

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
APRIL 17, 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, April 17, 2013. Chairman Aceto presided with the following members present: Belcher, Bryson, Frost, Kelly, Manheimer, Pelly, Root, Russell, Stanley and VeHaun. Mr. Watts 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, Nelda Holder with Mountain Express, Nick Dierkes with Brown & Caldwell, 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 March 20, 2013 Board Meeting:

Mr. Aceto asked if there were any changes to the Minutes of the March 20, 2013 Board Meeting. With no changes, the Minutes were approved by acclamation.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Aceto paid tribute to his Stepfather, George Beverly Shea and shared some of his most memorable life experiences.

6. Report of General Manager:

Mr. Hartye presented a copy of House Bill 488, which is currently in the NC Senate after passing the House of Representatives. He stated that MSD Counsel, Billy Clarke will review the bill under "Old Business" and attempt to answer any and all questions the Board may have.

Mr. Hartye reported the District's revenue refunding bonds priced April 4th. The District achieved a net present value savings in excess of 14.7% or \$5.45 million. The District will save in excess of \$9.12 million over the remaining life of the two issues being refunded. He further reported the District received a ratings upgrade from Standard & Poor's to AA+ while Moody's and Fitch reaffirmed the District's current good ratings (Aa2 and AA+ respectively). He expressed his appreciation to Scott Powell, as well as Billy Clarke and the finance team for a job well done.

Mr. Hartye reported that Ken Stines and Mike Stamey will do a presentation on Dew Waite Road. He stated that during Consolidation when lines were brought into the MSD, they were done so with SSES maps prepared by engineers showing all the public lines that were being deeded over. There were many lines that looked like public systems, but were actually private systems that served multiple residences, and were never identified or deeded over and were not built to public standards. At consolidation, he identified a process for that; Private Sewer Rehab (PSR), whereby MSD would take over private lines for ownership and maintenance in exchange for rights of way. This process was based on the idea that private owners agree to request help from MSD and work with

each other. With regard to Dew Waite Road, he stated this is the worst case MSD has seen and is a case where the owners did not work with each other and it became a public health hazard. He called on Ken Stines and Mike Stamey for a PowerPoint presentation.

Mr. Stines presented a map showing the location of Dew Waite Road and the homes involved in a two-year easement dispute, which involved on-site meetings with Chuck Cranford with NCDWQ, MSD and property owners. Mr. Stines stated that when discussions with the property owners became heated, he recommended that they agree to resolve their differences through mediation. He reported that following a second on-site meeting, a letter from the NCDWQ issued a Notice of Violation to one of the property owners for altering a sewer system. In response to the Buncombe County Department of Health's resolution concerning the need for repair of the failing private sewer line, staff recommended the Board adopt a private sewer line failure resolution for private sewer situations that present a public health threat. On November 28, 2012, the Health Director issued an order of abatement requiring that all parties repair the damaged private sewer line. At that point, one of the property owners agreed to discuss options for repair of the line.

Mr. Stamey reported that on February 22, 2013 he met with the aforementioned property owner to inspect his property. On February 26th camera equipment was used to determine issues with the line and found a partially broke down section of pipe that needed to be fixed, but the owner refused any digging on his property. Mr. Stamey presented a map showing the proposed reroute and reconnection of the sewer line. On March 8th, he and Ken Stines met with the Assistant County Attorney and Attorneys for two of the homeowners and a representative with the Health Department to share the results of their investigation of the options. He stated that all parties present were encouraged by what was found and the direction MSD planned to take. Agreements with homeowners were signed on March 14th and construction began on March 18th but not without problems created by two of the homeowners. However, with the help of the Deputy Sheriff assisting MSD crews, service was fully restored on March 20th, with official notice to the property owners from Buncombe County provided on April 1, 2013. Mr. Hartye thanked the MSD crews for maintaining their cool under fire and to Ken Stines and Mike Stamey for their involvement in this process as well as Jon Creighton and Curt Euler.

Mr. Hartye continued with his report. He reported that MSD received a call from Larry Moss at 6 Lancelot Lane. He called to commend Wayne Rice for the quick response and great service with his sewer leak. He said Wayne did a great job and was very nice. He further reported MSD received a "compliment call" from Mr. Rex Ballard who called to say that Ken Stines and Stan Boyd had come out to help him. He said they were the nicest and most knowledgeable persons that he had the pleasure of meeting and that they were an example of what all public serving employees should be like.

Mr. Hartye reported the Right of Way Committee Meeting scheduled for April 24th is cancelled. The next meeting will be held May 22nd at 9a.m. The annual CIP Committee will meet April 25th at 8:30 a.m. to discuss several current and upcoming projects as well as to endorse the 10-year CIP and the budget for next year. The Personnel Committee will meet at 10 a.m. on April 25th as well. They will discuss budget items regarding salary and medical benefits as well as receive an update on Personnel activities. The next regular Board Meeting will be May 15th at 2 p.m.

7. Consolidated Motion Agenda:

a. Consideration of Developer Constructed Sewer System: Mosswood Mobile Home Park:

Mr. Hartye reported that the Mosswood Mobile Home Park was built in the early 1980's to serve a 131 unit Mobile Home Park. He stated the system had been

maintained and operated as a private system. Mr. Moss brought the system up to standards so it could be operated and maintained by MSD. The system is located in the Emma area of Buncombe County outside the District Boundary and includes approximately 2,675 linear feet of gravity sewer. Staff recommends acceptance of the developer constructed sewer system. All MSD requirements have been met.

b. UNC Environmental Finance Center FY2012 Financial Performance Benchmarks:

Mr. Powell reported in preparation for the FY2014 Budget, he supplied the Board with a financial analysis of MSD compared to AA and AAA utilities in North Carolina as of June 30, 2012. The information is provided by the Environmental Finance Center of North Carolina and addresses how well an entity can meet liquidity, debt service, cost recovery, leverage, and condition of physical assets needs. He stated MSD is performing at or near the highest levels in comparison to its peer group for every benchmark. Ms. Manheimer asked if the full report is available on-line. Mr. Powell said yes.

c. Cash Commitment/Investment Report – Month Ended February 28, 2013:

Mr. Powell reported Page 2 presents the makeup of the District's Investment Portfolio. There has been no significant change in the makeup of the portfolio from the prior month. Page 3 is the MSD Investment Manager Report as of the month of February. The weighted average maturity of the investment portfolio is 340 days. The yield to maturity is .66% and exceeds MSD bench marks of the 6 month T-Bill and NCCMT cash portfolio. Page 4 is the MSD Analysis of Cash Receipts. Monthly and YTD domestic revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods. Monthly and YTD industrial sewer revenues are trending below budgeted expectations due to a decrease in consumption from three (3) industrial users. YTD Facility and Tap fees are above historical trends from a year to date perspective due to the timing of cash receipts as it pertains to development in the area. Page 5 is an analysis of the District's expenditures. Monthly and YTD expenditures are considered reasonable based on historical trends. Page 6 is the MSD Variable Debt Service Report. Both the 2008 A&B Series are continuing to perform better than budgeted expectations. As of the end of March, both issues have saved the District rate payers approximately \$6.5 million dollars in debt service since April of 2008.

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

8. Old Business:

Review of House Bill 488

Mr. Clarke reported that HB 488 has passed the House of Representatives and is now in the Senate. A copy of the Bill can be found on the NC General Assembly website by typing in HB488 to get the latest version.

Mr. Clarke reported the Bill in its current form sets out the following:

- Transfers all assets and outstanding debts of public water system to MSD to be operated as a Metropolitan Water and Sewerage District (MWSD).
- Transfers all assets and outstanding debts of interconnected public sewer systems (Cane Creek to MSD) to be operated as a Metropolitan Water and Sewerage District.

- Transfers all assets and all outstanding debts of the MSD sewer system to the Metropolitan Water and Sewerage District established under the bill. The effective date of the Bill will be May 15, 2013.
- The Metropolitan Water and Sewerage District would be governed by a 15 member board: 3 from Asheville, 3 from Buncombe County, 3 from Henderson County, 1 from Biltmore Forest, 1 from Black Mountain, 1 from Montreat, 1 from Weaverville, 1 from Woodfin and 1 from Woodfin Sanitary Water & Sewer District.
- The MSD Board shall function as the District Board of the Metropolitan Water and Sewerage District until appointments are made by the governing bodies to the MWSD Board.
- The Statute sets out powers and responsibilities of MWSD in new Article 5A of Chapter 162A-85.1 – 85.29.

Mr. Aceto asked what would change in terms of additional powers or restrictions. Mr. Clarke stated he does not see much change, but there is some language in one of the sections that says before any construction can be done to the water system or sewer system, within any municipality or other governing body of the District, the new entity would have to get approval. Mr. Hartye stated it just says “construction”, and feels it should say extensions because construction could be anything; it could be rehab. Ms. Manheimer stated this comes from an Environmental Group who met with Legislators and expressed concern about controlling land use through utilities, the sprawl, etc. Mr. Aceto stated its unfortunate for those who are concerned about this and were not aware of policies that already limit MSD’s extensions and planning. Mr. Clarke stated there is some good language in the section that talks about coordinating with local governments and local government planning, which makes sense, but sub-paragraph C. requires approval and would be cumbersome.

Mr. Pelly asked Mr. Clarke to address the determination of tax rates by the Board. Mr. Clarke stated this language is in the current MSD Statute as well as the current MWSD Statute and essentially says if the MSD needs money to meet its budget, it can go to the County Commissioners and say this is what they need in terms of taxes to balance the budget or meet commitments and add it to the tax rate. He further stated that MSD has had the ability to use this, but never has.

Mr. Kelly stated that given the fact the legislature told MSD to study and negotiate with Asheville and in December, MSD made them an offer for \$57 million dollars that has not been responded to and given the fact the Legislature said no compensation was due, in his opinion, the \$57 million dollar offer ought to be withdrawn, if not today, certainly by May when the Bill comes out with legislation. He further stated that if it’s improper to make the motion today, he will make it in May. Mr. Stanley asked why he would wait until May since the Legislature is in session now. Mr. Kelly moved that the \$57 million dollar offer made to the City of Asheville in December be withdrawn effective today. Mr. Stanley seconded the motion. Mr. Aceto called for discussion. Mr. Russell asked for an opinion from Counsel. Mr. Clarke stated that it’s certainly within MSD’s authority to make an offer and within its authority to withdraw it. Ms. Frost asked if there is a time limit on the offer. Mr. Clarke said no. Mr. Root asked if it was really an offer. Mr. Clarke said he would characterize it as a proposal contemplating future negotiation. Ms. Manheimer stated she does not feel it was a proposal tendered to Asheville with the words, here’s a proposal, accept it, reject it or negotiate with us. It was a study, and in the study, we adopted parameters that we would accept as reasonable, and built into those parameters, was compensation to the tune of \$57 million dollars. Mr. Clarke stated that what Mr. Kelly was referring to was a proposal and it outlined what would happen; that the City would receive \$1 million dollars a year and that MSD would take all Water Department employees, etc. Mr. Hartye stated it had to do with the taking on of all the employees and paying off the existing outstanding indebtedness; fund the CIP; a statement opposing privatization; City to retain ownership of the reservoir lands, except for the areas under the water production facilities and MSD to have operational

control. Mr. Kelly stated that his motion is, whether it is a proposal or offer it would be withdrawn effective to date. Mr. Stanley seconded the amendment. Ms. Manheimer asked if this includes all eight (8) points not just the money part. Mr. Kelly said yes. Mr. Russell asked Ms. Manheimer if this bill ends the efforts of the City and MSD over the last 18 months. Ms. Manheimer stated once enacted, yes. She further stated from the City's perspective, they responded, but if it's important to symbolically withdraw the proposal; although unnecessary and fairly mean spirited, she can understand the rationale. Mr. Aceto asked about the legal risk to withdrawing the proposal, since making the offer was important, it was symbolic of the intent to negotiate by stating the parameters of the proposal. He stated he is very concerned about withdrawing the proposal, and unless Counsel says there is a significant legal reason, he suggests the Board not pass the motion. Mr. Root asked about the possibility, through a motion, of expressing an understanding that MSD has not made a legally binding offer and, if there had been a legally binding offer, it is now withdrawing it. Ms. Frost asked why anything has to be done at this point and feels it would be construed as a negative. Mr. Kelly stated the Legislature has told the MSD it would not have to pay anything for the system and if the MSD were to depart with the \$57 million dollar offer, should the City say they would accept the offer, the MSD would be in direct contradiction with what the Legislature is apparently going to pass in May at the latest. Mr. Hartye stated that the Legislature's intention all along is that the MSD and the City come together with a local solution. Ms. Manheimer stated from recent conversations, she feels the opportunity for negotiation is gone. With no further comments, Mr. Aceto called for the question. The motion was defeated by a vote of: 4 Ayes, 7 Nays.

9. New Business:

None

10. Adjournment:

With no further business, Mr. Aceto called for adjournment at 3:15 p.m.

Jackie W. Bryson, Secretary/Treasurer

<h1 style="margin: 0;">MSD</h1> <h2 style="margin: 0;">Regular Board Meeting</h2>

Metropolitan Sewerage District
of Buncombe County, NC

AGENDA FOR 4/17/13

✓	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 March 20, 2013 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	2:50	
	a. Consideration of Developer Constructed Sewer System: Mosswood Mobile Home Park.	Hartye		
	b. UNC Environmental Finance Center FY2012 Financial Performance Benchmarks.	Powell		
	c. Cash Commitment Investment Report as of February 28, 2013	Powell		
	07. Old Business	Aceto	3:05	
	08. New Business	Aceto	3:10	
	09. Adjournment (Next Meeting 5/15/13)	Aceto	3:15	

APPROVAL OF MINUTES

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
MARCH 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, March 20, 2013. Chairman Aceto presided with the following members present: Belcher, Bryson, Frost, 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, Catherine Traynor and John Mastracchio with Malcolm Pirnie/Arcadis, Steve Shoaf and Cathy Ball, City of Asheville, Marcus Jones, Henderson County, Nelda Holder with Mountain Xpress, Patti Beaver with CIBO, and MSD Staff, Ed Bradford, Stan Boyd, Peter Weed, Jim Hemphill, Scott Powell, Mike Stamey, Ken Stines, Matthew Walter, Angel Banks, and Sondra Honeycutt.

Mr. Aceto welcomed new Board Members, Ellen Frost and Joe Belcher, representing Buncombe County. He and Vice Chairman, Bill Stanley presented them with the traditional manhole puller. Mr. Aceto stated that Ellen and Joe are replacing Max Haner and Jon Creighton and that he wanted to take the opportunity to say that Max and Jon were very productive Board Members and will be missed.

