

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
FEBRUARY 19, 2014**

**1. Call to Order and Roll Call:**

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, January 19, 2014. Chairman VeHaun presided with the following members present: Ashley, Belcher, Bryson, Frost, Kelly, Manheimer, Pelly, Root, Stanley and Watts. Mr. Russell was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, P.E., Joseph Martin with Woodfin Sanitary Water & Sewer District, Jesse Farthing, Haley Benton and MSD staff, Ed Bradford, Scott Powell, Peter Weed, Mike Stamey, Ken Stines, Matthew Walter, Jim Hemphill, Angel Banks, Julie Willingham and Sondra Honeycutt.

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

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

**3. Approval of Minutes of the January 15, 2014 Board Meeting:**

Mr. VeHaun asked if there were any changes to the Minutes of the January 15, 2014 Board Meeting. With no changes, Mr. Watts moved for approval of the minutes as presented. Mr. Stanley seconded the motion. Voice vote was unanimous in favor of the motion.

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

None

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

Mr. VeHaun welcomed Mr. Martin, Mr. Farthing and Ms. Benton. There was no public comment. Mr. VeHaun reported the North Carolina Super Lawyers 2014 edition recently named Mr. Clarke a "Super Lawyer". He expressed his congratulations to Mr. Clarke for this recognition.

**6. Report of the General Manager:**

Mr. Hartye reported that MSD intends to issue Bonds this spring to finance approximately \$30 million of the District's Capital Improvement Program (CIP). The CIP currently consists of \$160 million of improvements to the collection system and the treatment plant over the next 10 years. An update to the Facilities Plan for the treatment plant will identify additional improvements to keep pace with new regulations and aging of the RBC's. He further reported the Finance Committee met on February 5<sup>th</sup> to pick a Co-manager for underwriting services and the Board agenda includes a resolution to authorize the filing of an application to the LGC to issue the bonds. A calendar for the issuance can be found on page 78 of the Board document.

Mr. Hartye reported that MSD conducted an Operators Certification school for the State Association (NCAWWA/WEA) at MSD January 28 through the 31<sup>st</sup>. Staff took extra time over and above their usual duties to put together this education opportunity to increase the knowledge and skills of its personnel as well as supporting the viability of the State Association and the water/wastewater industry as a whole. He expressed thanks to Lisa Tolley, Mark Schuman, Ken Stines, Mike Stamey, Jason Capizzi, Michael Ball, Lloyd Anders, Darin Prosser, Eric Dawson, Tim Coates, Roger Edwards, Wayne Tipton, Jon Van Hoff, Sandra Moore, Dan Waugh and Shaun Armistead.

Mr. Hartye reported that an alert operator smelled a natural gas leak at the plant and PSNC personnel responded and assisted MSD in tracking down the leak and rerouting an internal gas line. He stated PSNC went above and beyond with their help; signifying their gratitude for the help MSD recently gave them.

Mr. Hartye reported that once again, MSD received the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). He expressed thanks to the great effort put forth by Teresa Gilbert and Scott Powell.

Mr. Hartye reported the next regular Board Meeting will be March 19<sup>th</sup> at 2 p.m. The next Right of Way Committee meeting will be held at 9 a.m. on February 26<sup>th</sup>.

**7. Committee Reports:**

**Finance Committee**

Mr. Kelly reported the Finance Committee met February 5, 2014 to consider several staff recommendations. He called on Mr. Powell for a report. Mr. Powell reported that a review of the Second Quarter Budget to Actual was given. As of the end of December MSD is in line with the budget, both on an expenditure and revenue perspective. Other items discussed at the Finance Committee involve recommendations to the full Board as part of the Consolidated Motion Agenda.

**8. Consolidated Motion Agenda:**

**a. Consideration of Developer Constructed Sewer Systems: Lutheridge Phase 1 Sewer Extension Project, Pisgah Manor Skilled Nursing Sewer Extension Project, and Thunderland Circle Sewer Extension Project:**

Mr. Hartye reported the Lutheridge Phase 1 Sewer Extension Project is located inside the District boundary off Airport Road in Buncombe County. The project included replacing approximately 325 linear feet of 6-inch private sewer with 8-inch public gravity sewer serving an existing residential/commercial development.

Mr. Hartye reported the Pisgah Manor Skilled Nursing Sewer Extension Project is located outside the District boundary off Holcombe Cove Road in Buncombe County. The project included the installation of approximately 128 linear feet of 8-inch gravity sewer to serve a retirement home.

Mr. Hartye reported the Thunderland Circle Sewer Extension Project is located outside the District boundary at the intersection of Clayton Road and Long Shoals Road in Buncombe County. The project included the installation of approximately 460 linear feet of 8-inch gravity sewer to serve a commercial development.

Staff recommends acceptance of the developer constructed sewer systems. All MSD requirements have been met.

**b. Consideration of Bids for Sanitary Sewer Rehabilitation Project – Forest Ridge Road:**

Mr. Hartye reported this project is for the replacement of an aged clay and PVC sewer line, located in South Asheville near Sweeten Creek Road & Rock Hill Road. The project is comprised of 2,842 linear feet of 8-inch DIP. The contract was advertised and the following bids were received on January 30, 2014: Moorehead Construction Co., with a total bid of \$737,733.00; Buckeye Bridge, LLC with a total bid of \$736,136.50; Terry Brothers Construction Co., with a total bid of \$624,240.00; Huntley Construction Co., with a total bid of \$597,407.70 and Dillard Excavating Co. with a total bid of \$588,115.00. The apparent low bidder is Dillard Excavating Co.

with a bid amount of \$588,115.00. Dillard has completed a previous MSD project, and their work quality was satisfactory. The FY 13-14 construction budget for this project is \$570,000.00 and sufficient funds are available within the CIP Budget for the overage. Staff recommends award of this contract to Dillard Excavating Co. in the amount of \$588,115.00, subject to review and approval by District Counsel.

**c. Consideration of Bids for Sanitary Sewer Rehabilitation Project – Macon Avenue @ Sunset Parkway:**

Mr. Hartye reported this project is for the replacement of aged clay sewer lines located in the Grove Park area of North Asheville. The lines, constructed in the 1920's and 1930's are in poor structural conditions. Pipe bursting will be utilized in the Charlotte and Macon Street sections to reduce costs associated with traffic control, paving, and restoration of median islands and associated landscaping. The project is comprised of 2,807 linear feet of 8-inch and 10-inch DIP and HDPE main line. The following bids were received on February 4, 2014: Buchanan and Sons with a total bid of \$1,038,681.00; Huntley Construction Co. with a total bid of \$1,010,316.87; Buckeye Bridge LLC with a total bid of \$893,728.40; Dillard Excavating Co. with a total bid of \$828,315.00 and Terry Brothers Const. Co. with a total bid of \$757,688.00. The apparent low bidder is Terry Brothers Construction Co. with a bid amount of \$757,688.00. Terry Brothers has completed numerous MSD rehabilitation projects, and their work quality has been excellent to date. The FY 13-14 construction budget for this project is \$795,000.00. Staff recommends award of this contract to Terry Brothers Construction Co. in the amount of \$757,688.00, subject to review and approval by District Counsel.

**d. Consideration of Bids – New Backhoe – Fleet Replacement:**

Mr. Hartye reported that annually the District evaluates the condition of fleet vehicles and purchase replacements when the estimated cost of repair and maintenance exceeds the cost of a new one. At the March 12, 2013 Fleet Replacement Committee meeting, the members recommended the purchase of one (1) new backhoe replacement. The following bids were received and opened on February 3, 2014: Contractor's Machinery/Case Construction with a total bid of \$98,897.00 and James River Equipment/John Deere with a total bid of \$99,450.00. Staff recommends award of the bid from Contractor's Machinery/Case Construction in the amount of \$98,897.00.

**e. Consideration of Auditing Services Contract FY2014:**

Mr. Powell reported in March of 2013, the District's current audit provider, Cherry Bekaert, LLP proposed a three-year commitment to provide audit services for \$46,500; a 4.5% reduction in fees from \$48,670 in FY12. They also provided an engagement letter as well as an audit contract for fiscal year FY14. He stated that Cherry Bekaert continues to provide excellent service with the focus of reducing fees to the District as well as a commitment to work hard to control expenses and pass on any additional savings to the District. The Finance Committee and staff recommend approval of the FY 2014 audit contract with Cherry, Bekaert, LLP.

