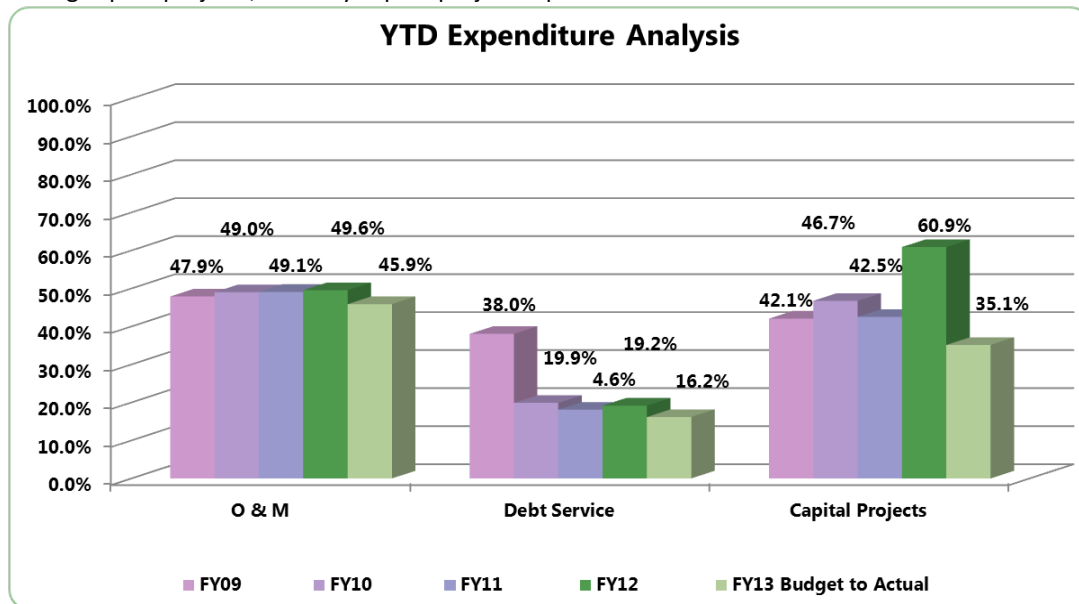
- YTD domestic sewer revenue is considered reasonable based on historical trends.
- YTD industrial sewer revenue is considered reasonable based on historical trends.
- Due to the unpredictable nature of facility and tap fee revenue, staff considers facility and tap fee revenue reasonable.

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



**Monthly Expenditure Analysis:**

- ◆ Monthly O&M expenditures are considered reasonable based on historical trends and timing of expenditures in the current year.
- ◆ Due to the nature of the variable rate bond market, monthly expenditures can vary year to year. Based on current variable interest rates, monthly debt service expenditures are considered reasonable.
- ◆ Due to nature and timing of capital projects, monthly expenditures can vary from year to year. Based on the current outstanding capital projects, monthly capital project expenditures are considered reasonable.



**YTD Expenditure Analysis:**

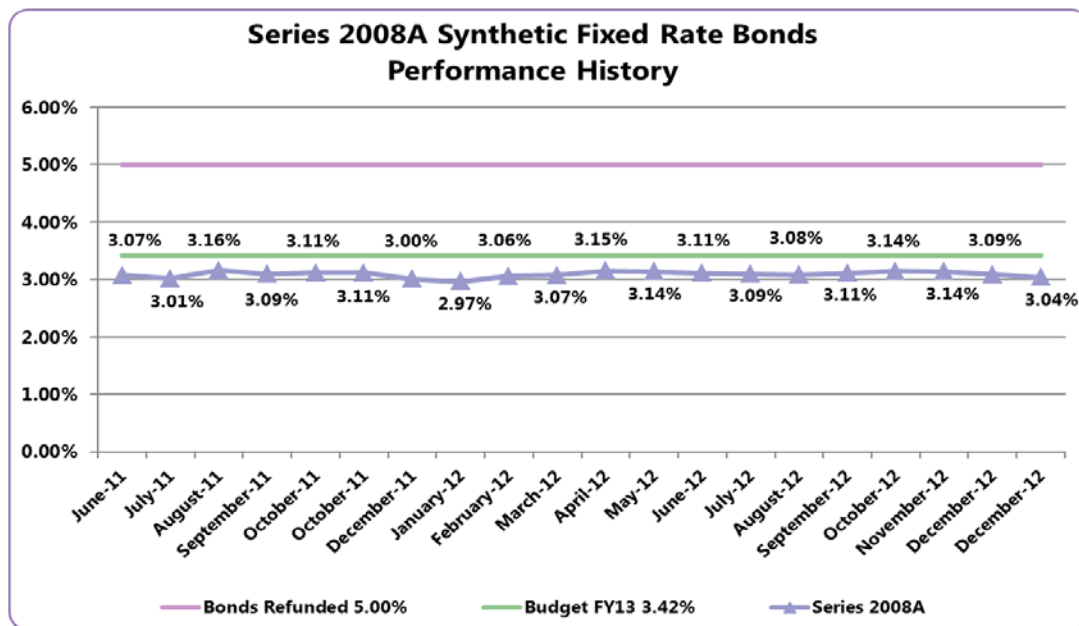
- YTD O&M expenditures are considered reasonable based on historical trends.
- Due to the nature of the variable rate bond market, YTD expenditures can vary year to year. Based on current variable interest rates, YTD debt service expenditures are considered reasonable.
- Due to nature and timing of capital projects, YTD expenditures can vary from year to year. Based on the current outstanding capital projects, YTD capital project expenditures are considered reasonable.