Mr. Aceto asked Ms. Honeycutt to call the roll.

2. Inquiry as to Conflict of Interest:

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

3. Approval of Minutes of the February 20, 2013 Board Meeting:

Mr. Aceto asked if there were any changes to the Minutes of the February 20, 2013 Board Meeting. With no changes, the Minutes were approved by acclamation.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed guests and called for public comment. There was no public comment. With regard to Committee appointments, Mr. Aceto stated that Mr. Watts has agreed to serve as Chairman of the CIP Committee as recommended by Mr. Haner, and that Ms. Frost and Mr. Belcher have selected Committees they would like to serve on.

6. Report of General Manager:

Mr. Hartye stated the final report from Arcadis will be presented following the Consolidated Motion Agenda. He stated as of today, there has been no legislation introduced that directly affects MSD.

Mr. Hartye reported a recent news report regarding a sewage spill was posted on youtube that involved a disgruntled employee of IPR, a lining contractor out of Atlanta, who was about to fire him. He stated by the time DENR and MSD were made aware of this video, the area had already been cleaned up by the contractor. MSD has worked closely with DENR to supply all relevant information. The water looked very clear. He is not sure whether DENR has the time or inclination to press criminal charges.

Mr. Hartye reported the Home Show was last weekend and MSD had a booth as usual, but attendance was down due to the nice weather and MSD gave out half of what it usually does. He expressed his appreciation to Lisa Tolley, Julie Willingham, Mike Rice, Brenda Parker, Mary Alice Hunter, Mike Stamey, Stan Boyd, Mrs. Bryson who worked the booth, and a special thanks to Kay Farlow who organized the event.

With regard to the bond refunding, Mr. Hartye stated the Board is being asked to approve the Series Resolution authorizing the issuance of Revenue Refunding Bonds (\$34.3 million). He stated last Thursday and Friday, Scott Powell, Billy Clarke and he gave presentations to three rating agencies, Moody's, S&P and Fitch and believes it went well and feels MSD will maintain its good ratings. He further stated MSD expects to price the bonds in early April and close by May 1st.

Mr. Hartye reported on January 29th, Mr. Kennedy from 308 Cove Wood Trail called to express his appreciation for the excellent service Wayne Rice provided as did Dee Anderson of 210 Governor's View. She said she works with the public and doesn't often run across people that are so kind, helpful, and polite.

Mr. Hartye reported a call was received on February 14th from Mr. G.J. Bieksha from Candler who expressed his appreciation for Mary Alice Hunter who described her as professional, courteous, gracious and spectacular.

Mr. Hartye presented a note of thanks from Rick Philipser who expressed his appreciation to the crew of Chris Johnson, James Beaver, Furman Dean and Marvin Felder.

Mr. Hartye reported the Right of Way Committee Meeting scheduled for March 27th is cancelled. The next meeting is scheduled for April 24th at 9am. The next regular Board Meeting will be April 17th at 2pm.

7. Report of Committees:

Right of Way Committee

Mr. Kelly reported the Right of Way Committee met February 27, 2013 to consider condemnation of Old US 70 @ Grovemont Avenue Sanitary Sewer Rehabilitation project and Compensation Budgets for Broadview Avenue GSR, Shadowlawn Drive SSR and Roberts Street @ Haywood Road SSR projects. He stated the Committee approved Staff's recommendation to approve the Compensation Budgets and gave Staff authority to proceed with compensation budgets under \$1,000.00 without being presented to the Right of Way Committee or Board. Staff will make appropriate changes to the Right of Way Policy then submit those changes for review and approval at the next Right of Way Committee meeting.

8. Consolidated Motion Agenda:

a. Consideration of Compensation Budgets: Broadview Avenue GSR, Shadowlawn Drive SSR and Roberts Street @ Haywood Road SSR:

Mr. Hartye reported the Broadview Avenue GSR project is located in Oakley and consists of about 4500 linear feet of 8" DIP and 8" HDPE for pipe bursting to replace existing 6" and 8" VCP. The Shadowlawn Drive SSR project is located in West Asheville and consists of approximately 4,000 linear feet of 8", 10" and 12" DIP and HDPE to replace 8" VCP. The Roberts Street @ Haywood Road SSR project consists of 200 linear feet of 8" DIP to replace 6" and 8" VCP. The Committee recommends approval of the Compensation Budgets and to give Staff authority to proceed with compensation budgets under \$1,000.00, before contingency, without formal presentation.

b. Consideration of Developer Constructed Sewer Systems: Greeley Street Sewer Extension; Stratford, Woodbine and Parkside Sewer Extension; Thoms Estate Sewer Extension; Thoms Estate Phase II and Thoms Estate Phase IIIA:

Mr. Hartye reported the Greeley Street project is located inside the District boundary off Elk Mountain Scenic Highway in the City of Asheville and included the installation of approximately 113 linear feet of 8" gravity sewer to serve a two unit residential development. The Stratford, Woodbine, and Parkside project is located inside the District boundary off Merrimon Avenue in the City of Asheville and included the installation of approximately 130 linear feet of 8" gravity sewer to serve a six unit resident development. The Thoms Estate project is located inside the District boundary off Wild Cherry Road in the City of Asheville and included the installation of approximately 3,055 linear feet of 8" gravity sewer to serve a 162 unit residential development. The Thoms Estate Phase II project is located inside the District boundary off Elk Mountain Scenic Highway in the City of Asheville and included the installation of approximately 2,138 linear feet of 8" gravity sewer to serve a 40 unit residential development. The Thoms Estate Phase IIIA project is located inside the District boundary off Elk Mountain Scenic Highway in the City of Asheville and included the installation of approximately 446 linear feet of 8" gravity sewer to serve an 8 unit residential development. Staff recommends acceptance of the developer constructed sewer systems. All MSD requirements have been met.

c. Consideration of Audit Services Contract FY2013:

Mr. Powell reported for the FY 2013 engagement Cherry Bekaert, LLP has proposed a 4.5% reduction in fees from \$48,670 to \$46,500. They have also provided a commitment letter for the same proposed fee for fiscal years FY14 through FY15. Cherry Bekaert, LLP continues to provide excellent service with the focus of reducing fees to the District. They have committed to work hard to control expenses, and pass on any additional savings to the District. Staff recommends approval of the FY 2013 audit contract.

d. Consideration of Series Resolution 2013 Revenue Refunding Bonds:

Mr. Powell reported on January 16, the Board passed a resolution authorizing the filing an application to the LGC to issue revenue refunding bonds. He stated that periodically staff works with the District's financial advisors and underwriters to analyze MSD's debt portfolio for refunding opportunities. Staff assesses the refunding opportunities and their impacts on future debt service. The proposed Series Resolution authorizes the issuance of revenue refunding bonds in an amount not to exceed \$34.2 million. He further stated that based on market conditions as of February 28th, the market continues to show the ability to reduce future annual debt service from a range of \$74,452 to \$798,463 over the remaining life of both bond series with a total net value present savings over \$5.4 million. Staff recommends approval of the resolution. Mr. Kelly asked when the bonds will be retired. Mr. Powell stated MSD is refunding two bond issues; 2003 as well as the 2008B. Pricing on the Bonds is April 4th and refunded as of May 1st. Mr. Clarke stated Mr. Kelly's question refers to the 2003 bonds. Mr. Powell stated the call date on the 2003 bonds is July 1, 2013 and the 2008B bonds have a remaining life through 2029.

e. Cash Commitment Investment Report as of January 31, 2013:

Mr. Powell reported Page 2 presents the makeup of the District's Investment Portfolio. The only change as of the end of December, there was some cash that was rolled over from one investment to the North Carolina Term Portfolio and that was invested as of January 2nd. The makeup of the District's Investment Portfolio is in accordance with the District's investment policy. Page 3 is the MSD Investment Manager Report as of the month of January. The weighted average maturity of the

investment portfolio is 375 days. The yield to maturity is .85% and is exceeding MSD bench marks of the 6 month T-Bill and NCCMT cash portfolio. Page 4 is the MSD Analysis of Cash Receipts. Monthly and YTD domestic revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods. YTD and Monthly industrial revenue is trending below budgeted expectations. This is due to a reduction in water use at various industries. 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. The District's O&M expenditures are considered reasonable based on historical trends and current year budgeted needs. Debt service expenditures are below budgeted expectations due to lower than expected interest rates on the District variable rate debt. Due to the 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. 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 February, both issues have saved District customers \$6.4 million dollars in debt service.

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

9. Final Report-Impact Study of MSD Rate Payers of Proposed Consolidation/Merger:

For the benefit of new Board Members, Ms. Traynor provided background information on Phase 1 and Phase 11 of the impact study. She reported the purpose of the study was to look at the impact to MSD rate payers associated with the proposed merger of the City of Asheville water system and other towns with the MSD. Legal, governance, valuation and compensation issues were beyond the scope of the study.

Ms. Traynor reported the Asheville Water System serves approximately 125,000 people with 56,000 customers. Water assets include 3 water Treatment Plants; 40 pump stations; 32 ground storage tanks; approximately 1,600 miles of distribution pipe and a treatment capacity of 44 mgd with an average daily demand of 21mgd. She stated one of the tasks they undertook was to look at the condition of the system. Field visits were conducted for the major assets (storage tanks, pump stations, treatment facilities, and other above ground assets. She stated that given the time constraints they relied on previous engineering and asset management reports. Overall they found the system to be in good condition. The pump stations are relatively new and appeared to be in good condition, however, they did find the need for an increase in the level of reinvestment in buried infrastructure (water distribution mains) for the future.

Ms. Traynor reported the City's CIP is a 5-year \$36.5 million plan, and as previously noted it appears to be inadequate in terms of reinvestment in buried infrastructure. In October, as part of a parallel study, the City increased its CIP to a 10-year \$122 million plan. The current draft of the plan appears to be reasonable given the age and condition of the assets. She stated that two projects involving the Dam at North Fork and the main transmission lines into the City are currently being studied and may have significant impact on the CIP. Mr. Belcher asked about MSD's 10-year CIP budget. Mr. Hartye said it's about \$150 million.

Mr. Traynor stated in evaluation of consolidation/merger the following assumptions were made: MSD would retain all current City Water Department employees; MSD would assume City water system indebtedness; MSD would keep water and sewer accounting separate, with no immediate impact to sewer customers or MSD's long-term business plan; All City water customers, including wholesale customers would remain unchanged after the merger, and the evaluation of legal, governance, and asset

compensation issues were beyond the study scope. Ms. Traynor turned the presentation over to Mr. Mastracchio for a report on the financial impacts.

Mr. Mastracchio reported in a merged entity there would be some overhead cost savings such as human resources, information technology, accounting, purchasing and fleet of about \$2.2 million dollars per year. However to provide those functions they have added 13 new MSD staff positions to cover those functions. In addition, Operational Efficiencies could result in reduction in staff through attrition and retirements, and avoidance of Sullivan Act Transfers for Community Development Funding in the range of \$1.3 million to \$4.9 million after the nine-year forecast period.

Mr. Mastracchio reported that in terms of incremental costs, they identified a few items where there would be some increase in costs associated with a merger. These include Salary and Benefit costs between MSD and the City, i.e. the average benefit cost for the City is about \$8,900 per employee compared to \$11,600 per employee for MSD; a \$2,600 per employee difference. He stated if the merger were to happen there would be some transactional costs (legal, engineering and financing) at about \$700,000. Costs associated with IT Systems Integration range from \$435,000 to \$1.7 million. Also, as a consolidated entity, there is a need for Customer Service and Maintenance space at a cost of about \$6 million.

In summary of the Merger Scenarios, Mr. Mastracchio reported they looked at the Baseline (Status Quo) – no merger/consolidation and compared that to three Merger Scenarios. Merger Scenario 1, MSD transfers all of the staff from the City's Water Department to MSD and maintains that level of staffing from FY2014 through FY2022. Merger Scenarios 2 and 3, they factored in staff reduction through attrition and retirements. For the Water system they factored in 14 positions that could be eliminated do to cross training and consolidated efficiencies. Merger Scenario 3 incorporates potential reductions in MSD staff through attrition and retirements directly related to the merger. Mr. Mastracchio presented graphs showing the potential savings for each Scenario through FY2022 (Scenario 1 \$10.3 million; Scenario 2 \$16.8 million, and Scenario 3 \$21.9 million). He reported they also looked at what would be the Water Rate Impact in a consolidated entity and looked at the City's financial plan, as they were completing the analysis, in October, 2012. In that plan, there were a series of operating water rate increases projected. He presented a graph showing a number of years of 1.5% increases given the current CIP and operating cost structure. Using this as the baseline, they looked at the costs and savings associated with each Scenario and came up with the Water Rate Impacts. He stated after 2016, they do not project any rate increases under the assumptions and inputs they have in comparison to the baseline, therefore, there are significant rate reductions associated with the merged entity.

In summary (Phase 1), Ms. Traynor reported that the potential for significant savings to water customers from the merger is greater than \$2 - \$4 million per year by FY 2022 and as much as \$10.3 – \$21.9 million over 9 years as well as the potential to reduce City projected water rate increases. Staff reductions from operational efficiencies are possible, which may occur only from retirements or natural attrition and, post-merger, MSD will need to continue to re-invest in the system to preserve and prolong the life of the water system assets. Ms. Traynor further reported that the benefits of a merged system include: A unified front for economic development; regional board representation; enhanced ability to coordinate/manage water and sewer pipe replacements; the elimination of subsidy by non-city water customers (transfers to General Fund); coordinated and unified customer service and communications; uniform rate policies and structures and staff opportunities for career advancement with a unified organization. With regard to salary and benefit adjustments for City employees, Mr. Pelly asked how this will be done and where the cost savings is. Mr. Mastracchio stated they assumed that when a merger happens, City employees would receive equitable compensation levels (healthcare and salary benefits). With regard to cost savings, Mr. Mastracchio stated there are three areas that result in savings; overhead costs savings; savings from the elimination

of Sullivan Act Transfers, and cross-training staff so they are working on multiple functions. Mr. Pelly asked if they looked at the financial impact of raising all City employee benefits to the MSD level (\$2,500 per employee benefit). Mr. Hartye stated in addition to increase in benefits being included, there were increases to salaries of about 6.4% to account for the lack of cost of living increases for Water Department staff. Mr. Belcher asked if the \$2.2 million savings per year included savings from attrition and retirement. Mr. Mastracchio said no, the \$2.2 million is the overhead cost for support services (HR, IT, Accounting, etc.). Mr. Belcher asked what the savings is for attrition and retirement. Mr. Mastracchio said between \$100,000 and \$200,000 annually.