**f. Consideration of Amendment to the Standby Bond Purchase Agreement:**

Mr. Powell reported that because the District's 2008A Series Revenue Refunding Bonds are variable rate debt, the District is required to have a Standby Bond Purchase Agreement (SBPA). He explained that an SBPA is an agreement with a third party, typically a bank, in which the bank agrees to purchase variable rate debt tendered for purchase in the event the bonds cannot be remarketed. Staff informally investigated the SBPA market and looked at rate and terms. This information was used to

negotiate a reduction in the current fee from .53% basis points to .43% and extend its agreement from June, 2015 through February 2017 with its current provider Wells Fargo NA. The District will incur approximately \$2,500 in legal fees and will save approximately \$96,000 over the life of the Agreement. The Finance Committee endorsed staff's recommendation to approve the proposed amendment to its current SBPA with Wells Fargo, NA.

**g. Consideration of RFQ for Bond Co-Manager Underwriting Services:**

Mr. Powell reported an RFQ for Investment Banking Services (Co-Managing Underwriter) was issued in response to staff's concerns of personnel movement and performance of its current Co-managing Underwriter BB&T Capital Markets. As a result, staff sent out an RFQ to the following institutions: BB&T Capital Markets; Bank of America Merrill Lynch; Edward Jones; PNC Capital Markets; Raymond James; RW Baird & Company; Stephens; TD Securities and US Bancorp Investment Inc. The aforementioned institutions represent entities that have expressed interest in participating in the upcoming \$28 million new money revenue bond issue. Due to the complexities of the current economic environment and timing of the District's debt issuances, staff engaged its financial advisor Davenport & Company LLC to assist in the evaluation of the RFQs. The RFQs were evaluated based on their relevant experience; a working knowledge of the District and the firm's resources as it relates to municipal bond distribution and underwriting commitments. The Finance Committee endorses staff's recommendation that RW Baird & Company be selected to serve as Co-Managing Underwriter due to their knowledge of the District as well as their municipal bond distribution resources.

**h. Resolution Authorizing Filing Application to LGC to Issue Revenue Bonds:**

Mr. Powell reported that all debt issued by local government entities in the state of North Carolina must be authorized by the Local Government Commission (LGC). The LGC requires an application by the Board to initiate the formal process. Approval of the enclosed resolution is a necessary step to issue debt required to augment pay-as-go financing for the District's Capital Improvement Plan. In addition to the Resolution he included the financing schedule which outlines the overall process, along with a list of projects to be funded and/or reimbursed based on previous Board approved Reimbursement Resolutions authorizing the use of bond proceeds. He noted that the cost of issuing the bonds is about thirty cents lower per bond than the 2009 bond issue. Staff recommends to the Board approval of the Resolution.

**i. Cash Commitment/Investment Report – Month Ended December 31, 2013:**

Mr. Powell reported that Page 85 presents the makeup of the District's Investment Portfolio. There has been no change in the makeup of the portfolio from the prior month. Page 86 is the MSD Investment Manager report as of the month of December. The weighted average maturity of the Investment portfolio is 236 days. The yield to maturity is .76% and exceeds MSD benchmarks of the 6 month T-Bill and NCCMT cash portfolio. Page 87 is the MSD Analysis of Cash Receipts. Both the YTD and Monthly Domestic and Industrial revenues are considered reasonable based on timing of cash receipts in their respective fiscal periods. The YTD Facility and Tap Fees are considered reasonable based on timing of four (4) development contributions in the current year in addition to the conservative budgeting approach of these fees. Page 88 is the MSD Analysis of Expenditures. 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's Series 2008A Revenue Refunding Bonds. 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 89 is the MSD Variable Debt Service report for the month of

January. The 2008A Series Bonds are performing better than budgeted expectations. As of the end of January, this issue has saved District ratepayers approximately \$3.2 million dollars in debt service since April of 2008.

With regard to the Resolution authorizing filing of application to the LGC, Mr. Kelly asked about the \$12,500 application fee; to whom the fee is paid, and how the fee was arrived at. Mr. Powell stated the fee is paid to the LGC and is a standard application fee for new money revenue or refunding bonds.

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

**9. Old Business:**

None

**10. New Business:**

None

**11. Adjournment:**

With no further business, Mr. VeHaun called for adjournment at 2:27p.m.

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Jackie W. Bryson, Secretary/Treasurer

# MSD

## Regular Board Meeting

Metropolitan Sewerage District  
of Buncombe County, NC

### AGENDA FOR 2/19/14

✓	Agenda Item	Presenter	Time	
	Call to Order and Roll Call	VeHaun	2:00	
	01. Inquiry as to Conflict of Interest	VeHaun	2:05	
	02. <a href="#">Approval of Minutes of the January 15, 2014 Board Meeting.</a>	VeHaun	2:10	
	03. <a href="#">Discussion and Adjustment of Agenda</a>	VeHaun	2:15	
	04. Informal Discussion and Public Comment.	VeHaun	2:20	
	05. <a href="#">Report of General Manager</a>	Hartye	2:30	
	06. Report of Committees <a href="#">Finance Committee</a> – February 5, 2014 – Kelly	Kelly	2:45	
	07. Consolidated Motion Agenda		2:55	
	a. <a href="#">Consideration of Developer Constructed Sewer Systems: Lutheridge Phase 1; Pisgah Manor Skilled Nursing Facility, and Thunderland Circle.</a>	Hartye		
	b. <a href="#">Consideration of Bids – Sanitary Sewer Rehabilitation Project Forest Ridge Road.</a>	Hartye		
	c. <a href="#">Consideration of Bids – Sanitary Sewer Rehabilitation Project Macon Avenue @ Sunset Parkway.</a>	Hartye		
	d. <a href="#">Consideration of Bids for New Backhoe – Fleet Replacement.</a>	Hartye		
	e. <a href="#">Consideration of Auditing Services Contract FY2014.</a>	Powell		
	f. <a href="#">Consideration of Amendment to the Standby Bond Purchase Agreement.</a>	Powell		
	g. <a href="#">Consideration of RFQ for Bond Co-Manager Underwriting Services.</a>	Powell		
	h. <a href="#">Consideration of Resolution Authorizing Filing of Application to the LGC for Issuing Sewer Revenue Bonds.</a>	Powell		
	i. <a href="#">Cash Commitment/Investment Report – Month Ended December 31, 2013.</a>	Powell		
	08. Old Business	VeHaun	3:15	
	09. New Business	VeHaun	3:20	
	10. Adjournment (Next Meeting (3/19/14))	VeHaun	3:30	
	<a href="#">STATUS REPORTS</a>			

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
JANUARY 15, 2014**

**1. Call to Order and Roll Call:**

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, January 15, 2014. Chairman VeHaun presided with the following members present: Ashley, Belcher, Frost, Kelly, Manheimer, Pelly, Root, Russell, Stanley and Watts. Ms. Bryson was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, P.E., Joseph Martin with Woodfin Sanitary Water & Sewer District, and MSD staff, Ed Bradford, Scott Powell, Peter Weed, Mike Stamey, Ken Stines, Matthew Walter, Jim Hemphill, Angel Banks and Sondra Honeycutt.

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

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

**3. Approval of Minutes of the December 18, 2013 Board Meeting:**

Mr. VeHaun asked if there were any changes to the Minutes of the December 18, 2013 Board Meeting. With no changes, Ms. Frost moved for approval of the minutes as presented. Mr. Watts seconded the motion. Voice vote in favor of the motion was unanimous.

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

None

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

Mr. VeHaun welcomed Mr. Martin. There was no public comment.

**6. Report of General Manager:**

Mr. Hartye reported MSD is planning to issue bonds this spring to finance approximately \$30 million of the District's Sewer line rehab and replacement program. MSD typically finances the Capital Improvement Program (CIP) for both sewer line projects and plant projects with a combination of pay as go monies and bond debt. He stated that Wells Fargo serves as MSD's Senior Managing Underwriter and MSD has sent out an RFQ/RFP to several firms for a Co-Managing Underwriter with recommendations to be presented to the Finance Committee on February 5<sup>th</sup> and the Board February 19, 2014.

Mr. Hartye stated the Status reports shown are the "In-House" sewer line construction projects (MSD Forces) for this year and the Capital Improvement Program projects (Contractors) currently underway. However, these reports do not include the various smaller projects within the system and at the treatment plant and that MSD has an aggressive goal of replacing or rehabbing an average of 50,000 feet of sewer line each year. He called on Ed Bradford and Mike Stamey for a presentation/update of recent sewer line projects.

Mr. Bradford reported as part of the Board agenda each month active (major) construction projects within the Capital Improvement Program (CIP) are provided along with expanded details for each project. Also, the CIP Status report (entire program of approximately 100 projects) are posted on-line and updated quarterly.