**Board Meeting:** February 20, 2013

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

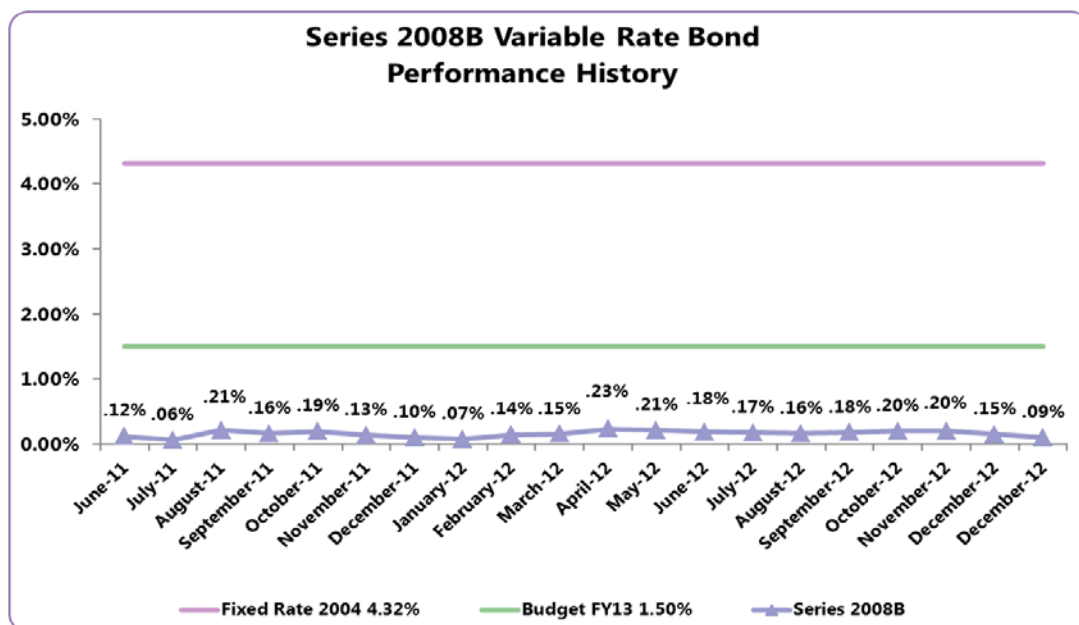
Page -6-

**METROPOLITAN SEWERAGE DISTRICT  
Variable Debt Service Report  
As of January 31, 2013**



**Series 2008A:**

- Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$2,583,317 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 \$6,340,000 to terminate the existing Bank of America Swap Agreement.



**Series 2008B:**

- Savings to date on the 2008B Variable Rate Bonds is \$3,692,212 as compared to 5/1 fixed rate of 4.32%.
- Since May 1, 2008, the Series 2008B Bonds average variable rate has been 0.51%.
- MSD will achieve \$9,065,000 in cash savings over the life of the bonds at the current average variable rate.

# **STATUS REPORTS**



CAPITAL IMPROVEMENT PROGRAM

STATUS REPORT SUMMARY

February 12, 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	\$770,098.50	65%	<b>Formal</b> The bore under Norfolk Southern and Sweeten Creek Road is experiencing great difficulty with strata and an existing drainage pipe deep in the middle. A plan is in place and Contractor working diligently to finish. Mainline crew has pulled off project due to lack of work.
PIPE RATING CONTRACT #6 (LINING)	Improved Technologies Group	10/19/2011	12/5/2011	12/25/2012	\$808,846.50	100%	<b>Formal</b> Project is complete and in close out.
PIPE RATING CONTRACT #7 (LINING)	Southeast Pipe Survey, Inc.	12/12/2012	1/14/2013	6/15/2013	\$798,778.61	5%	<b>Formal</b> Contractor has started cleaning and pre-construction videotaping.
SCENIC VIEW DRIVE (PRP 29020)	Carolina Specialties	9/19/2012	10/29/2012	2/26/2013	\$249,450.00	60%	<b>Informal</b> Mainline complete. Contractor is working on service connections and manhole abandonment. Paving will be done when Asphalt Plants re-open in the Spring.
SHORT COXE AVENUE AT SOUTHSIDE AVENUE	Cana Construction	7/18/2012	9/4/2012	3/3/2013	\$888,998.01	60%	<b>Formal</b> Contractor has completed installing the 10-inch line on Short Coxe Avenue. Crew working on the 8-inch line on Southside Avenue.
WRF - CRAGGY HYDRO FACILITY REPAIRS - CONTROL COMPONENTS UPGRADE	Innovative Solutions of NC	7/12/2012	N/A	3/31/2013	\$100,717.72	50%	<b>Informal</b> 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%	<b>Formal</b> Project is going very well. Contractor has begun pulling cables and setting miscellaneous gear. Generators and paralleling gear to be set the week of February 11th,
WRF - FINAL MICROSCREEN REPLACEMENT	Hickory Construction	10/20/2010	1/3/2011	1/31/2013	\$8,972,321.36	100%	<b>Formal</b> Project is complete and in close out.

\*Updated to reflect approved Change Orders and Time Extensions

Planning and Development Projects Status Report  
February 13, 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
	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
	Swannanoa Habitat Project	2012055	Swannanoa	17	303	6/26/2012	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			1058	30,100		

Planning and Development Projects Status Report  
February 13, 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
	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 Facility	2012008	Candler	Comm.	131	4/9/2011	Ready for final inspection
	Carolina Truck and Body (Cooper)	2012075	Asheville	Comm.	298	10/30/2012	Pre-con held, ready for construction
	Goldmont St	2012087	Black Mtn.	6	91	1/11/2013	Testing

Subtotal	2387	76,995
Total Units:	3,445	
Total LF:		107,095