Ms. Traynor stated that Phase 11 of the study includes Biltmore Forest, Montreat and Weaverville. She reported Biltmore Forest has 20 miles of distribution line but does not have any above ground infrastructure and their water is supplied by the City of Asheville. Montreat has 12 supply wells, 2 water storage tanks, 2 booster pump stations, 18 miles of distribution lines and an emergency connection with the Town of Black Mountain. The Town of Weaverville has a water treatment plant, 62 miles of distribution pipeline, 7 storage tanks, 4 pump stations and an emergency connection with the City of Asheville and Town of Mars Hills. In evaluation of consolidation/merger, the following assumptions were made: MSD would retain the Town of Weaverville's water system employees (9 employees) as shown in Scenario 1. No staff from Biltmore Forest or Montreat will come to MSD as these towns do not have full-time staff dedicated to the water systems. MSD and the Town of Weaverville will need to decide whether the Public Works Facility would be needed as part of the consolidated entity. Biltmore Forest would continue to receive treated water from the Asheville system (no longer under the wholesale agreement). Billing would be consolidated and performed by MSD; MSD would assume Towns' water system indebtedness or possibly compensate Town's for remaining debt; MSD would keep water and sewer accounting separate, with no immediate impact to sewer customers or MSD's long-term business plan; all town water customers, including wholesale customers would remain unchanged after the merger and the evaluation of legal, governance, and asset compensation issues were beyond the study scope.

Mr. Mastracchio reported that potential merger impacts for the Town of Biltmore Forest include a reduction in personnel expense since current water system staff are part-time and would remain Town employees. However, they have added a 0.5 full time equivalent employee to support a consolidated system. With regard to MSD taking over the Town's debt, he stated this is not the case for Biltmore Forest since there is water system debt paid out of the General Fund, which is supported by taxes, not water revenues. He further reported that in their analysis, they wanted to look at a unified water rate structure by converting the Town's structure to the City's existing structure (17% lower) for a net savings of \$200,000. He presented a chart showing the savings through FY2022. As a representative of Biltmore Forest, Mr. Kelly stated that about 12 years ago, the Town borrowed a couple million dollars to replace 85% of the Town's water lines and although the debt comes out of the General Fund, the Town thinks it makes no sense to take the water system in the ground, and leave the Town with the debt. Mr. Mastracchio stated one of the things they didn't consider in the study was governance or compensation for assets. He explained if they had factored the debt service into the cash flow model it would show current revenues are not sufficient to cover the cost of the water system.

Mr. Mastracchio reported potential merger impacts for the Town of Montreat are similar to that of Biltmore Forest and included a reduction in personnel expense, but adding a 0.5 full time equivalent employee that would be split between Montreat and Biltmore Forest for a savings of approximately \$25,000; elimination of contributions to the General Fund of approximately \$15,000; water rate structure converted to the City's existing structure (17% lower) and cost savings of approximately \$422,000 through FY 2022. However, when you factor in reduced revenue, the net savings are negligible.

Mr. Mastracchio reported that for the Town of Weaverville they ran two Scenarios. One was to continue to operate the water plant under a consolidated entity and the other was to have the Town served by the City's water plant. Under Scenario 1, all of the budgeted full-time positions (9) will be transferred over to the consolidated entity. Under Scenario 2 plant related positions (4) would be eliminated by FY2017. In order to make this work, a pump station and pipeline would need to be built. He further reported that the water rate for Weaverville is equivalent to the City's water rate; a negligible residential bill impact. The net savings for Scenario 1 is \$209,000 (FY2014-FY2022) and \$675,000 for Scenario 2. He presented graphs showing Merger Scenario's 1 and 2.

Ms. Traynor reported that additional considerations of a consolidated entity, are a more regional/uniform rate structure; future capital needs shared by a regional customer base; enhanced ability to coordinate/manage water and sewer pipe replacements; coordinated and unified customer service and communications, and reduction in Town control over the water system. Ms. Traynor expressed her appreciation to the Board for the opportunity to perform the studies. Mr. Aceto called for any comments or questions. Mr. Pelly asked Mr. Mastracchio how they reconciled Weaverville's differential water rates. Mr. Mastracchio stated for simplicity sake they assumed a uniform rate under a consolidated entity and what that impact would be. Mr. Pelly asked if they considered the differential rate for Weaverville customers who live outside the city. Mr. Mastracchio stated they did not show that impact, but did factor in from a revenue side what the resulting revenue is from the current rate structure and compared that to a uniform rate under the merged scenario. Mr. Hartye stated MSD is required for everyone in the District to have the same rate. On behalf of the Board and the rate payers of MSD, Mr. Aceto expressed appreciation to Ms. Traynor and Mr. Mastracchio of Arcadis for their presentation and stated that they did an excellent job of producing a study that was fair, unbiased, comprehensive and responsive to what the Legislature asked MSD to study. It provides a benchmark that will be helpful to the Board in fulfilling its fiduciary obligation to the rate payers. Mr. Aceto called for further questions or comments. Ms. Ball called attention to recently introduced State legislation (HB 252). If passed, the City would not be able to utilize the 5 percent utility revenues listed as a benefit in Scenario 1, which would negate savings shown in the impact study. Mr. Mastracchio stated that funding for street and sidewalk repairs do not fall under the Water System and if a merger should occur, there may be other ways to do that. Ms. Ball stated she just wants to understand the dollar figure side. Mr. Powell stated the numbers that came from the City also had rate increases that reflected that need, therefore, even though the 5 percent would go away, the need for rate increases would go away as well, so there is a savings. Ms. Ball asked how this would help economic development in the region given that MSD is responsible to rate payers. Mr. Hartye stated one example is revenue sharing for expansion and he does not believe the City has that. He explained that when a developer expands and puts in a line the revenues they get from that line helps pay for the line in addition to the fact that MSD also does cost recovery programs. If the water should come over to MSD they would have the same policies as wastewater does. Mr. Aceto stated it's a level playing field revenue sharing policy. Under benefits, Ms. Ball asked if employees would have a better chance for job opportunities if they are part of a larger organization. Mr. Hemphill stated that it's part of MSD's responsibility to have succession planning for the future; the larger pool of opportunities you have, gives employees the opportunity for a fresh start. Ms. Traynor stated the focus of the study is the impact to MSD and its ratepayers. Mr. Hartye stated the same would apply to HB-252.

10. Old Business:

None

11. New Business:

None

12. Adjournment:

With no further business, Mr. Aceto called for adjournment at 3:17 p.m.

Jackie W. Bryson, Secretary/Treasurer

REPORT OF GENERAL MANAGER

MEMORANDUM

TO: MSD Board
FROM: Thomas E. Hartye, P.E., General Manager
DATE: April 11, 2013
SUBJECT: Report from the General Manager

- Update on Water Study

Attached is a copy of House Bill 488, which is currently in the NC House of Representatives after passing the 1st and 2nd readings. MSD Counsel, Billy Clarke will review the bill under "Old Business" and attempt to answer any and all questions that the Board may have.

- Update on 2013 Bond Refunding

The District's revenue refunding bonds priced April 4th. The District achieved a net present value savings in excess of 14.7% or \$5.45 million. The District will save in excess of \$9.12 million over the remaining life of the two issues being refunded.

The District was fortunate to receive a ratings upgrade from Standard & Poor's (to AA+) while Moody's and Fitch reaffirmed our current good ratings (Aa2 and AA+ respectively). The rating agencies noted strong management, prudent financial policies, and comprehensive long-term capital planning as providing a strong foundation. Affordability and strong debt coverage ratios were also noted for providing financial viability.

- Kudos

- MSD received a call from Larry Moss at 6 Lancelot Lane. He called to commend Wayne Rice for the quick response and great service yesterday with his sewer leak. He said Wayne did a great job and was very nice.
- MSD received a "compliment call" from Mr. Rex Ballard who called to say that Ken Stines and Stan Boyd had come out to help him yesterday. He said that they were the nicest and most knowledgeable persons that he had the pleasure of meeting. He said they were an example of what all public serving employees should be like.

- **Board/Committee Meetings/Events**

The next Right of Way Committee will be held April 24th at 9am. The annual CIP Committee will meet April 25th at 8:30 am to discuss several current and upcoming projects as well as to endorse the 10 year CIP and the budget for next year. The Personnel Committee will meet at 10 am on April 25th as well. They will discuss budget items regarding salary and medical benefits as well as receive an update on Personnel activities. The next Regular Board Meeting will be May 15, at 2 pm.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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3

HOUSE BILL 488
Committee Substitute Favorable 4/9/13
Third Edition Engrossed 4/11/13

Short Title: Regionalization of Public Utilities. (Public)

Sponsors:

Referred to:

April 2, 2013

A BILL TO BE ENTITLED

AN ACT TO PROMOTE THE PROVISION OF REGIONAL WATER AND SEWER SERVICES BY TRANSFERRING OWNERSHIP AND OPERATION OF CERTAIN PUBLIC WATER AND SEWER SYSTEMS TO A METROPOLITAN WATER AND SEWERAGE DISTRICT.

Whereas, regional water and sewer systems provide reliable, cost-effective, high-quality water and sewer services to a wide range of residential and institutional customers; and

Whereas, in an effort to ensure that the citizens and businesses of North Carolina are provided with the highest quality services, the State recognizes the value of regional solutions for public water and sewer for large public systems; Now, therefore, The General Assembly of North Carolina enacts:

SECTION 1.(a) All assets, real and personal, tangible and intangible, and all outstanding debts of any public water system meeting all of the following criteria are by operation of law transferred to the metropolitan sewerage district operating in the county where the public water system is located, to be operated as a Metropolitan Water and Sewerage District:

- (1) The public water system is owned and operated by a municipality located in a county where a metropolitan sewerage district is operating.
- (2) The public water system has not been issued a certificate for an interbasin transfer.
- (3) The public water system serves a population greater than one hundred twenty thousand (120,000) people, according to data submitted pursuant to G.S. 143-355(l).

SECTION 1.(b) All assets, real and personal, tangible and intangible, and all outstanding debts of any public sewer system operated by a subdivision of the State and body politic that is interconnected with the metropolitan sewerage district receiving assets pursuant to Section 1.(a) of this act are by operation of law transferred to that metropolitan sewerage district to be operated as a Metropolitan Water and Sewerage District.

SECTION 1.(c) All assets, real and personal, tangible and intangible, and all outstanding debts of any public sewer system operated by the metropolitan sewerage district receiving assets pursuant to Sections 1.(a) and 1.(b) of this act, are by operation of law transferred to, and be operated as, a Metropolitan Water and Sewerage District, as established pursuant to this act.

SECTION 1.(d) Until appointments are made to the Metropolitan Water and Sewerage District established pursuant to this act, the district board of the metropolitan sewerage district in the county in which the public water system, the assets of which are transferred pursuant to Section 1.(a) of this act, is located shall function as the district board of the Metropolitan Water and Sewerage

District. All members of the metropolitan sewerage district shall continue to serve on the district board of the Metropolitan Water and Sewerage District until the governing body with appointing authority appoints or replaces that individual on the district board of the Metropolitan Water and Sewerage District.

SECTION 1.(e) All necessary permits for operation shall also be transferred to the Metropolitan Water and Sewerage District established pursuant this act to ensure that no current and paid customer loses services due to the regionalization of water and sewer services required by this act. The new Metropolitan Water and Sewerage District shall immediately begin assessing all permits and the process for transferring the permit or applying for any needed permits. All State agencies shall assist the new Metropolitan Water and Sewerage District in obtaining any needed permits in that entity's name.

SECTION 1.(f) For purposes of this section, the transfer of all outstanding debts by operation of law shall make the Metropolitan Water and Sewer District liable for all debts attached to and related to the assets transferred under this section and the Metropolitan Water and Sewer District shall indemnify and hold harmless the grantor entity, for any outstanding debts transferred under this section.

SECTION 2. Chapter 162A of the General Statutes is amended by adding a new Article to read:

"Article 5A.

"Metropolitan Water and Sewerage Districts.

"§ 162A-85.1. Definitions.

(a) Definitions. – As used in this Article the following definitions shall apply:

- (1) "Board of commissioners." – The duly elected board of commissioners of the county or counties in which a metropolitan water and sewerage district shall be created under the provisions of this Article.
- (2) "City council" or "Council." – The duly elected city council of any municipality.
- (3) "Cost." – As defined in G.S. 162A-65.
- (4) "District." – A metropolitan water and sewerage district created under the provisions of this Article.
- (5) "District board." – A water and sewerage district board established under the provisions of this Article.
- (6) "General obligation bonds." – As defined in G.S. 162A-65.
- (7) "Governing body." – As defined in G.S. 162A-32.
- (8) "Person." – As defined in G.S. 162A-65.
- (9) "Political subdivision." – As defined in G.S. 162A-65.
- (10) "Revenue bonds." – Any bonds the principal of and the interest on which are payable solely from revenues of a water and sewerage system or systems.
- (11) "Revenues." – All moneys received by a district from, in connection with, or as a result of its ownership or operation of a water and sewerage system, including moneys received from the United States of America, or any agency thereof, pursuant to an agreement with the district board pertaining to the water and sewerage system, if deemed advisable by the district board.
- (12) "Sewage." – As defined in G.S. 162A-65.
- (13) "Sewage disposal system." – As defined in G.S. 162A-65.
- (14) "Sewerage system." – As defined in G.S. 162A-65.
- (15) "Sewers." – As defined in G.S. 162A-65.
- (16) "Water distribution system." – As defined in G.S. 162A-32.
- (17) "Water system." – As defined in G.S. 162A-32.
- (18) "Water treatment or purification plant." – As defined in G.S. 162A-32.

(b) Description of Boundaries. – Whenever this Article requires the boundaries of an area be described, it shall be sufficient if the boundaries are described in a manner which conveys an understanding of the location of the land and may be by any of the following:

- (1) By reference to a clearly identified map recorded in the appropriate register of deeds office.
- (2) By metes and bounds.
- (3) By general description referring to natural boundaries, boundaries of political subdivisions, or boundaries of particular tracts or parcels of land.
- (4) Any combination of the foregoing.

"§ 162A-85.2. Creation.

(a) Except as provided by operation of law, the governing bodies of two or more political subdivisions may establish a metropolitan water and sewerage district if all of the political subdivisions adopt a resolution setting forth all of the following:

- (1) The names of the appointees to the district board.
- (2) The date on which the district board shall be established.
- (3) The boundaries of the district board.

(b) Prior to the adoption of a resolution under subsection (a) of this section, the governing body shall hold at least two public hearings on the matter, held at least 30 days apart, after publication of the notices of public hearing in a newspaper of general circulation, published at least 10 days before each public hearing.

"§ 162A-85.3. District board.