Mr. Bradford presented slides showing the Bradley Branch Road, Phase 2 project in South Asheville, now complete, and the Brookcliff Drive project in North Asheville, which is partially complete with final paving to take place in the spring. He presented slides of two projects MSD is partnering with City of Asheville Water Resources. The first project is Merrimon Avenue at Colonial Place which is complete. Second is Mt. Vernon Place Phase 1, which is complete with Phase 2 to begin in the next fiscal year. He presented slides of the Merrimon at Stratford Road project in the Beaver Lake area with views of Beaver Lake and a temporary brace for a power pole. On the same job, he presented a slide of a bore under Elkwood Avenue, which is a DOT road that typically requires a bore, and slides showing the encasement pipe, augers and boring machine. He explained how the process works. He presented slides showing the Old US 70 at Grovemont Avenue project located in East Asheville, which is the largest Capital project this year of approximately 4,690 linear feet, and the Sycamore Terrace project, located in South Asheville which is up for consideration today. He presented slides of two projects (Macon Avenue @ Sunset Parkway-North and Forest Ridge Road-South) which are in advertisement and will be presented to the Board for consideration in February. Mr. Bradford called on Mike Stamey for a report on MSD in-house construction projects.

Mr. Stamey reported that MSD has four (4) in-house construction crews; two crews that focus primarily on small jobs (dig-up and emergency response) and two crews that do pipeline replacement. He stated they will spend anywhere from one to five weeks on a job site, depending on the size of the project. He presented a slide showing the in-house project report which is included in the Board packet. The report shows 33 projects for which 13 are complete and 2 are underway and the remaining projects are slated for this fiscal year. These projects represent approximately 20,000 linear feet of rehab.

Mr. Stamey presented a slide showing the Roberts Street at Haywood Road rehab project located in Asheville where crews replaced 200 LF of existing sewer line that was in bad shape and was the source of SSO's in the recent past. Other slides showed crews at work and restoration of the project site. He presented a slide showing the Gay Street Sewer Rehabilitation project in the Montford community of Asheville, replacing 327 LF. A portion of this line was replaced using trenchless technology, while the remaining portion was replaced by digging. Other slides showed new asphalt and landscaped yard; directional drilling machine; drill rod entering existing sewer; rock obstruction and teamwork with the City of Asheville Waterline crew to replace a waterline. Mr. Stamey presented a slide of the Memorial Park Drive rehabilitation project located in Ridgecrest, replacing 1,400 LF of sewer line. Other slides showed crews digging a trench to install a new sewer line; backhoe and remote controlled compactor. He presented a slide showing the location of the Central Avenue rehabilitation project in Weaverville behind the West Funeral Home to replace 675 LF of sewer line. He stated this was originally a dig and replace project, but found they would have to dig a hole 20 feet deep in the road; requiring extra safety precautions and shutting the road down for a few days. The property owner for the funeral home expressed a concern about losing use of the parking lot for several days and as a result, MSD was able to switch this job to a pipe reaming project; saving a lot of time. He presented slides showing the construction and restoration area with limited asphalt disturbance. Ms. Stamey presented slides showing the location of the following two projects currently under construction: The Buckner Road project is located in Ridgecrest near Laurel Park Drive and consists of 900 LF, and to date, crews have installed 470 LF. The AB Tech at Allied Health project located between Erskine Circle and Genevieve Drive thru Genevieve Circle. He stated this sewer line was in very bad shape and to avoid future issues with having to dig up new infrastructure, i.e. storm drainage improvements; new parking lots; new roads, they replaced 550 LF of sewer line. The right of way clearing was done last week, and in the process, they discovered a concrete vault filled with snakes. Mr. Watts asked if the project in Ridgecrest solved the problem where one property owner blocked the sewer from the other owner. Mr. Stamey stated the line was replaced last year, however there are still some issues, but they are being resolved. Mr. Stanley asked if there were any sewer problems on Sand Hill Road during the explosion. Mr. Hartye said no, but Progress Energy needed some help. He



expressed his appreciation to Mike Stamey and his men who were called out to provide a track hoe and to haul gravel to the site.

Mr. Hartye reported the Finance Committee meeting scheduled for January 31<sup>st</sup> is re-scheduled for February 5, 2014 at 9 a.m. The next regular Board Meeting will be held February 19<sup>th</sup> at 2 p.m. The Right of Way Committee Meeting for January is cancelled. The next meeting will be held at 9 a.m. on February 26<sup>th</sup>.

**7. Consolidated Motion Agenda:**

**a. Consideration of Annual Meeting Dates – 2014:**

Mr. Hartye presented a copy of the Annual Board Meeting Dates for 2014.

**b. Consideration of Adoption of the Budget Calendar FY2014-2015:**

Mr. Hartye reported the Budget Calendar consists of committee meetings that feed into the Finance Committee then to the Board which is necessary to accommodate the Preliminary Budget presented on May 21<sup>st</sup> and the Final Budget to be adopted on June 11<sup>th</sup>.

**c. Consideration of Bids Sanitary Sewer Rehabilitation Project - Sycamore Terrace PRP:**

Mr. Hartye reported the Sycamore Terrace PRP project is for the replacement of aged vitrified clay sewer lines located in the Royal Pines area of South Asheville. The project was generated through MSD's Pipe Rating program which rates pipe segments based on several structural factors. The project is comprised of 3,176 linear feet of 8-inch DIP. He further reported the contract was advertised and the following bids were received on December 18, 2013: Moorhead Construction Co., with a total bid of \$798,750; Buckeye Bridge, LLC with a total bid of \$727,789.30; Huntley Const. Co., with a total bid of \$717,487.59 and Terry Brothers Const. Co., with a total bid of \$638,350.00. The bid of Buckeye Bridge, LLC was rejected because the Bid Bond and POA were not dated. The construction budget for this project is \$655,000.00. Staff recommends award of this contract to Terry Brothers Construction Co. in the amount of \$638,350.00, subject to review and approval by District Counsel.

**d. Cash Commitment Investment Report for Month Ended, November 30, 2013:**

Mr. Powell reported that Page 18 presents the makeup of the District's Investment Portfolio. There has been no change in the makeup of the portfolio from the prior month. Page 19 is the MSD Investment Manager report as of the month of November. The weighted average maturity of the Investment portfolio is 247 days. The yield to maturity is .74% and exceeds MSD bench marks of the 6 month T-Bill and NCCMT cash portfolio. Page 20 is the MSD Analysis of Cash Receipts. Both YTD and Monthly Domestic and Industrial revenues are considered reasonable based on timing of cash receipts in their respective fiscal periods. YTD Facility and Tap Fees are considered reasonable based on timing of cash receipts in their respective fiscal periods. Page 21 is the MSD Analysis of Expenditures. O&M, Debt Service, and Capital Project expenditures are considered reasonable based on historical trends. Page 22 is the MSD Variable Debt Service report for the month of December. The 2008A Series Bond is performing better than budgeted expectations. As of the end of December, this issue has saved District ratepayers approximately \$3.1 million dollars in debt service since April of 2008.

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

**8. Old Business:**

Mr. VeHaun expressed his appreciation to MSD and staff for providing equipment and gravel needed during the gas explosion on Sand Hill Road.

**9. New Business:**

None

**10. Adjournment:**

With no further business, Mr. VeHaun called for adjournment at 2:32 p.m.

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Jackie W. Bryson, Secretary/Treasurer

# MEMORANDUM

TO: MSD Board  
FROM: Thomas E. Hartye, P.E., General Manager  
DATE: February 11, 2014  
SUBJECT: Report from the General Manager

- 2014 Bond Issue

MSD is beginning the process to issue Bonds this spring to finance approximately \$30 million of the District's Capital Improvement Program (CIP). The CIP currently consists of \$160 million of improvements to the collection system and the treatment plant over the next 10 years. The upcoming update to the Facilities Plan for the treatment plant will identify additional improvements to keep pace with new regulations and aging of the RBC's. The Finance Committee met on February 5<sup>th</sup> to pick a Co-manager and the Board agenda includes a resolution to authorize the filing of an application to the LGC to issue the bonds. A calendar for the issuance is attached.

- Operators Certification School

MSD conducted an Operators Certification school for the State Association-NCAWWA/WEA here at MSD between January 28 through the 31<sup>st</sup>. MSD Staff took extra time over and above their usual duties to put together this education opportunity to increase the knowledge and skills of our own personnel as well as supporting the viability of our State Association and the water/wastewater industry as a whole. Many thanks to Lisa Tolley, and Mark Schuman, Ken Stines, Mike Stamey, Jason Capizzi, Michael Ball, Lloyd Anders, Darin Prosser, Eric Dawson, Tim Coates, Roger Edwards, Wayne Tipton, Jon Van Hoff, Sandra Moore, Dan Waugh, and Shaun Armistead.