(a) Appointment. – The district board shall consist of members appointed as follows:

- (1) Two individuals by the governing body of each county served, wholly or in part, by the district.
- (2) One individual by the governing body of each municipality served by the district located in any county served by the district with a population greater than 200,000.
- (3) Two individuals by the governing body of any municipality served by the district with a population greater than 75,000, in addition to any appointments under subdivision (2) of this subsection.
- (4) One individual by the governing body of any county served by the district with a population greater than 200,000, in addition to any appointments under subdivision (1) of this subsection.
- (5) One individual by the governing body of a county in which a watershed serving the district board is located in a municipality not served by the district, upon recommendation of that municipality. The municipality shall provide to the governing body of the county a list of three names within 30 days of written request by the county, from which the county must select an appointee if the names are provided within 30 days of written request.
- (6) One individual by the governing body of any elected water and sewer district wholly contained within the boundaries of the district.

(b) Terms; Reappointment. – Terms shall be for three years. A member shall serve until a successor has been duly appointed and qualified.

(c) Vacancies; Removal. – If a vacancy shall occur on a district board, the governing body which appointed the vacating member shall appoint a new member who shall serve for the remainder of the unexpired term. Any member of a district board may be removed by the governing board that appointed that member.

(d) Oath of Office. – Each member of the district board, before entering upon the duties, shall take and subscribe an oath or affirmation to support the Constitution and laws of the United States and of this State and to discharge faithfully the duties of the office. A record of each such oath shall be

filed with the clerk or clerks of the governing boards appointing the members.

(e) Chair; Officers. – The district board shall elect one of its members as chairman and another as vice-chairman. The district board shall appoint a secretary and a treasurer who may, but need not, be members of the district board. The offices of secretary and treasurer may be combined. The district board may also appoint an assistant secretary and an assistant treasurer or, if the office is combined, an assistant secretary-treasurer who may, but need not, be members of the district board. The terms of office of the chairman, vice-chairman, secretary, treasurer, assistant secretary, and assistant treasurer shall be as provided in the bylaws of the district board.

(f) Meetings; Quorum. – The district board shall meet regularly at such places and dates as are determined by the district board. All meetings shall comply with Article 33C of Chapter 143 of the General Statutes. A majority of the members of the district board shall constitute a quorum, and the affirmative vote of a majority of the members of the district board present at any meeting thereof shall be necessary for any action taken by the district board. No vacancy in the membership of the district board shall impair the right of a quorum to exercise all the rights and perform all the duties of the district board. Each member, including the chairman, shall be entitled to vote on any question.

(g) Compensation. – The members of the district board may receive compensation in an amount to be determined by the district board but not to exceed that compensation paid to members of Occupational Licensing Boards as provided in G.S. 93B-5(a) for each meeting of the district board attended and for attendance at each regularly scheduled committee meeting of the district board. The members of the district board may also be reimbursed the amount of actual expenses incurred by that member in the performance of that member's duties.

"§ 162A-85.5. Powers generally.

(a) Each district shall be deemed to be a public body and body politic and corporate exercising public and essential governmental functions to provide for the preservation and promotion of the public health and welfare, and each district is hereby authorized and empowered to do all of the following:

- (1) To exercise any power of a Metropolitan Water District under Article 4 of this Chapter.
- (2) To exercise any power of a Metropolitan Sewerage District under Article 5 of this Chapter.
- (3) To do all acts and things necessary or convenient to carry out the powers granted by this Article.

(b) Each district shall keep its accounts on the basis of a fiscal year commencing on the first day of July and ending on the thirtieth day of June of the following year.

"§ 162A-85.7. Bonds and notes authorized.

A metropolitan water and sewerage district shall have power from time to time to issue bonds and notes under the Local Government Finance Act.

"§ 162A-85.9. Determination of tax rate by district board; levy, collection, and remittance of tax.

(a) After each assessment for taxes following the creation of the district, the board or boards of commissioners shall file with the district board the valuation of assessable property within the district. The district board shall then determine the amount of funds to be raised by taxation for the ensuing year in excess of available funds to provide for the payment of interest on and the principal of all outstanding general obligation bonds as the same shall become due and payable, to pay the cost of maintaining, repairing, and operating any water system and any sewerage system or systems, and to pay all obligations incurred by the district in the performance of its lawful undertakings and functions.

(b) The district board shall determine the number of cents per one hundred dollars (\$100.00) necessary to raise said amount and certify such rate to the board or boards of commissioners.

(c) The board or boards of commissioners shall include the number of cents per one hundred

dollars (\$100.00) certified by the district board in its next annual levy against all taxable property within the district, which tax shall be collected as other county taxes are collected, and every month the amount of tax so collected shall be remitted to the district board and deposited by the district board in a separate account in a bank in the State of North Carolina. Such levy may include an amount for reimbursing the county for the additional cost to the county of levying and collecting such taxes, pursuant to such formula as may be agreed upon by the district board and the board or boards of commissioners, to be deducted from the collections and stated with each remittance to the district board.

(d) The officer or officers having charge or custody of the funds of the district shall require said bank to furnish security for protection of such deposits as provided in G.S. 159-28 and G.S. 159-31.

"§ 162A-85.13. Rates and charges for services.

(a) The district board may fix, and may revise from time to time, rents, rates, fees, and other charges for the use of and for the services furnished or to be furnished by any water system or sewerage system. Such rents, rates, fees, and charges may not apply differing treatment within and outside the corporate limits of any city or county within the jurisdiction of the district board. Such rents, rates, fees, and charges shall not be subject to supervision or regulation by any bureau, board, commission, or other agency of the State or of any political subdivision.

(b) Any such rents, rates, fees, and charges pledged to the payment of revenue bonds of the district shall be fixed and revised so that the revenues of the water system or sewerage system, together with any other available funds, shall be sufficient at all times to pay the cost of maintaining, repairing, and operating the sewerage system, the revenues of which are pledged to the payment of such revenue bonds, including reserves for such purposes, and to pay the interest on and the principal of such revenue bonds as the same shall become due and payable and to provide reserves therefor. If any such rents, rates, fees, and charges are pledged to the payment of any general obligation bonds issued under this Article, such rents, rates, fees, and charges shall be fixed and revised so as to comply with the requirements of such pledge.

(c) The district board may provide methods for collection of such rents, rates, fees, and charges and measures for enforcement of collection thereof, including penalties and the denial or discontinuance of service.

"§ 162A-85.17. Rights-of-way and easements.

A right-of-way or easement in, along, or across any State highway system, road, or street, and along or across any city or town street within a district is hereby granted to a district in case such right-of-way is found by the district board to be necessary or convenient for carrying out any of the work of the district. Any work done in, along, or across any State highway system, road, street, or property shall be done in accordance with the rules and regulations and any reasonable requirements of the Department of Transportation, and any work done in, along, or across any municipal street or property shall be done in accordance with any reasonable requirements of the municipal governing body.

"§ 162A-85.19. Authority of governing bodies of political subdivisions.

(a) The governing body of any political subdivision is hereby authorized and empowered to do any of the following:

- (1) Subject to the approval of the Local Government Commission, to transfer jurisdiction over and to lease, lend, sell, grant, or convey to a district, upon such terms and conditions as the governing body of such political subdivision may agree upon with the district board, the whole or any part of any existing water system or systems or sewerage system or systems or such real or personal property as may be necessary or useful in connection with the acquisition, construction, reconstruction, improvement, extension, enlargement, equipment, repair, maintenance, or operation

- of any water system or sewerage system by the district, including public roads and other property already devoted to public use.
- (2) To make and enter into contracts or agreements with a district, upon such terms and conditions and for such periods as such governing body and the district board may determine for any of the following:
- a. For the collection, treatment, or disposal of sewage.
 - b. For the supply of raw or treated water on a regular retail or wholesale basis.
 - c. For the supply of raw or treated water on a standby wholesale basis.
 - d. For the construction of jointly financed facilities whose title shall be vested in the district.
 - e. For the collecting by such political subdivision or by the district of rents, rates, fees, or charges for the services and facilities provided to or for such political subdivision or its inhabitants by any water system or sewerage system and for the enforcement of collection of such rents, rates, fees, and charges.
 - f. For the imposition of penalties, including the shutting off of the supply of water furnished by any water system owned or operated by such political subdivision, in the event that the owner, tenant, or occupant of any premises utilizing such water shall fail to pay any such rents, rates, fees, or charges.
- (3) To fix and revise from time to time, rents, rates, fees, and other charges for the services furnished or to be furnished by a water system or sewerage system under any contract between the district and such political subdivision and to pledge all or any part of the proceeds of such rents, rates, fees, and charges to the payment of any obligation of such political subdivision to the district under such contract.
- (4) To pay any obligation of such political subdivision to the district under such contract from any available funds of the political subdivision and to levy and collect a tax ad valorem for the making of any such payment.
- (5) In its discretion or if required by law, to submit to its qualified electors under the election laws applicable to such political subdivision any contract or agreement which such governing body is authorized to make and enter into with the district under the provisions of this Article.

(b) Any such election upon a contract or agreement called under subsection (a) of this section may, at the discretion of the governing body, be called and held under the election laws applicable to the issuance of bonds by such political subdivision.

"§ 162A-85.21. Submission of preliminary plans to planning groups; cooperation with planning agencies.

(a) Prior to the time final plans are made for the location and construction of any water system or sewerage system, the district board shall present preliminary plans for such improvement to the county or municipal governing board for their consideration if such facility is to be located within the jurisdiction of any such county or municipality. The district board shall make every effort to cooperate with the county or municipality in the location and construction of a proposed facility authorized under this Article.

(b) Any district board created under the authority of this Article is hereby directed, wherever possible, to coordinate its plans for the construction of water system or sewerage system improvements with the overall plans for the development of the planning area if such district is located wholly or in part within a county or municipal planning area.

(c) The approval of any such plan of the district shall be required from the governing body of the county or municipality prior to the start of construction.

"§ 162A-85.25. Adoption and enforcement of ordinances.

(a) A district shall have the same power as a city under G.S. 160A-175 to assess civil fines and penalties for violation of its ordinances and may secure injunctions to further ensure compliance with its ordinances as provided by this section.

(b) An ordinance may provide that its violation shall subject the offender to a civil penalty of not more than one thousand dollars (\$1,000) to be recovered by the district in a civil action in the nature of debt if the offender does not pay the penalty within a prescribed period of time after he has been cited for violation of the ordinance. Any person assessed a civil penalty by the district shall be notified of the assessment by registered or certified mail, and the notice shall specify the reasons for the assessment. If the person assessed fails to pay the amount of the assessment to the district within 30 days after receipt of notice, or such longer period, not to exceed 180 days, as the district may specify, the district may institute a civil action in the General Court of Justice of the county in which the violation occurred or, in the discretion of the district, in the General Court of Justice of the county in which the person assessed has his or its principal place of business, to recover the amount of the assessment. The validity of the district's action may be appealed directly to General Court of Justice in the county in which the violation occurred or may be raised at any time in the action to recover the assessment. Neither failure to contest the district's action directly nor failure to raise the issue of validity in the action to recover an assessment precludes the other.

(c) An ordinance may provide that it may be enforced by an appropriate equitable remedy issuing from court of competent jurisdiction. In such case, the General Court of Justice shall have jurisdiction to issue such orders as may be appropriate, and it shall not be a defense to the application of the district for equitable relief that there is an adequate remedy at law.

(d) Subject to the express terms of an ordinance, a district ordinance may be enforced by any one, all, or a combination of the remedies authorized and prescribed by this section.

(e) An ordinance may provide, when appropriate, that each day's continuing violation shall be a separate and distinct offense.

"§ 162A-85.29. No privatization.

The district board may not in any way privatize the provision of water or sewer to the customers of the district unless related to administrative matters only."

SECTION 3. G.S. 159-44(4) reads as rewritten:

"(4) "Unit," "unit of local government," or "local government" means counties; cities, towns, and incorporated villages; consolidated city-counties, as defined by G.S. 160B-2(1); sanitary districts; mosquito control districts; hospital districts; merged school administrative units described in G.S. 115C-513; metropolitan sewerage districts; metropolitan water districts; metropolitan water and sewerage districts; county water and sewer districts; regional public transportation authorities; and special airport districts."

SECTION 4. G.S. 159-48(e) reads as rewritten:

"(e) Each sanitary district, mosquito control district, hospital district, merged school administrative unit described in G.S. 115C-513; metropolitan sewerage district, metropolitan water district, metropolitan water and sewerage district, county water and sewer district, regional public transportation authority and special airport district is authorized to borrow money and issue its bonds under this Article in evidence thereof for the purpose of paying any capital costs of any one or more of the purposes for which it is authorized, by general laws uniformly applicable throughout the State, to raise or appropriate money, except for current expenses."

SECTION 5. G.S. 159-81(1) reads as rewritten:

"(1) "Municipality" means a county, city, town, incorporated village, sanitary district, metropolitan sewerage district, metropolitan water district, metropolitan water and sewerage district, county water and sewer district, water and sewer authority,

hospital authority, hospital district, parking authority, special airport district, special district created under Article 43 of Chapter 105 of the General Statutes, regional public transportation authority, regional transportation authority, regional natural gas district, regional sports authority, airport authority, joint agency created pursuant to Part 1 of Article 20 of Chapter 160A of the General Statutes, a joint agency authorized by agreement between two cities to operate an airport pursuant to G.S. 63-56, and the North Carolina Turnpike Authority described in Article 6H of Chapter 136 of the General Statutes and transferred to the Department of Transportation pursuant to G.S. 136-89.182(b), but not any other forms of State or local government."

SECTION 6. This act is effective May 15, 2013, and the Metropolitan Water and Sewer District in Section 1 of this act shall be created by operation of law.

CONSOLIDATED MOTION AGENDA

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: April 17, 2013

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

PREPARED BY: Kevin Johnson

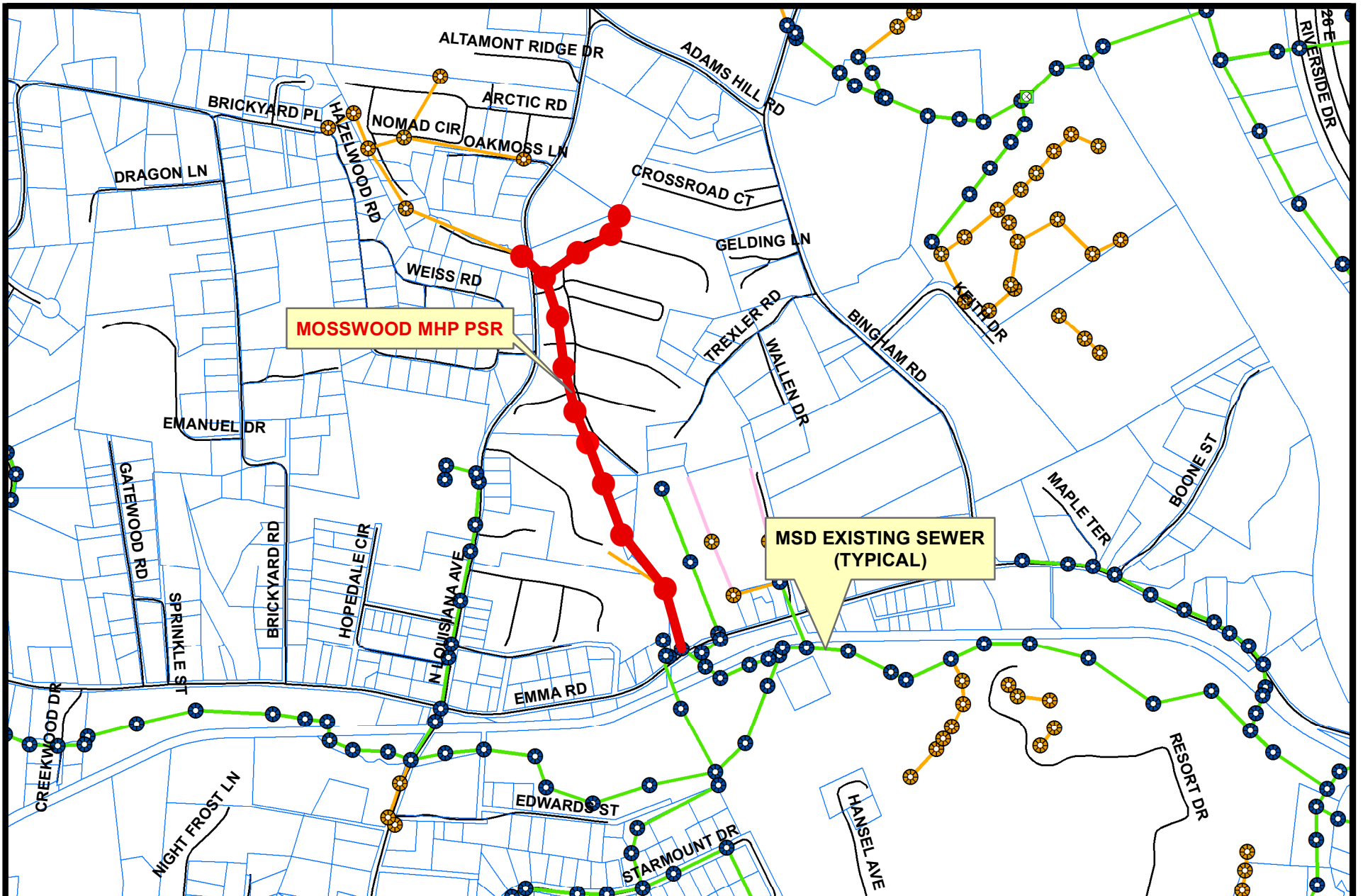
REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for The Mosswood Mobile Home Park.

BACKGROUND: The Mosswood Mobile Home Park sewer system was built in the early 1980's by Alan Moss and Jerry Bowers (Mr. Bowers sold his interest to Mr. Moss some time ago) to serve a 131 unit Mobile Home Park and is in the Emma area of Buncombe County and outside the District Boundary. The system had been maintained and operated as a private system. The system was subsequently extended by others across Louisiana Avenue and there were persistent sewer leaks at Louisiana Avenue. NCDENR asked MSD to be responsible for maintaining the section within Louisiana Avenue. Mr. Moss was agreeable to quit the sewer system maintenance and further agreed to transfer the system. Mr. Moss had the system he owned inspected by TV and made repairs and subsequently conveyed the system to the District. This system includes approximately 2,675 linear feet of gravity sewer. The approximate value of this system is \$ 133,750.00.

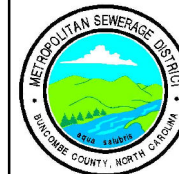
STAFF RECOMMENDATION: Acceptance of developer constructed sewer system.
(All MSD requirements have been met)

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:	Approve	Disapprove
Second by:		Table	Send back to staff
Other:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>			



Project No. 2010057

NOT TO SCALE



METROPOLITAN SEWERAGE DISTRICT
of
BUNCOMBE COUNTY, NORTH CAROLINA

Mosswood MHP PSR

**Metropolitan Sewerage District of Buncombe County
BOARD INFORMATIONAL ITEM**

Meeting Date: April 17, 2013
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, CLGFO, Director of Finance
Subject: UNC Environmental Finance Center
FY2012 Financial Performance Benchmarks

Background

On March 15, 2013 the University of North Carolina Environmental Finance Center announced their 2013 Water and Wastewater Rate Dashboard update. The dashboard provides a quick comparison of the District to other utilities on rates. Additionally, the dashboard includes a performance benchmark tab. This tab provides seven financial indicators using data collected and provided by the Local Government Commission.

The aforementioned financial indicators assessed the financial condition of 507 North Carolina water and wastewater utilities. They analyzed liquidity (the ability to meet short-term obligations), debt service (the ability to meet long-term obligations), operations (the ability to address day-to-day obligations), and condition of physical assets (the ability to determine future replacement or rehabilitation of infrastructure) to determine if there are current and/or future economic concerns of the surveyed utilities.

Discussion

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

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

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

Meeting Date: April 17, 2013
Subject: UNC Environmental Finance Center
FY2012 Financial Performance Benchmarks

Page 2

operating costs, infrastructure needs, meet all regulatory permit requirements, and debt service with minimal, uniform rate increases.

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

Staff Recommendation

None. Information only.

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

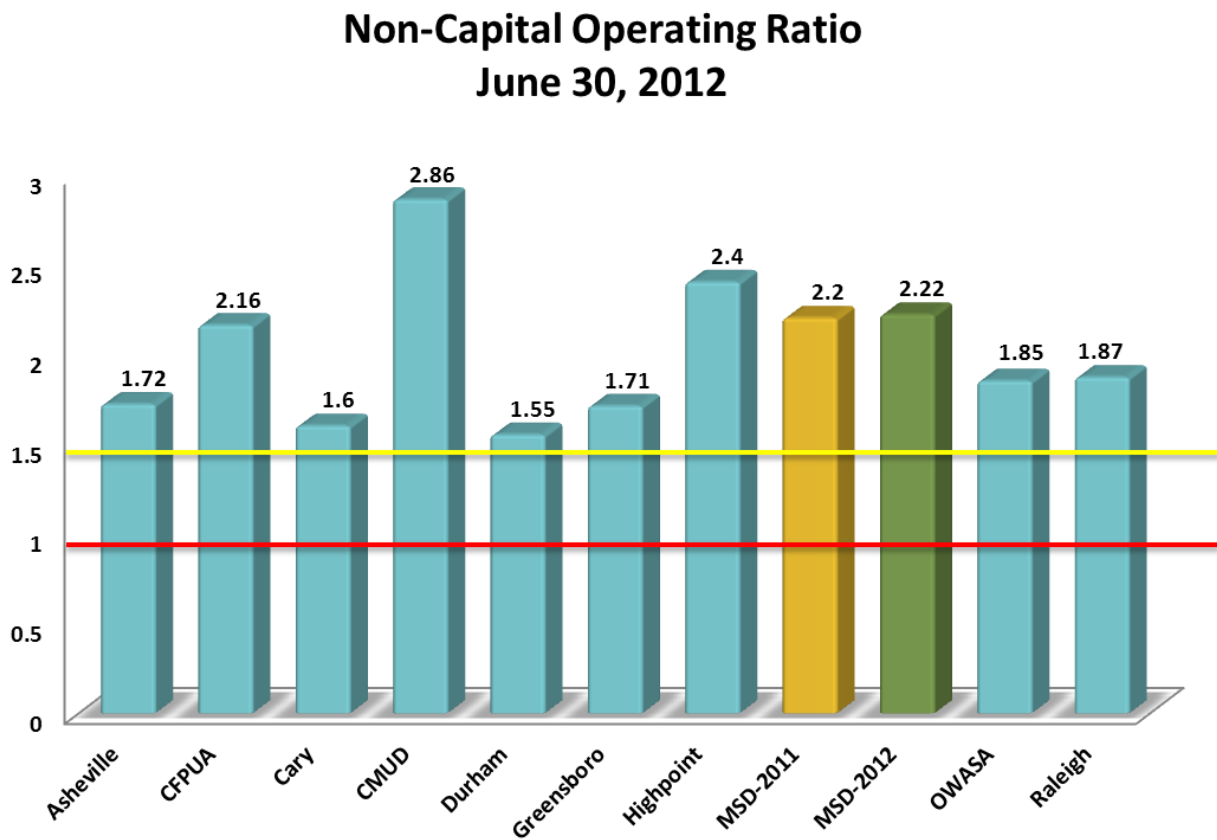
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FY2012 Financial Performance Benchmarks

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Financial Performance Benchmarks

Non-Capital Operating Ratio:

This non-capital operating ratio measures the ability to cover day-to-day expenditures, excluding depreciation, using operating revenues. A ratio of less than one indicates that revenues were insufficient to cover the utility's day-to-day expenditures, let alone debt service or future capital expenses. In general, this ratio should be significantly higher than 1.0 to accommodate capital investments.



Among 397 utilities, 89% had a ratio ≥ 1 , and 31% had a ratio > 1.5

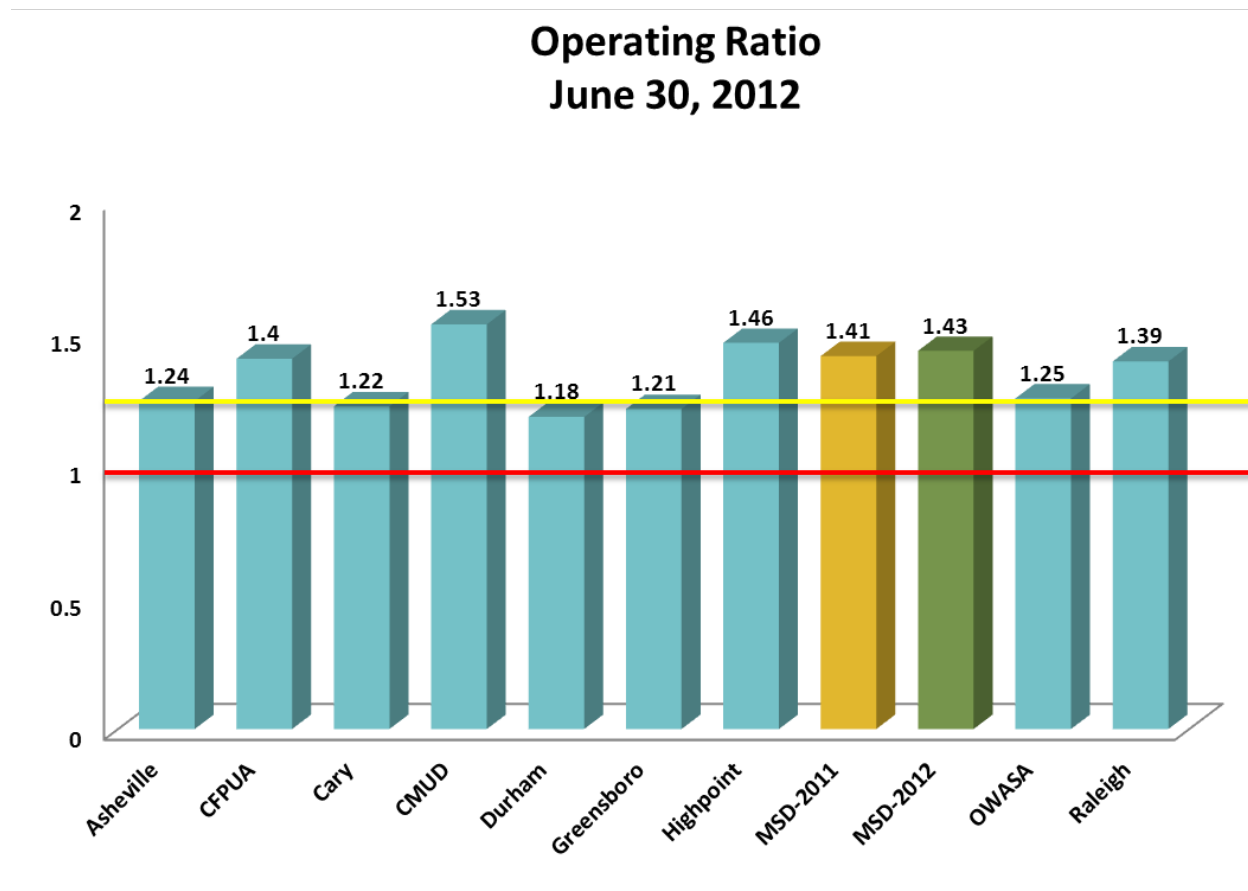
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FY2012 Financial Performance Benchmarks

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Financial Performance Benchmarks

Operating Ratio:

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



Among 397 utilities, 54% had a ratio ≥ 1 , and 23% had a ratio ≥ 1.2

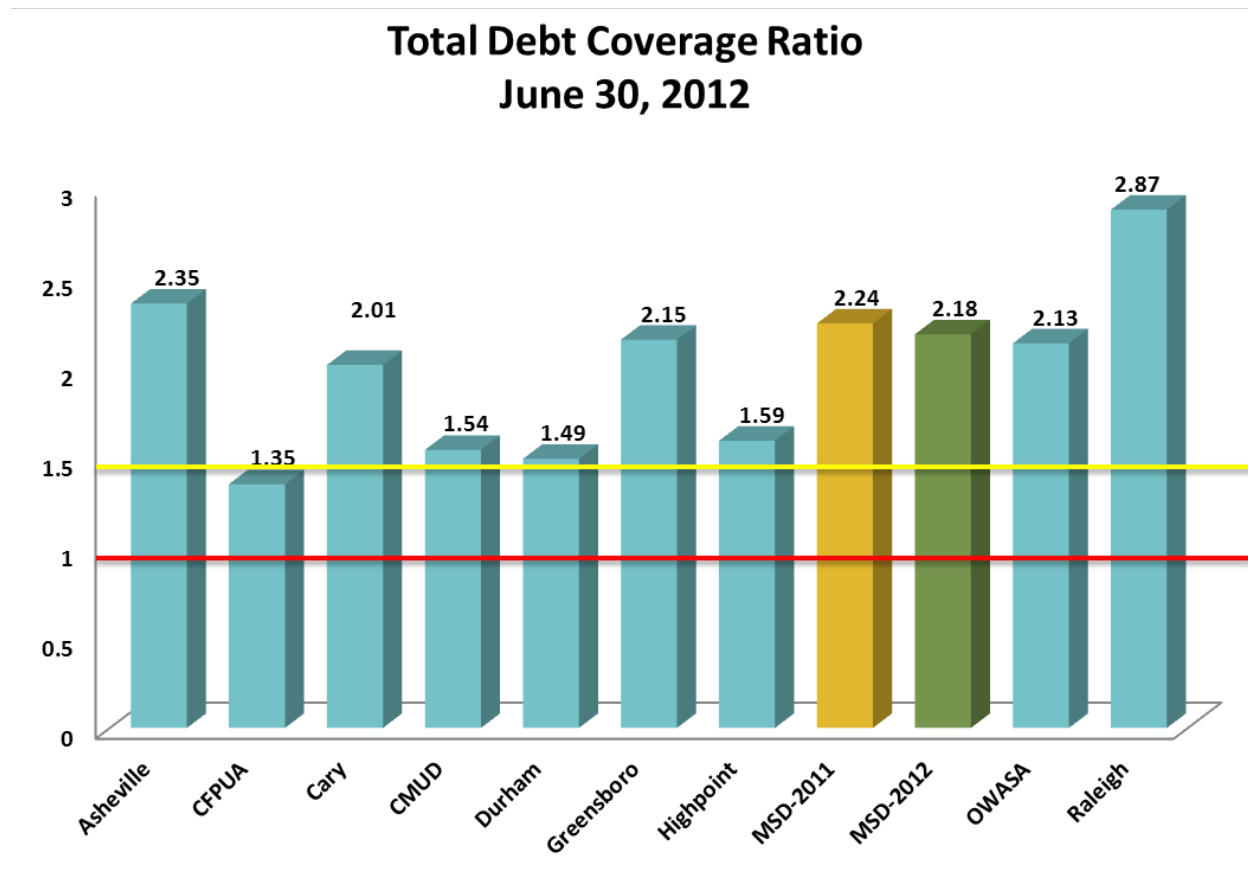
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FY2012 Financial Performance Benchmarks

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Financial Performance Benchmarks

Total Debt Coverage Ratio:

Total Debt Coverage Ratio measures the ability to pay for debt service and day-to-day expenditures using operating revenues. A ratio of less than 1.0 indicates that revenue were insufficient to cover the utility's day-to-day expenditures and payments on principal and interest on existing long term debt, and the utility runs the risk of going into default. A negative ratio indicates that operating revenues were less than day-to-day expenditures alone, forcing the utility to look to non-operating revenues to cover the difference and their debt payments. In general, this ratio should be higher than 1.0 in order to also set money aside for future capital investments, and the 2008 Drought Bill requires that utilities achieve a ratio greater than 1.0 in order to be eligible for state grants and loans.



Among 331 utilities with long-term debt, 72% had a ratio ≥ 1 , and 62% had a ratio ≥ 1.5

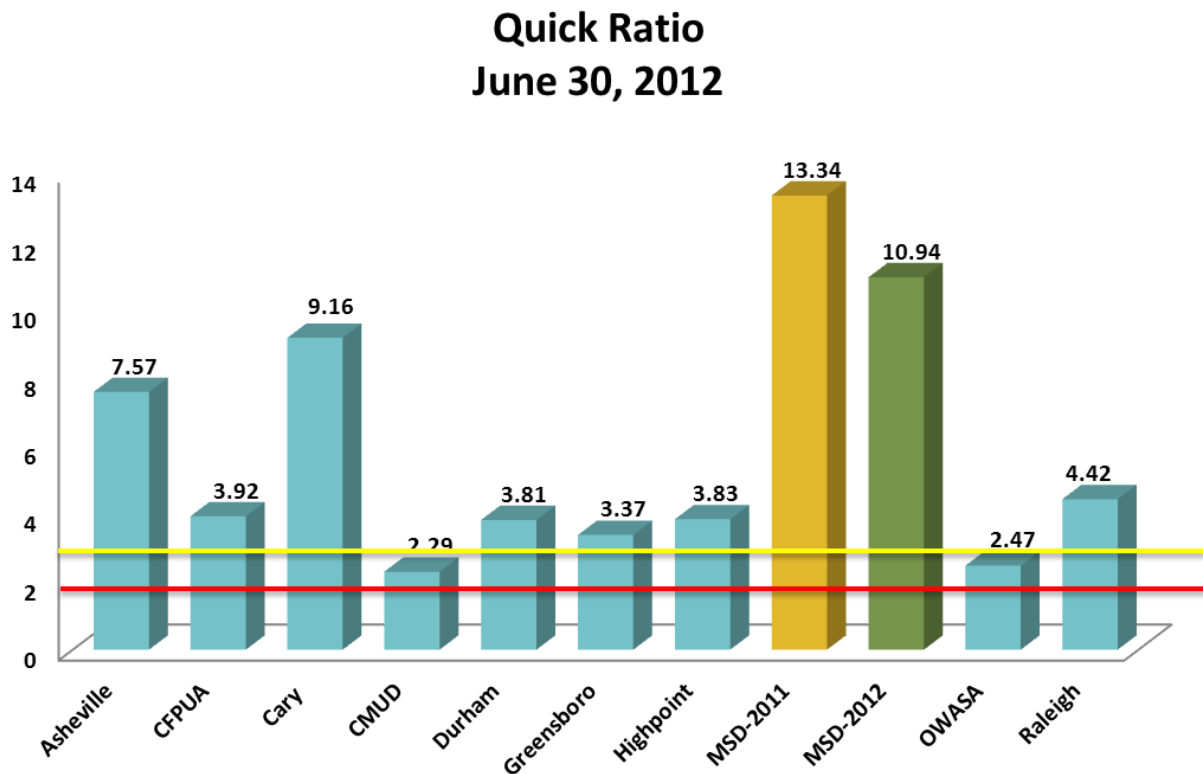
Meeting Date: April 17, 2013
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FY2012 Financial Performance Benchmarks

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Financial Performance Benchmarks

Quick Ratio:

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



Among 394 utilities, 76% had a ratio ≥ 2 , and 65% had a ratio ≥ 3 .

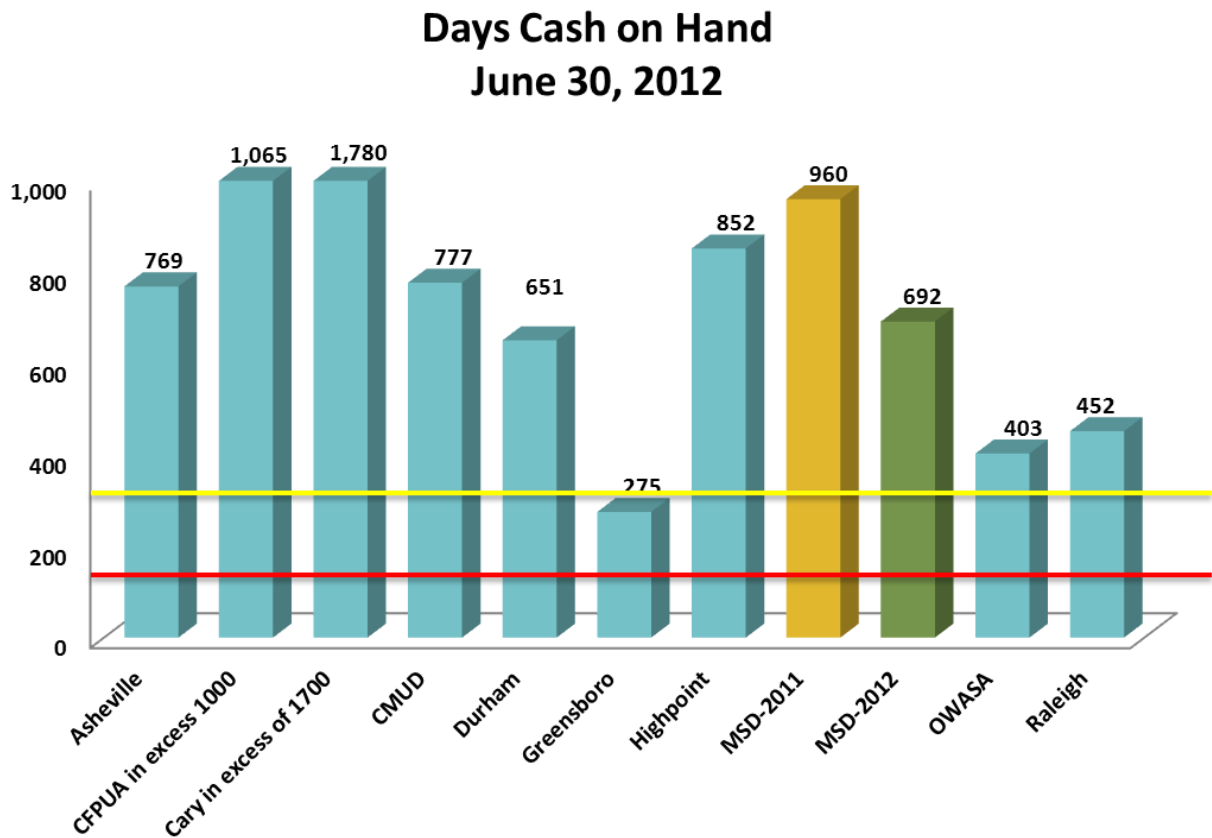
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FY2012 Financial Performance Benchmarks

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Financial Performance Benchmarks

Days Cash on Hand:

Days Cash on Hand measures the level of unrestricted cash (reserves) your utility maintains relative to day-to-day expenditures. In sum, this estimates the number of days your utility can pay its daily expenditures with no revenue coming in. There are no natural benchmarks for this indicator although the higher the number, the more protected your utility is against revenue shocks. Generally, a utility should aim to maintain several months' worth of cash on hand. AA-rated utilities and beyond maintain over one year's worth of days cash on hand.



Among 387 utilities, 75% had a ratio >180 days of cash on hand, and 52% had >365 days of cash on hand.

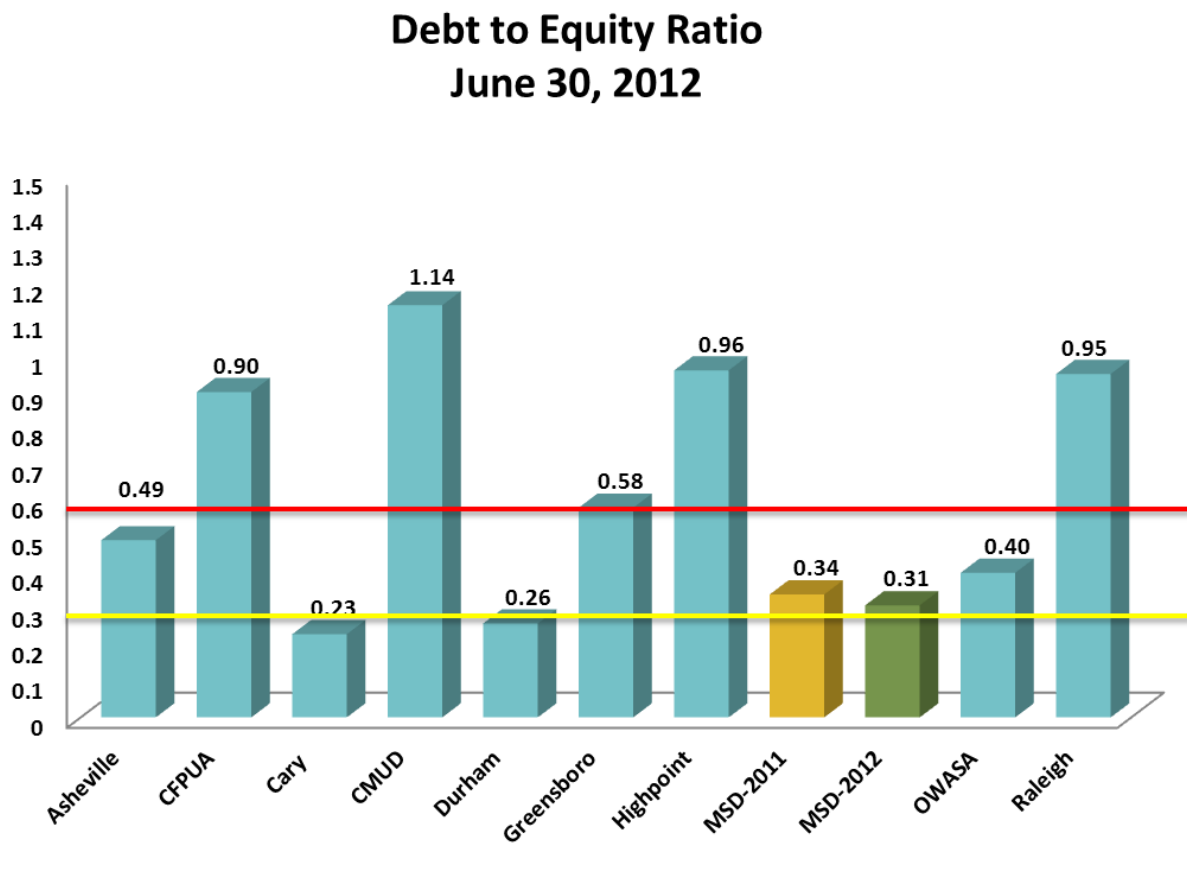
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FY2012 Financial Performance Benchmarks

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Financial Performance Benchmarks

Debt to Equity Ratio:

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



Among 397 utilities, 62% had a ratio lower than 0.3, and 94% had a ratio lower than 0.6.