- Treatment Plant

An alert operator smelled a natural gas leak at the plant and made a stink so as to avoid a potential mishap. PSNC personnel responded and assisted MSD in tracking down the leak and rerouting our gas line. PSNC went above and beyond with their help, signifying their gratitude for the help we recently gave them.

- Distinguished Budget Presentation Award

MSD has once again received the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). Many thanks to the great effort put forth by Teresa Gilbert and Scott Powell.

- Board/Committee Meetings/Events

The next Regular Board Meeting will be March 19<sup>th</sup> at 2 pm. The next Right of Way Committee meeting will be held at 9 am on February 26<sup>th</sup>.

# Finance Committee Meeting Minutes

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**February 5, 2014**

**Call to Order:**

The Finance Committee of the Metropolitan Sewerage District met in the Boardroom of the Administration Building at 9:05 a.m., Wednesday, February 5, 2014. Chairman Kelly presided with the following members present: Joe Belcher, Jackie Bryson, Ellen Frost, Esther Manheimer, and Bill Russell.

Others present were: Thomas Hartye, General Manager, Scott Powell, Director of Finance, William Clarke, General Counsel and the following board members: Al Root, Robert Watts, Jerry Vehaun, Ted Cole, Senior Vice-President, Davenport & Company LLC and MSD staff.

**Second Quarter Budget to Actual Review:**

Mr. Powell began his presentation with a review of the Second Quarter Budget to Actual, by stating domestic and industrial user fees are meeting budgeted expectations. Facility fees and tap fees are above budgeted expectations due to receiving unanticipated revenue of \$456,000 from five (5) commercial/residential developers. As a side note, \$400,000 was received in January from a development. As of the end of January, this line item is in excess of \$2,000,000 and the budgeted amount was \$1,200,000.

Mr. Root asked about expenses associated with facility fee revenue. Mr. Hartye stated most developers install their own taps. Typically, there is very little maintenance costs during the first ten years. After the ten-year point, maintenance costs are estimated to be \$1.00 per foot, per year. Mr. Powell added facility and tap fees are budgeted conservatively due to their non-recurring nature. Finally, Mr. Clarke stated that, under the District's Bond Order, facility and tap fees are not included in the calculation of net revenues for debt service coverage.

Mr. Powell continued his review by stating operation and maintenance expenditures as well as debt service expenditures are in line with budget expectations as of the end December. Capital equipment and capital projects are rarely spent proportionally throughout the year. All funds are anticipated to be fully spent by the end of this fiscal year.

Mr. Belcher asked if the District looks at increasing the capital improvements budget when there is an increase in development. Mr. Hartye stated the District has a long-term planning program for these situations. There could be a situation when an interceptor has to be extended, but most of the capital improvement budget is spent on the rehabilitation of existing lines, and future development is taken into consideration sizing the new sewer line during line replacement. Most of the changes in the capital improvement budget are due to projects at Wastewater Reclamation Facility. Mr. Powell added that excess monies were used to postpone the need for future debt. This money is captured in the next fiscal year. Mr. Bradford informed the committee the current rate of rehabilitation is approximately 50,000 feet of pipe per year.

# Finance Committee Meeting Minutes

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**February 5, 2014**

## **Consideration of Auditing Services Contract for FY2014**

Mr. Powell informed the Committee that in March of last year Cherry, Bekaert, LLP provided staff with a three-year commitment letter at a proposed fee of \$46,500. This is the same fee charged in FY2013 and \$2,000 less than we were charged in FY2012. Staff recommends approval of Cherry, Bekaert, and LLP for FY2014. The District has requested and received full staff rotation. This ensures that fresh eyes will be performing audits. Staff recommends approval to use Cherry Bekaert, LLP for FY2014.

Ms. Manheimer stated a five-year review and RFP process has been adopted by The City of Asheville. During their review, they decided to switch to a new firm. She was not sure why the five-year policy was adopted. Mr. Powell responded stating a five-year review is a best practice from the GFOA perspective. The District accomplishes this by having full staff rotation every few years from its engaged auditing firm.

### **Motion to accept staff recommendation:**

Chairman Kelly called for any questions or comments concerning the proposed contract. With there being none, Chairman Kelly called for a recommendation to approve the audit contract with Cherry, Bekaert, LLP for FY 2014.

### **Recommendation:**

Mrs. Frost moved to approve the Auditing Services contract for FY 2014. Mrs. Bryson seconded the motion. By a show of hands, the motion was carried unanimously.

## **Consideration for RFQ for Bond Co-Manager Underwriting Services:**

Mr. Powell stated BB&T Capital Markets (current Co-Manager) has had staff rotation during the past two bond issuances. Typically, you work with the same staff in underwriting services. The Co-Manager's position in issuing debt is to garnish different areas of the market to keep the cost of interest down. Typically, the Co-Manager will receive 20%-25% of the total bond issue. Their primary job is the sale of bonds to the retail market. During the 2009 Bond Issue the District had two co-managers, and BB&T outperformed the other co-manager. During this past Bond Issue, retail sales dropped almost 95%. Based on this information, staff decided to request an RFQ for services. Staff sent the RFQ to nine (9) institutions including BB&T Capital Markets, with the District receiving eight (8) responses (Edward Jones did not respond). Staff evaluated the responses based on their relevant experience, working knowledge of the District, and the firm's resources. The District engaged its financial advisor Davenport & Company LLC to assist in the evaluation of the RFQs. Staff and Davenport & Company LLC had R. W. Baird as their first choice. Staff and Davenport & Company LLC also agreed on the second choice, which was Bank of America. R. W. Baird was chosen because of its large volume of work with similar size entities like the District and their emphasis on access to the second and third tier markets. In addition,

# Finance Committee Meeting Minutes

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**February 5, 2014**

Mr. Powell stated there are only two underwriting desks in North Carolina, one being Wells Fargo (our current manager) and the second being R. W. Baird. Mr. Powell asked if there were any questions.

Chairman Kelly asked Mr. Cole if he had anything to add. Mr. Cole stated R. W. Baird would be a good complement to Wells Fargo because they tap into another side of the bond market, which will aid in keeping interest rate costs down on the proposed issue. He also stated R. W. Baird currently works as underwriter with Buncombe County. Mr. Belcher referenced R.W. Baird's RFQ and commented on their outstanding performance. Mr. Clarke asked if other clients of Davenport & Company LLC have worked with R. W. Baird. Mr. Cole responded they had worked with other clients and they had a high level of comfort with them. Mr. Powell added their references had been checked with only complimentary comments communicated.

**Motion to accept staff recommendation:**

**Recommendation:**

Mr. Russell moved to approve the consideration of RFQ for Bond Co-Manager Underwriter Services Auditing Services. Chairman Kelly seconded the motion. By a show of hands, the motion was carried unanimously.

**Amendment to Standby Bond Purchase Agreement:**

Mr. Powell discussed the proposed amendment to the District's current Standby Purchase Agreement. Because the District has variable rate debt there is a need for a Standby Bond Purchase Agreement. A standby bond purchase agreement is an agreement with a third party, typically a bank, in which the bank agrees to purchase variable rate bonds tendered for purchase in the event the bonds cannot be remarketed. Staff informally investigated the standby bond purchase agreement market. Staff looked to see what the current market was offering, and were there other entities offering a better rate. This information was used to negotiate a better rate and extension with its current provider Wells Fargo, NA. Wells Fargo, NA has proposed extending the District's current agreement to February 28, 2017 at .43%; the current agreement is .53%. This is a savings of 10 basis points per year. The District will incur approximately \$2,500 in legal fees to extend its current agreement. It will save approximately \$32,000 annually (\$96,000 over the life of the extension). Staff recommends to the committee endorsement of the proposed amendment to Standby Bond Purchase Agreement, which will be presented, to the full board on February 19, 2014. He asked if anyone had any questions.

**Motion to accept staff recommendation:**

**Recommendation:**

Mr. Russell moved to approve the amendment to the standby bond purchase agreement. Mrs. Bryson seconded the motion. By a show of hands, the motion was carried unanimously.

# Finance Committee Meeting Minutes

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**February 5, 2014**

## **\$28 Million Revenue Bond Issuance:**

Mr. Powell continued with a discussion about the FY2014 Bond Issuance. The monies received will be used to reimburse the District as outlined in reimbursement resolutions. These resolutions were approved by the Board on October 20, 2010, August 15, 2012, and August 21, 2013. Reimbursement resolutions are used to meet the objectives of the District's Debt Policy. The District obtains funding from completed rehabilitation projects. These funds are used to fund future projects identified in the District's Capital Improvement Plan. Mr. Powell refers to the financing schedule from Wells Fargo, NA that outlines the process and timing of the upcoming bond issuance. The proposed preliminary resolution is slated to be adopted by the Board on March 19<sup>th</sup> with LGC approval on April 1<sup>st</sup>. The District will have rating agencies calls on the week of March 31<sup>st</sup>. The bond issuance will price on May 7<sup>th</sup> and close on May 21<sup>st</sup>. Additionally Mr. Powell stated that the proposed pricing for the \$28 million revenue bond issue is at \$7.1277 per bond. Price per bond of its last new money issue (Series 2009 revenue bond) was \$7.305.