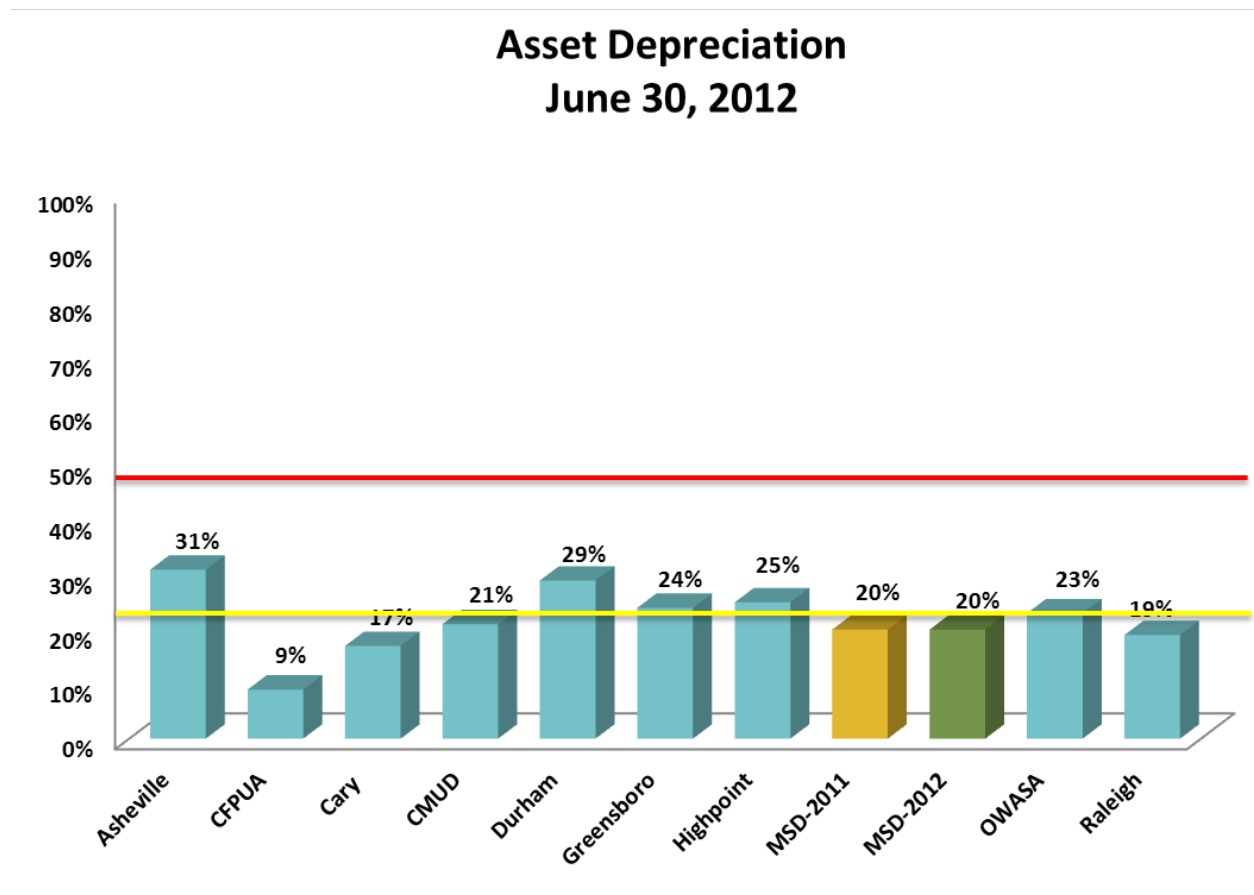
Meeting Date: April 17, 2013
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FY2012 Financial Performance Benchmarks

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Financial Performance Benchmarks

Asset Depreciation:

This indicator of infrastructure condition estimates the portion of the average expected life of the utility's physical assets that have already passed. As this ratio approaches 100%, the capital assets become fully depreciated, and infrastructure needs replacement or rehabilitation. The accuracy of this indicator relies heavily on the accuracy of the depreciation schedule, and historic pricing likely distorts this indicator (newer utilities may be slightly disadvantaged as a result).



Among 396 utilities, 42% have used up less than a quarter of their assets' expected life, and 100% used up less than half of their expected life.

Source: UNC Environmental Finance Center

Metropolitan Sewerage District of Buncombe County

BOARD INFORMATIONAL ITEM

Meeting Date: April 17, 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 February 28, 2013

Background

Each month, staff presents to the Board an investment report for all monies in bank accounts and specific investment instruments. The total investments as of February 28, 2013 were \$29,944,984. The detailed listing of accounts is available upon request. The average rate of return for all investments is 1.890%. These investments comply with North Carolina General Statutes, Board written investment policies, and the District's Bond Order.

The attached investment report represents cash and cash equivalents as of February 28, 2013 do not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of February 28, 2013 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is \$1,795,138.

Total Cash & Investments as of 02/28/2013		29,944,984
Less:		
Budgeted Commitments (Required to pay remaining FY13 budgeted expenditures from unrestricted cash)		
Construction Funds	(9,128,158)	
Operations & Maintenance Fund	<u>(5,804,388)</u>	
		(14,932,546)
Bond Restricted Funds		
Bond Service (Funds held by trustee):		
Funds in Principal & Interest Accounts	(18,916)	
Debt Service Reserve	(2,691,153)	
Remaining Principal & Interest Due	<u>(5,857,865)</u>	
		(8,567,934)
District Reserve Funds		
Fleet Replacement	(507,971)	
WWTP Replacement	(540,062)	
Maintenance Reserve	<u>(912,994)</u>	
		(1,961,027)
District Insurance Funds		
General Liability	(302,952)	
Worker's Compensation	(294,298)	
Post-Retirement Benefit	(991,605)	
Self-Funded Employee Medical	<u>(1,099,484)</u>	
		(2,688,339)
Designated for Capital Outlay		<u><u>1,795,138</u></u>

Staff Recommendation

None. Information Only.

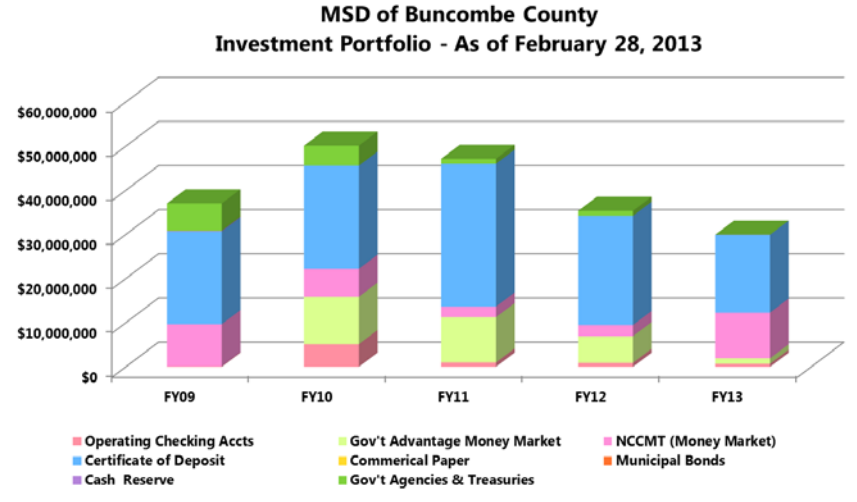
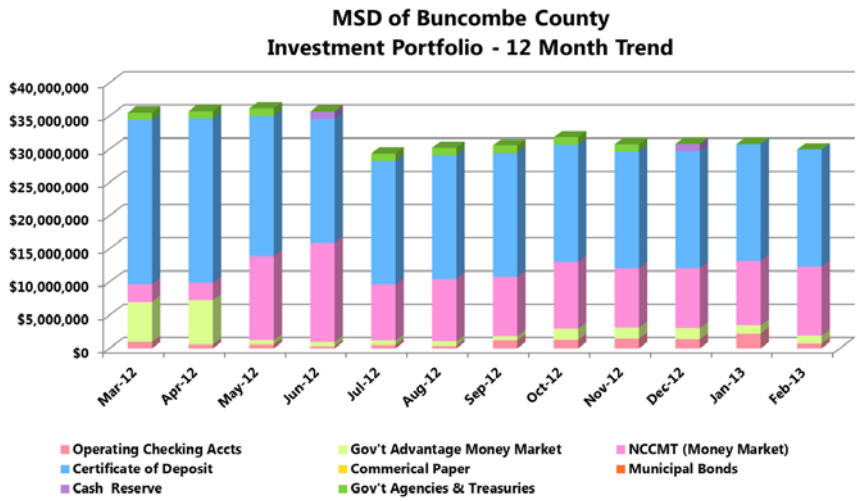
Action Taken

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

Metropolitan Sewerage District of Buncombe County Investment Portfolio

	Operating Checking Accounts	Gov't Advantage Money Market	NCCMT (Money Market)	Certificate of Deposit	Commercial Paper	Municipal Bonds	Cash Reserve	Gov't Agencies & Treasuries	Total
Held with Bond Trustee	\$ -	\$ -	\$ 14,507	\$ -	\$ -	\$ -	\$ 4,408	\$ -	\$ 18,915
Held by MSD	707,724	1,229,322	10,340,002	17,649,021	-	-	-	-	29,926,069
	\$ 707,724	\$ 1,229,322	\$ 10,354,509	\$ 17,649,021	\$ -	\$ -	\$ 4,408	\$ -	\$ 29,944,984

<u>Investment Policy Asset Allocation</u>	<u>Maximum Percent</u>	<u>Actual Percent</u>	
U.S. Government Treasuries, Agencies and Instrumentalities	100%	0.01%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	58.94%	The District 's YTM of .66% is exceeding the YTM benchmarks of the 6 month T-Bill and NCCMT Cash Portfolio.
Commercial Paper	20%	0.00%	
North Carolina Capital Management Tru:	100%	34.58%	
Checking Accounts:	100%		All funds invested in CD's, operating checking accounts, Gov't Advantage money market are fully collateralized with the State Treasurer.
Operating Checking Accounts		2.36%	
Gov't Advantage Money Market		4.11%	



Board Meeting: April 17, 2013

Subject: Cash Commitment/Investment Report-Month Ended February 28, 2013

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**METROPOLITAN SEWERAGE DISTRICT
INVESTMENT MANAGERS' REPORT
AT February 28, 2013**

Summary of Asset Transactions

	Original Cost	Market	Interest Receivable
Beginning Balance	\$ 24,775,191	\$ 24,775,191	\$ 373,768
Capital Contributed (Withdrawn)	624,226	624,226	
Realized Income	57,550	57,550	(57,021)
Unrealized/Accrued Income		-	14,186
Ending Balance	\$ 25,456,967	\$ 25,456,967	\$ 330,933

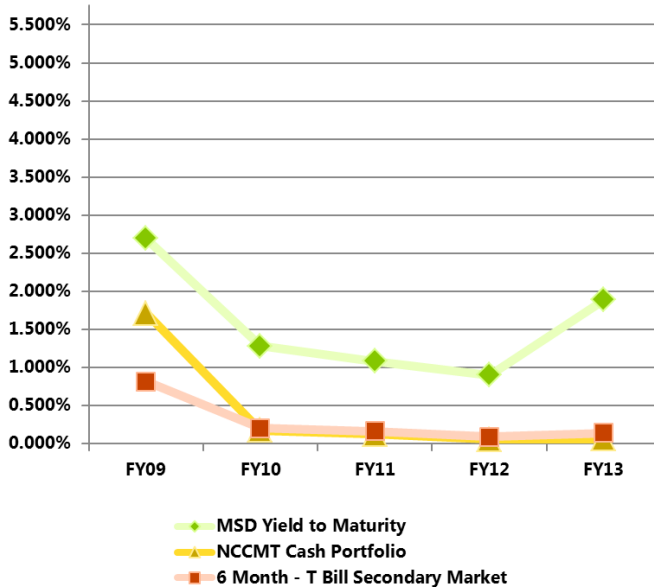
Value and Income by Maturity

	Original Cost	Income
Cash Equivalents <91 Days	\$ 7,807,946	\$ 4,513
Securities/CD's 91 to 365 Days	17,649,021	\$ 10,202
Securities/CD's > 1 Year	-	\$ -
	\$ 25,456,967	\$ 14,715

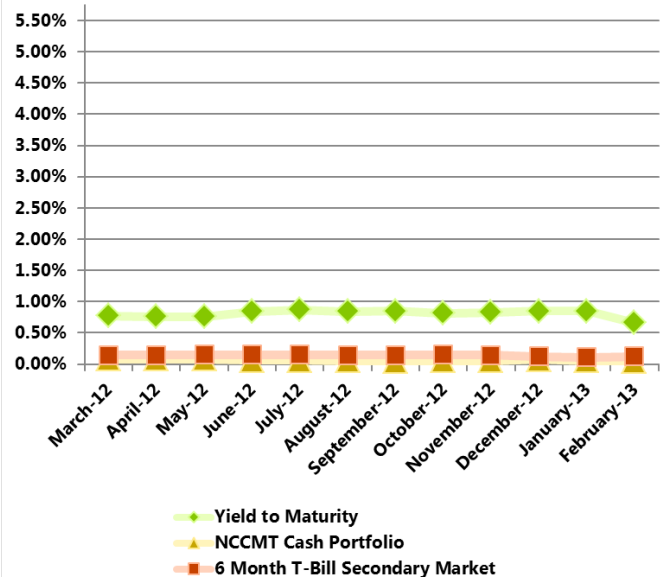
Month End Portfolio Information

Weighted Average Maturity	340
Yield to Maturity	0.66%
6 Month T-Bill Secondary Market	0.12%
NCCMT Cash Portfolio	0.04%

**Metropolitan Sewerage District
Annual Yield Comparison**

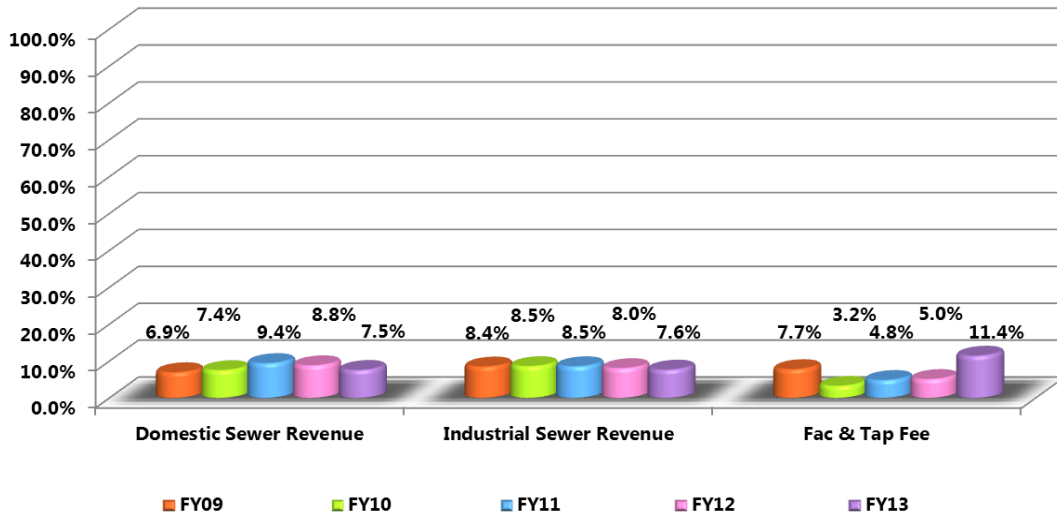


**Metropolitan Sewerage District
Yield Comparison - February 28, 2013**



**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF CASH RECEIPTS
AS OF February 28, 2013**

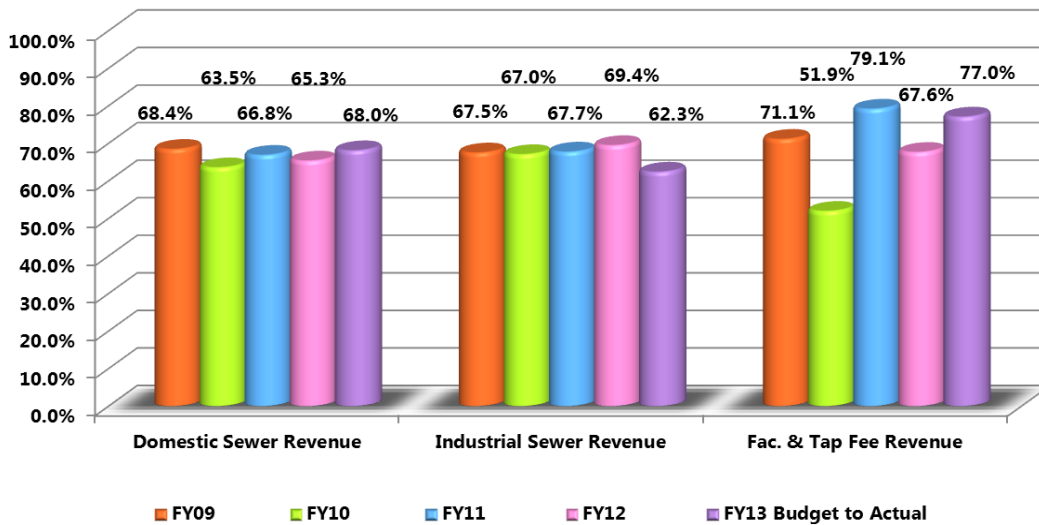
Monthly Cash Receipts Analysis



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.

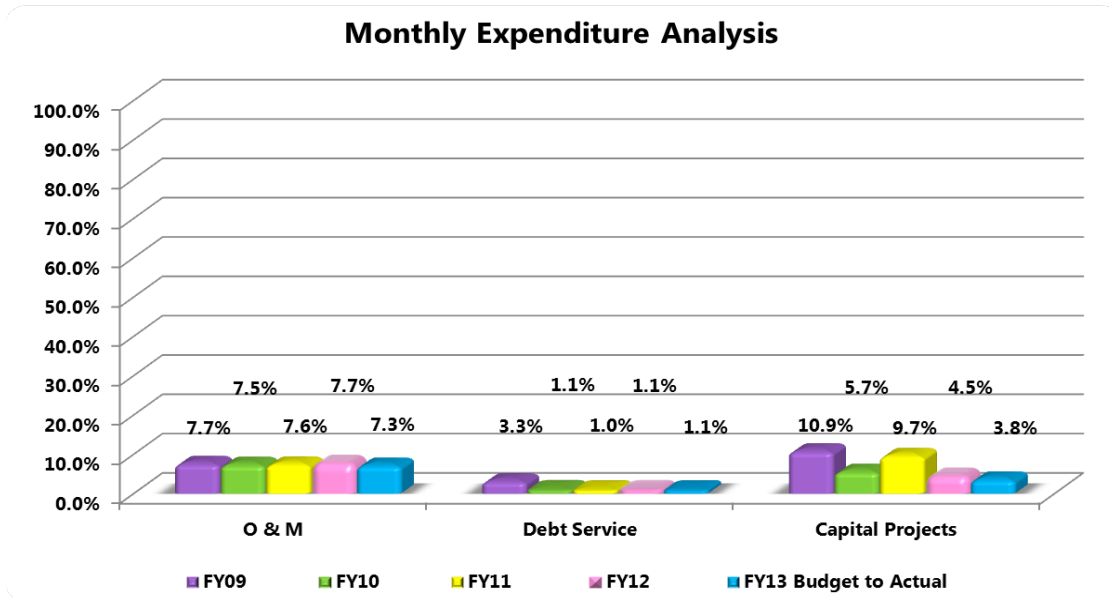
YTD Cash Receipt Analysis



YTD Actual Revenue Analysis:

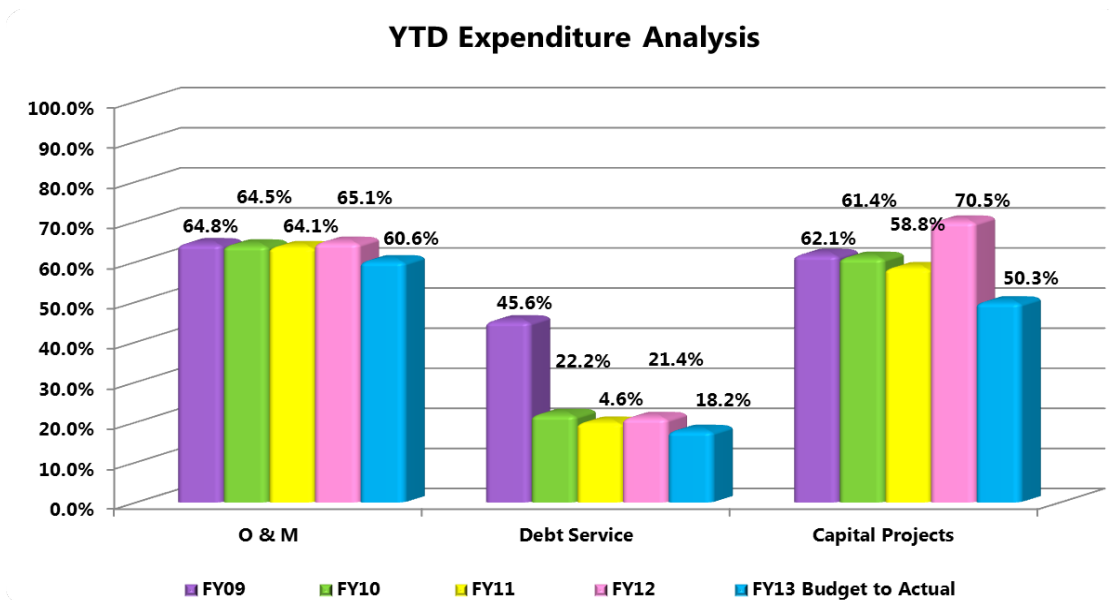
- ☼ YTD domestic sewer revenue is considered reasonable based on historical trends.
- ☼ YTD industrial sewer revenue is considered reasonable based on historical trends.
- ☼ Due to the unpredictable nature of facility and tap fee revenue, staff considers facility and tap fee revenue reasonable.

**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF EXPENDITURES
AS OF FEBRUARY 28, 2013**



Monthly Expenditure Analysis:

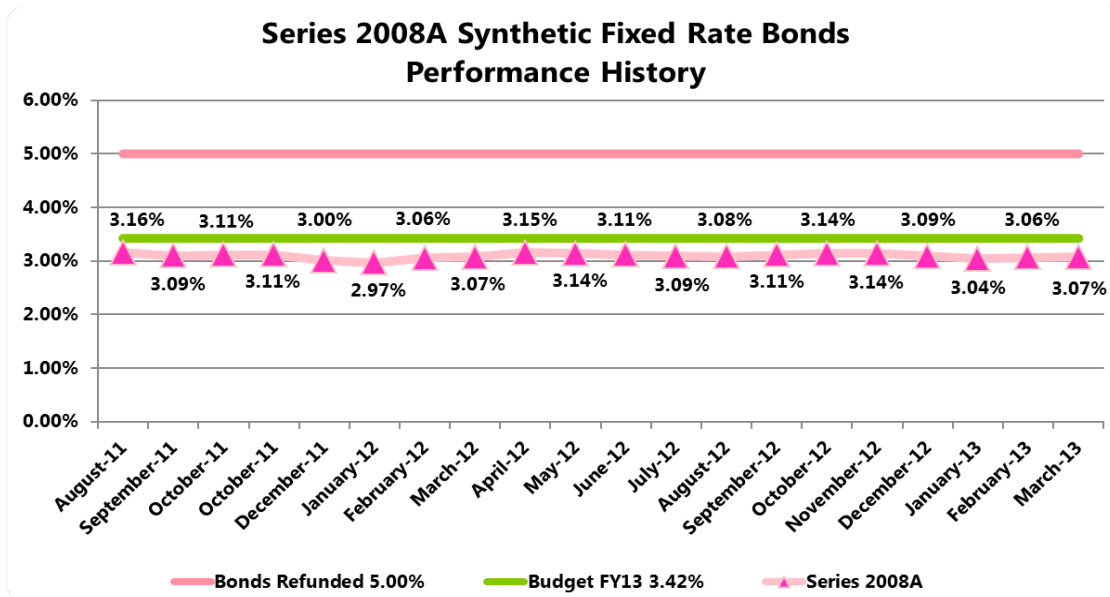
- Monthly O&M expenditures are considered reasonable based on historical trends and timing of expenditures in the current year.
- Due to the nature of the variable rate bond market, monthly expenditures can vary year to year. Based on current variable interest rates, monthly debt service expenditures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

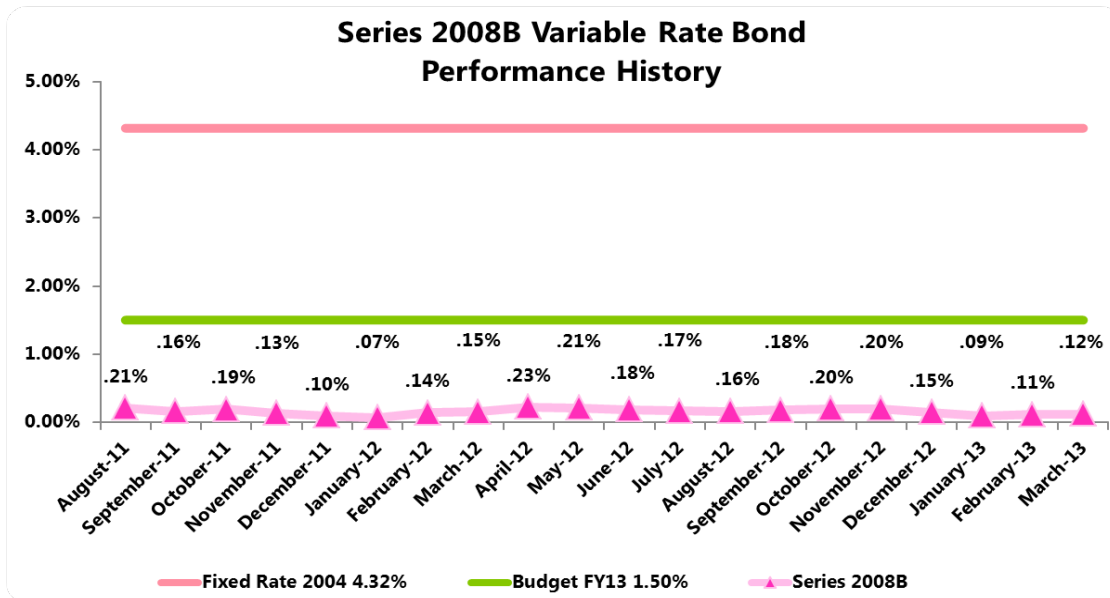
- YTD O&M expenditures are considered reasonable based on historical trends.
- Due to the nature of the variable rate bond market, YTD expenditures can vary year to year. Based on current variable interest rates, YTD debt service expenditures are considered reasonable.
- Due to nature and timing of capital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

**METROPOLITAN SEWERAGE DISTRICT
Variable Debt Service Report
As of February 28, 2013**



Series 2008A:

- Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$2,685,687 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 \$5,857,000 to terminate the existing Bank of America Swap Agreement.



Series 2008B:

- Savings to date on the 2008B Variable Rate Bonds is \$3,823,885 as compared to 5/1 fixed rate of 4.32%.
- Since May 1, 2008, the Series 2008B Bonds average variable rate has been 0.50%.
- MSD will achieve \$9,100,000 in cash savings over the life of the bonds at the current average variable rate.

STATUS REPORTS

CAPITAL IMPROVEMENT PROGRAM

STATUS REPORT SUMMARY

April 10, 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	6/1/2013	\$770,098.50	68%	Boring Contractor is working on Sweeten Creek / Norfolk Southern bore. Due to rock and existing utility conflicts, bore has been very difficult. Progress is extremely slow due to this. All mainline construction below the bore to the beginning of the project is complete.
MOORE CIRCLE (PRP 45001)	Bryant's Land & Development	2/20/2013	3/18/2013	7/16/2013	\$240,640.58	0%	Contractor has cleared and is getting ready to start construction. Depth of construction and conflicts with existing utilities along Old U.S. 70 will pose difficulties.
PIPE RATING CONTRACT #7 (LINING)	Southeast Pipe Survey, Inc.	12/12/2012	1/14/2013	6/15/2013	\$798,778.61	15%	95% of pre-lining repairs including manhole replacement are complete. Lining has not begun yet.
SCENIC VIEW DRIVE (PRP 29020)	Carolina Specialties	9/19/2012	10/29/2012	4/1/2013	\$249,450.00	95%	Contractor has completed binder and restoration. Final paving will be done when COA completes their waterline project.
SHORT COXE AVENUE AT SOUTHSIDE AVENUE	Cana Construction	7/18/2012	9/4/2012	7/1/2013	\$888,998.01	70%	Contractor is doing night work this week in Biltmore Avenue.
WRF - CRAGGY HYDRO FACILITY REPAIRS - CONTROL COMPONENTS UPGRADE	Innovative Solutions of NC	7/12/2012	N/A	5/31/2013	\$100,717.72	70%	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	75%	Project is going very well. New switchgear is in place and operational. Paving is complete and new generator testing is scheduled for mid April.
WRF - PAVING IMPROVEMENTS	Trace and Company	2/27/2013	N/A	5/31/2013	\$ 119,985.00	0%	Project will install and repair pavement at various areas within Treatment Plant property. Work is scheduled to begin late April and will take about two weeks.

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

Planning and Development Projects Status Report

April 8, 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
	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
	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
	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
	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
	Carolina Truck and Body (Cooper)	2012075	Asheville	Comm.	298	10/30/2012	Complete-Waiting on final documents
	Ridgefield Business Park	2004188	Asheville	18	758	2/16/2005	Complete-Waiting on final documents
	Subtotal			972	22,621		

Planning and Development Projects Status Report
April 8, 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
	Bradley Street - Phase II	2013031	Asheville	12	194	2/14/2013	Pre-con held, ready for construction
	Myers Project	2013007	Asheville	5	147	2/14/2013	Ready for final inspection
	Goldmont St	2012087	Black Mtn.	6	91	1/11/2013	Ready for final inspection
				Subtotal	2304	68,746	
				Total Units:	3,276		
				Total LF:	91,367		