Mr. Powell presented the District's business plan. Based on the revenue and expenditures assumption, the District will meet its projected debt coverage ratios taking into consideration the proposed \$28 million debt issuance.

Chairman Kelly asked if the rental income included in the business plan was generated by the building across the street. He asked why the rental income went from \$16,560 per year to \$70,356. Mr. Powell explained the numbers included both the building across the street as well as the cell tower. The building was vacant for three years, which explains the difference between fiscal periods. Mr. Root asked who the current tenant was, and how much was the annual rental income. Mr. Hartye answered by stating the building is rented to Smart Start. The annual rent is approximately \$50,000 per year. Chairman Kelly asked about the length of the lease. Mr. Hartye answered by stating the lease is a five-year lease with five (5) five-year renewals. Mr. Clarke clarified that the building in question is the old administration building. It was rented to the Buncombe County Solid Waste Department at one time. Ms. Manheimer asked if Smart Start uses the building, which Mr. Powell confirmed

Chairman Kelly asked who leases the cell tower and where is it located. Mr. Hartye stated it is located at the Wastewater Reclamation Facility. Crown Castle Communication is currently leasing the tower. The rent is approximately \$16,500 per year. Chairman Kelly asked if there was room on the tower to add another user to the tower. Mr. Clarke responded that the Town of Woodfin has an ordinance, which requires the operator of the tower to co-locate other users. The agreement with Crown Castle Communication states they receive the income from anyone else who uses the tower. Mr. Vehaun was asked if he knew if they co-located other users. He was unsure. Mr. Clarke stated he was fairly sure they did co-locate because it is a revenue source for them.

**Adjournment:** With no further discussion, Mr. Kelly called for adjournment at 9:40 am.

# Metropolitan Sewerage District of Buncombe County

## Board Action Item

BOARD MEETING DATE: February 19, 2014

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

PREPARED BY: Kevin Johnson

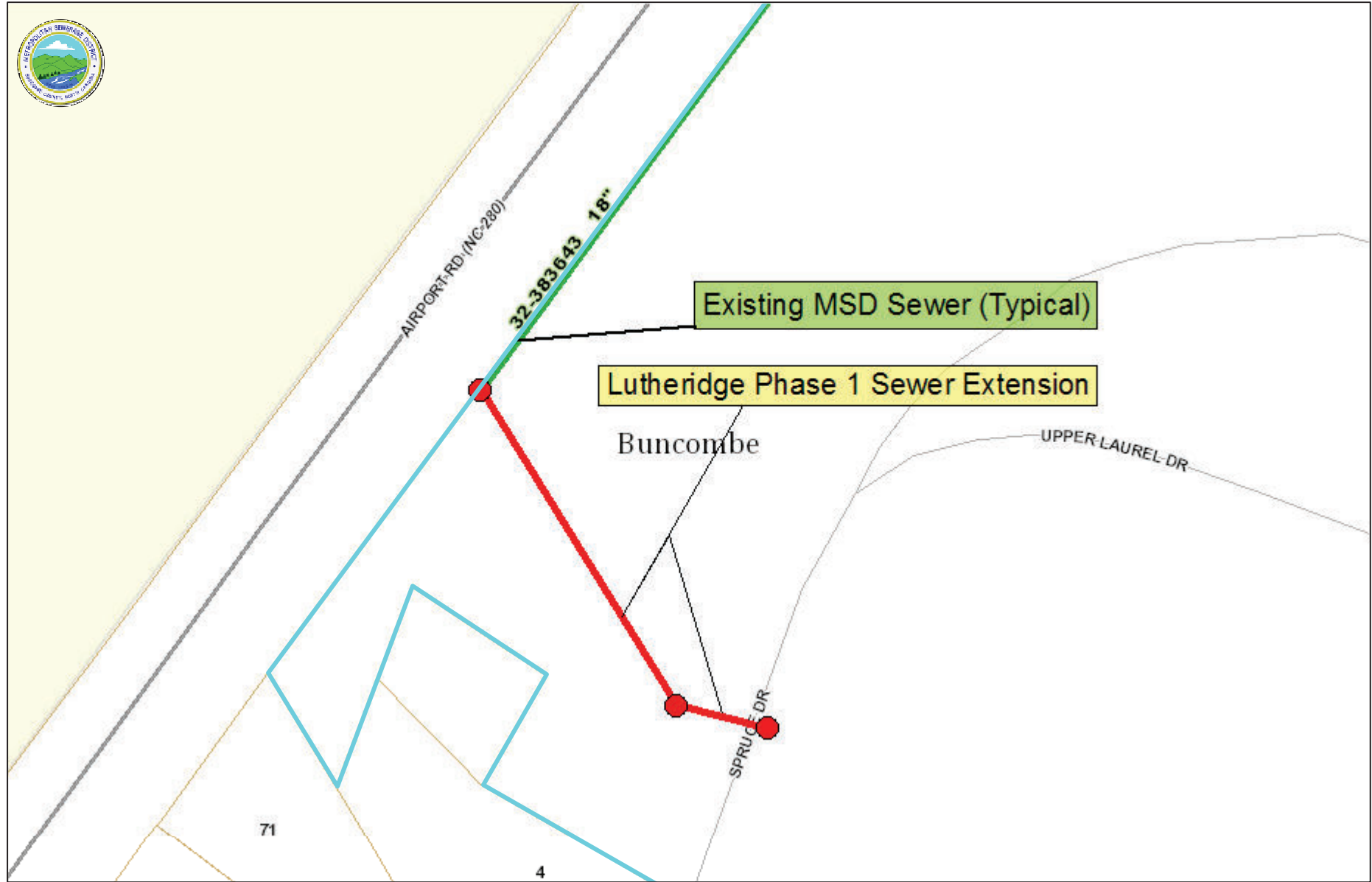
REVIEWED BY: Ed Bradford, P.E., Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Lutheridge Phase 1 Sewer Extension Project.

BACKGROUND: This project is located inside District boundary off Airport Road in Buncombe County. The developer of the project is Jon Frock of Lutheridge+Lutherock Ministries. The project included replacing approximately 325 linear feet of 6-inch private sewer with 8-inch public gravity sewer serving an existing residential/commercial development. No new wastewater allocation was issued for this project. The estimated cost of the sewer extension is \$24,000.00.

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





### Lutheridge Phase 1 Sewer Extension (MSD Project #2009112)

Author: KJ

1 in = 100 ft

Date: 2/10/2014

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

# Metropolitan Sewerage District of Buncombe County

## Board Action Item

BOARD MEETING DATE: February 19, 2014

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

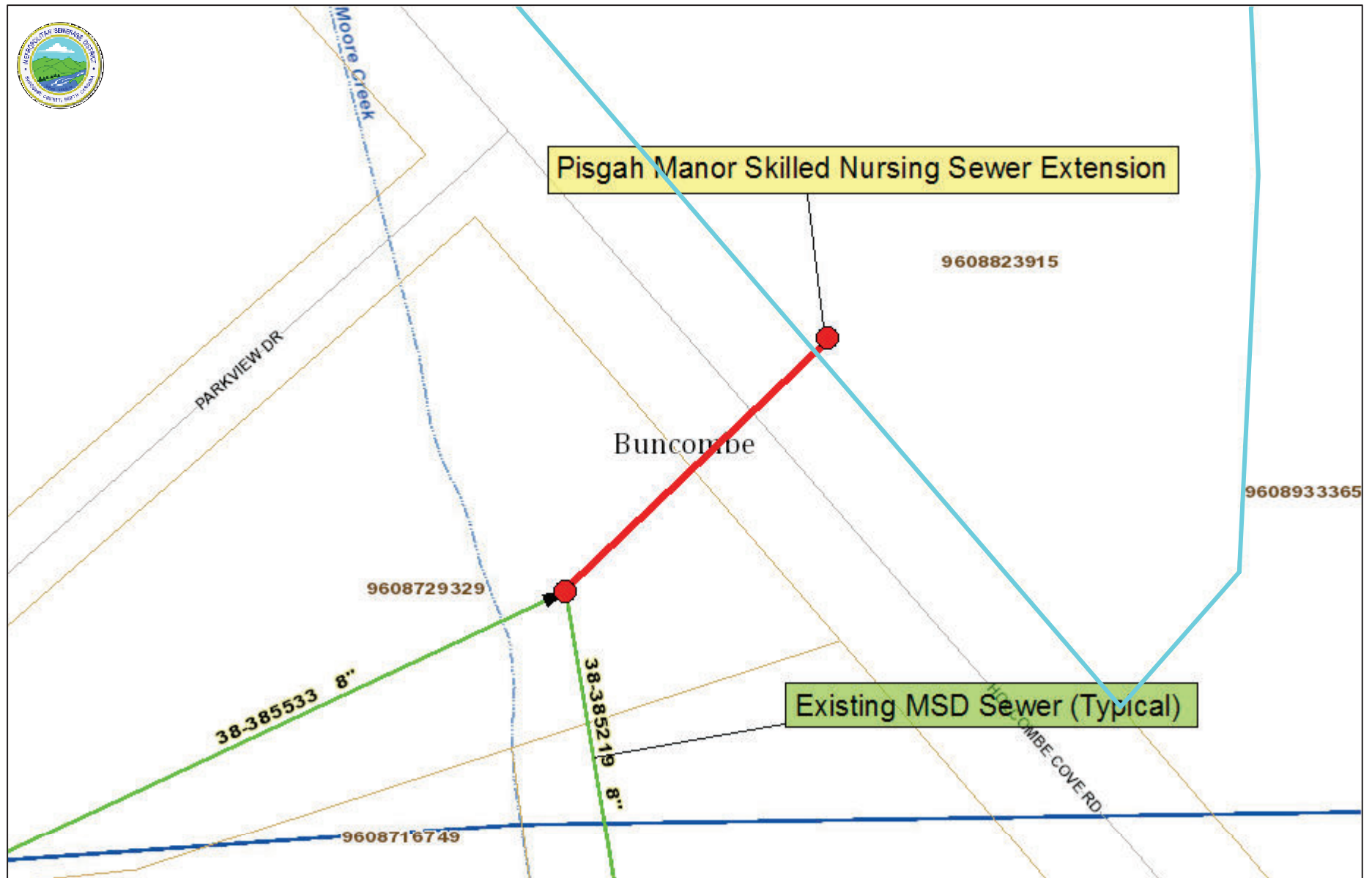
PREPARED BY: Kevin Johnson

REVIEWED BY: Ed Bradford, P.E., Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Pisgah Manor Skilled Nursing Sewer Extension Project.

BACKGROUND: This project is located outside the District boundary off Holcombe Cove Road in Buncombe County. The developer of the project is David Kidder of Carolina Adventist Retirement System. The project included the installation of approximately 128 linear feet of 8-inch gravity sewer to serve a retirement home. A wastewater allocation was issued in the amount of 14,160 GPD for the project. The estimated cost of the sewer extension is \$16,000.00.

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



## Pisgah Manor Skilled Nursing Sewer Extension (MSD Project #2012008)

1 in = 50 ft

Author: KJ

Date: 2/10/2014

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

# Metropolitan Sewerage District of Buncombe County

## Board Action Item

BOARD MEETING DATE: February 19, 2014

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

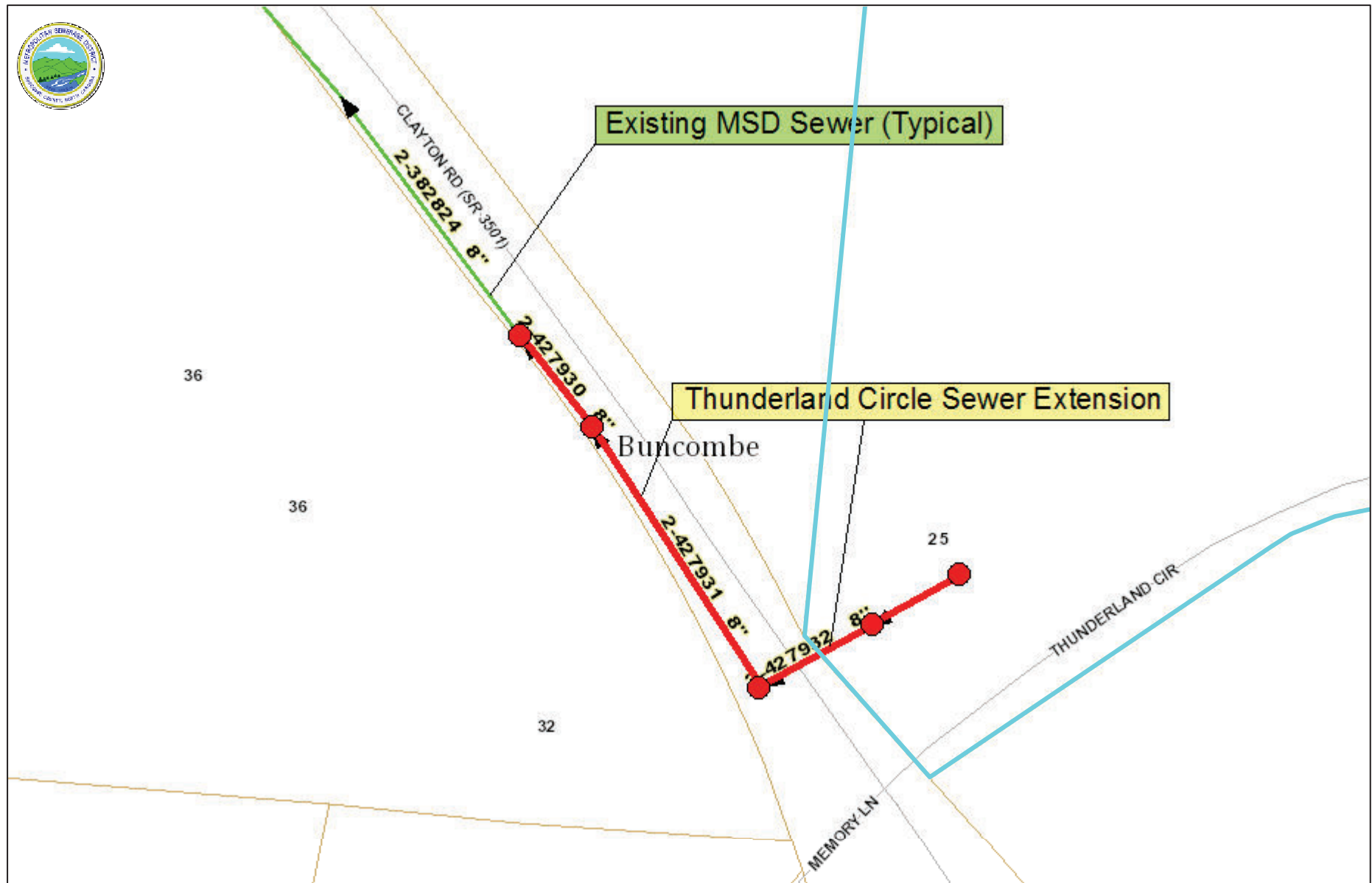
PREPARED BY: Kevin Johnson

REVIEWED BY: Ed Bradford, P.E., Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Thunderland Circle Sewer Extension Project.

BACKGROUND: This project is located outside the District boundary at the intersection of Clayton Road and Long Shoals Road in Buncombe County. The developer of the project is Lee Thomason of Biltmore Farms, LLC. The project included the installation of approximately 460 linear feet of 8-inch gravity sewer to serve a commercial development. A wastewater allocation was issued in the amount of 1,405 GPD for the project. The estimated cost of the sewer extension is \$80,608.00.

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



## Thunderland Circle Sewer Extension (MSD Project #2012095)

Author: KJ

1 in = 100 ft

Date: 2/10/2014

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

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

**BOARD MEETING DATE:** February 19, 2014

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

**PREPARED BY:** Ed Bradford, P.E. - Director of Engineering  
Shaun Armistead, P.E. - Project Manager

**SUBJECT:** Sanitary Sewer Rehabilitation Project: Forest Ridge Road, MSD Project No. 2006013

**BACKGROUND:** This project is for the replacement of an aged clay and PVC sewer line, located in South Asheville near Sweeten Creek Road & Rock Hill Road. The line has had repeated maintenance calls due to poor structural condition and problematic stream crossings.

The project is comprised of 2,842 linear feet of 8-inch DIP.

The contract was advertised and five bids were received on Thursday January 30, 2014 at 2:00 PM as follows:

<u>Contractor</u>	<u>Bid Amount</u>
1) Moorehead Construction Co.	\$737,733.00
2) Buckeye Bridge, LLC	\$736,136.50
3) Terry Brothers Construction Co.	\$624,240.00
4) Huntley Construction Co.	\$597,407.70
<b>5) Dillard Excavating Co.</b>	<b>\$588,115.00</b>

The apparent low bidder is Dillard Excavating Co. with a bid amount of \$588,115.00. Dillard has completed a previous MSD project, and their work quality was satisfactory.

Please refer to the attached documentation for further details.

**FISCAL IMPACT:** The FY13-14 construction budget for this project is \$570,000.00. Sufficient funds are available within the CIP Budget for the overage.

**STAFF RECOMMENDATION:** Staff recommends award of this contract to Dillard Excavating Co. in the amount of \$588,115.00, subject to review and approval by District Counsel.

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

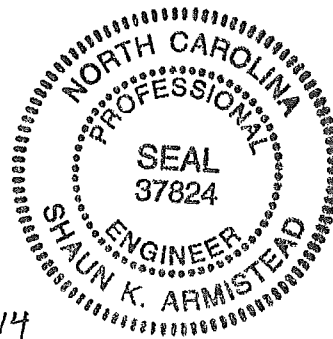
**Forest Ridge Road Sewer Replacement  
Project No. 2006013**

**BID TABULATION  
January 30, 2014**

<b>BIDDER</b>	<b>Bid Bond</b>	<b>MBE Form</b>	<b>Bid Forms (Proposal)</b>	<b>Total Bid Amount</b>
Don Moorhead Construction, Inc. Belton, SC	5%	1	Yes	\$737,733.00
Buckeye Bridge, LLC Canton, NC	5%	1	Yes	\$736,136.50
Terry Brothers Construction Company Leicester, NC	5%	1	Yes	\$624,240.00
Huntley Construction Company Asheville, NC	5%	1	Yes	\$597,407.70
<b>Dillard Excavating Company Sylva, NC</b>	5%	1	Yes	<b>\$588,115.00</b>

**APPARENT LOW BIDDER**

*Shaun K. Armistead* 2/5/2014



Shaun Armistead, P.E.  
Project Engineer  
Metropolitan Sewerage District of  
Buncombe County, North Carolina

This is to certify that the bids tabulated herein were publicly opened and read aloud at 2:00 p.m. on the 30th day of January, 2014, in the W.H. Mull Building at the Metropolitan Sewerage District of Buncombe County, Asheville, North Carolina, and that said bids were accompanied by acceptable bidders bonds in the amount of 5% of the bid.

## Interoffice Memorandum

**TO:** Ed Bradford, CIP Manager  
**FROM:** Shaun Armistead, Project Manager  
**DATE:** January 31, 2014  
**RE:** Forest Ridge Sewer Rehabilitation Project, Project # 2006013

The Forest Ridge Sewer Rehabilitation Project is located in Asheville near the intersection of Sweeten Creek Road and Rock Hill Road. This project consists of 2,842 linear feet of 8-inch DIP. The existing line is 8-inch clay and PVC, and has had repeated maintenance calls due to aging pipe and problematic stream crossings.

Five bids were received on Thursday, January 30, 2014, as follows:

<u>Contractor</u>	<u>Bid</u>
1) Moorehead Construction Company	\$737,733.00
2) Buckeye Bridge, LLC	\$736,136.50
3) Terry Brothers Construction Company	\$624,240.00
4) Huntley Construction Company	\$597,407.70
<b>5) Dillard Excavating Company</b>	<b>\$588,115.00</b>

Dillard Excavating is the apparent low bidder for this contract with a bid amount of \$588,115.00. The District has experience with Dillard Excavating as the prime contractor for the Reems Creek Master Plan Interceptor project (Project Number 2007293), with satisfactory results.

The construction budget for this project is \$570,000. Sufficient funds are available within the CIP budget for the overage.

Staff recommends award of this contract to the Dillard Excavating Company, contingent upon review and approval by District legal counsel.



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

**BUDGET DATA SHEET - FY 2013 - 2014**

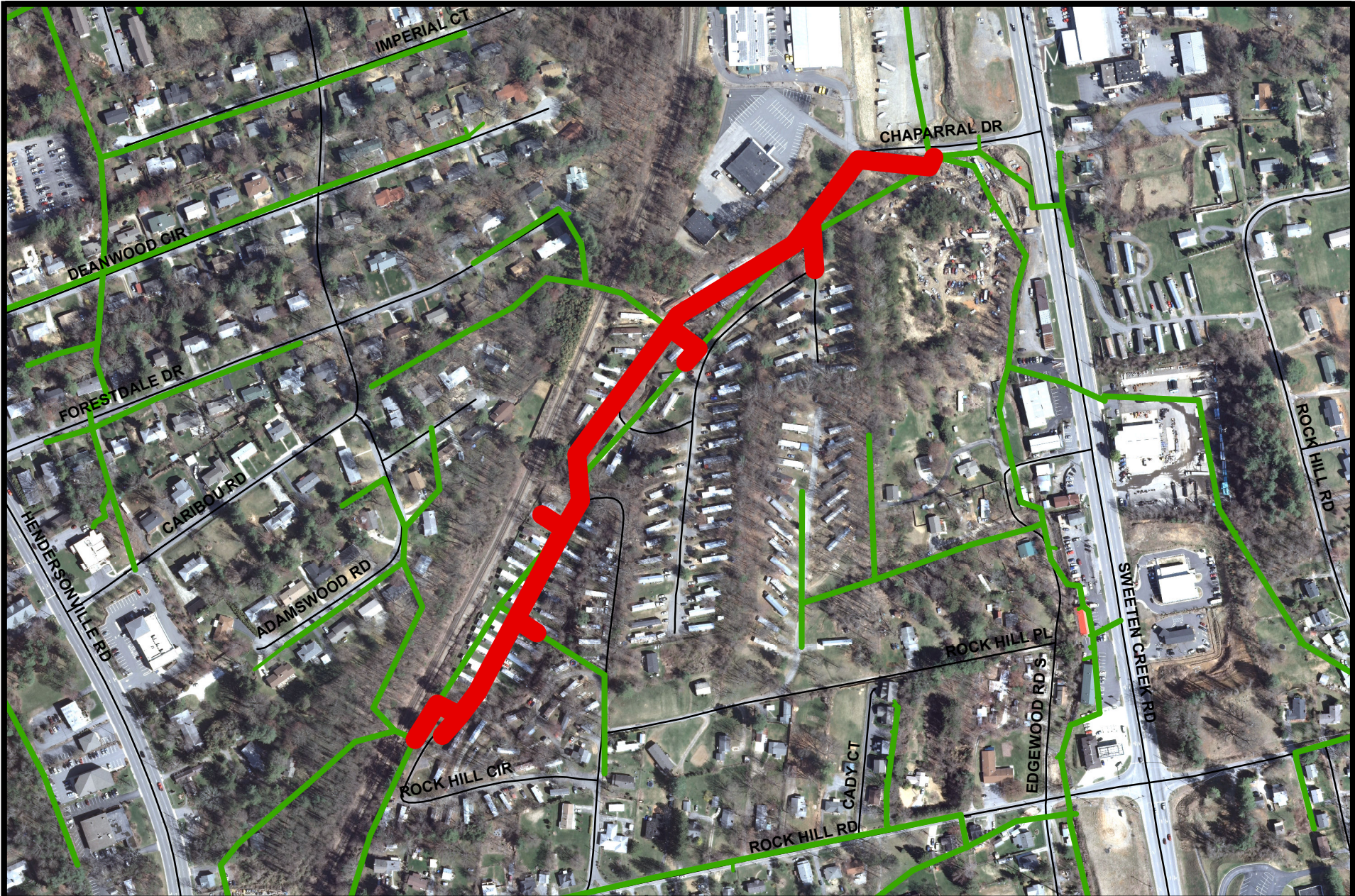
PROJECT:	Forest Ridge Road	LOCATION:	Asheville
TYPE:	General Sewer Rehab.	DATE OF REPORT:	January 2013
PROJECT NO.	2006013	TOTAL L.F.:	2,842
PROJECT BUDGET:	\$591,920.00	PROJECT ORIGIN:	SSO's, Work Orders, Line Condition

DESCRIPTION	ESTIMATED PROJECT COST	TOTAL EXPENDS THRU 12/31/12	EST. COST JAN - JUNE 2013	EST. BUDGET FY 13-14
55310 - PRELIM. ENGINEERING				
55320 - SURVEY - DESIGN	\$400.00	\$338.00		
55330 - DESIGN				
55340 - PERMITS	\$5,600.00	\$5,600.00		
55350 - SPECIAL STUDIES				
55360 - EASEMENT PLATS	\$2,100.00	\$2,100.00		
55370 - LEGAL FEES	\$2,775.00	\$2,775.00		
55380 - ACQUISITION SERVICES				
55390 - COMPENSATION	\$6,045.00	\$6,045.00		
55400 - APPRAISAL				
55410 - CONDEMNATION				
55420 - CONSTRUCTION	\$570,000.00			\$570,000.00
55430 - CONST. CONTRACT ADM.				
55440 - TESTING	\$2,000.00			\$2,000.00
55450 - SURVEY - ASBUILT	\$3,000.00			\$3,000.00
<b>TOTAL AMOUNT</b>	<b>\$591,920.00</b>	<b>\$16,858.00</b>	<b>\$0.00</b>	<b>\$575,000.00</b>

ENGINEER:	MSD	<b>ESTIMATED BUDGETS - FY '14 -'23</b>	
R.O.W. ACQUISITION:	MSD	# PLATS: [ 2 ]	FY 14-15 \$0.00
CONTRACTOR:			FY 15-16 \$0.00
CONSTRUCTION ADM:	MSD		FY 16-17 \$0.00
INSPECTION:	MSD		FY 17-18 \$0.00
			FY 18-19 \$0.00
PROJECT DESCRIPTION:	This project is located in S. Asheville near Rock Hill Rd. and is		FY 19-20 \$0.00
	comprised of 2842 LF of 8-inch ductile iron pipe. The existing line is 8-inch vitrified clay pipe and PVC		FY 20-21 \$0.00
	pipe, and has had repeated maintenance calls due to aging pipe and problematic creek crossings.		FY 21-22 \$0.00
			FY 22-23 \$0.00

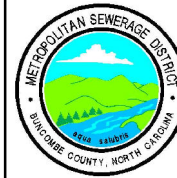
**SPECIAL PROJECT NOTES:**





**Forest Ridge Road  
Project No. 2006013**

NOT TO SCALE



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

**Budget Map**



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

**BOARD MEETING DATE:** February 19, 2014

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

**PREPARED BY:** Ed Bradford, P.E. - Director of Engineering  
Roger Watson, P.E. - Project Manager

**SUBJECT:** Sanitary Sewer Rehabilitation Project: Macon Avenue at Sunset Parkway, MSD Project No. 2006016

**BACKGROUND:** This project is for the replacement of aged clay sewer lines located in the Grove Park area of North Asheville. The lines, constructed in the 1920's and 1930's, are in poor structural condition. There are three locations where structures were constructed over the lines.

Pipe bursting will be utilized in the Charlotte and Macon Street sections in order to reduce costs associated with traffic control, paving, and restoration of median islands and associated landscaping.

The project is comprised of 2,807 linear feet of 8-inch and 10-inch DIP and HDPE main line.

The contract was advertised and five bids were received on Tuesday February 4, 2014 at 2:00 PM as follows:

<u>Contractor</u>	<u>Bid Amount</u>
1) Buchanan and Sons	\$1,038,681.00
2) Huntley Construction Co.	\$1,010,316.87
3) Buckeye Bridge LLC	\$ 893,728.40
4) Dillard Excavating Co.	\$ 828,315.00
<b>5) Terry Brothers Const. Co.</b>	<b>\$ 757,688.00</b>

The apparent low bidder is Terry Brothers with a bid amount of \$757,688.00. Terry Brothers has completed numerous MSD rehabilitation projects, and their work quality has been excellent to date.

Please refer to the attached documentation for further details.

**FISCAL IMPACT:** The FY13-14 construction budget for this project is \$795,000.00.

**STAFF RECOMMENDATION:** Staff recommends award of this contract to Terry Brothers Construction Co. in the amount of \$757,688.00, subject to review and approval by District Counsel.

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

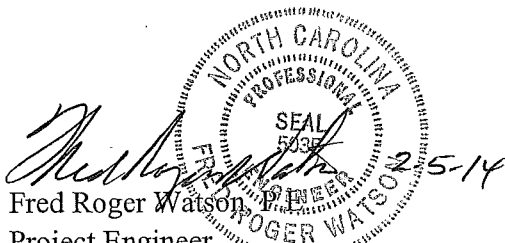
**Macon Avenue @ Sunset Parkway Sewer Replacement  
Project No. 2006016**

**BID TABULATION  
February 4, 2014**

<b>BIDDER</b>	<b>Bid Bond</b>	<b>MBE Form</b>	<b>Bid Forms (Proposal)</b>	<b>Total Bid Amount</b>
Buchanan and Sons, Inc. Whittier, NC	5%	1	Yes	\$1,038,681.00
Huntley Construction Company Asheville, NC	5%	1	Yes	(*) \$1,010,316.87
Buckeye Bridge, LLC Canton, NC	5%	1	Yes	\$893,728.40
Dillard Excavating Co., Inc. Sylva, NC	5%	1	Yes	\$828,315.00
<b>Terry Brothers Construction Company Leicester, NC</b>	5%	1	Yes	<b>\$757,688.00</b>

**APPARENT LOW BIDDER**

(\*) Indicates correction in Contractor's bid amount

  
Fred Roger Watson  
Project Engineer  
Metropolitan Sewerage District of  
Buncombe County, North Carolina

This is to certify that the bids tabulated herein were publicly opened and read aloud at 2:00 p.m. on the 4th day of February, 2014, in the W.H. Mull Building at the Metropolitan Sewerage District of Buncombe County, Asheville, North Carolina, and that said bids were accompanied by acceptable bidders bonds in the amount of 5% of the bid.

# Interoffice Memorandum

**TO:** Tom Hartye, General Manager  
Ed Bradford, Engineering Director

**FROM:** F. Roger Watson, Project Engineer

**DATE:** February 5, 2014

**RE: Macon Avenue @ Sunset Parkway Sewer Rehabilitation Project MSD Project No. 2006016**

This project is for the replacement of existing 8" sewer mains which serve areas in the Grove Park community along Edwin Place, Charlotte Street, and Macon Avenue. The existing lines are VCP and are in very poor condition. MSD has experienced several blockages and high infiltration rates on the existing lines.

Residential structures were constructed over three sections of this line, and those sections cannot be replaced in their existing location. In addition, the existing lines cross under/over major drainage culverts and creeks at several other locations. The lines within Charlotte Street and Macon Avenue will be pipe-bursted because they are located near the middle of the roadway and are under median islands which are heavily landscaped.

There are also remnants of the old Asheville Trolley rails in this area, which would have to be removed if open cut construction was used. Due to the fact that the existing line between Bond Street and Murdock Avenue runs diagonally across several parcels; it was necessary to relocate the line to public streets. These sections will require open cut construction, extensive roadway repairs, and some long sewer service reconnections in this area. Where the new sewer mains cross private parcels, easements were obtained and in some cases, the new line will have to be constructed between existing structures. These conditions make construction difficult and cost higher than normal.

This project includes 810 LF 10" DIP, 459 LF 8" DIP, and 1538 LF of 8" HDPE (pipe bursting) for a total of 2807 LF of main line pipe. The project also includes approximately 1260 LF of 4" and 6" service line construction to reconnect existing houses and structures.

Bids were received at 2:00 PM on Tuesday, February 4, 2014 for this project as shown below:

<u>Contractor</u>	<u>Bid</u>
1) Buchanan and Sons of Whittier, NC	\$1,038,681.00
2) Huntley Construction Company of Asheville, NC	\$1,010,316.87
3) Buckeye Bridge LLS of Canton, NC	\$ 893,728.40
4) Dillard Excavating Company of Sylvania, NC	\$ 828,315.00
<b>5) Terry Brothers Construction Co. of Leicester, NC</b>	<b>\$ 757,688.00</b>

Terry Brothers Construction Company of Leicester, NC is the low bidder with a bid of \$757,688.00. The FY13-14 construction budget is \$795,000.00. Terry Brothers has completed numerous MSD sewer rehabilitation projects, and has performed well on their projects.

It is recommended that this project be awarded to Terry Brothers in the amount of \$757,688.00, subject to MSD legal counsel's review and approval.

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

**BUDGET DATA SHEET - FY 2013 - 2014**

PROJECT: Macon Ave. at Sunset Parkway	LOCATION: Asheville
TYPE: General Sewer Rehab.	DATE OF REPORT: January 2013
PROJECT NO. 2006016	TOTAL L.F.: 2,843
PROJECT BUDGET: \$894,300.00	PROJECT ORIGIN: SSO's, Work Orders, Line Condition

DESCRIPTION	ESTIMATED PROJECT COST	TOTAL EXPENDS THRU 12/31/12	EST. COST JAN - JUNE 2013	EST. BUDGET FY 13-14
55310 - PRELIM. ENGINEERING				
55320 - SURVEY - DESIGN	\$23,800.00	\$23,790.00		
55330 - DESIGN				
55340 - PERMITS	\$1,500.00		\$1,500.00	
55350 - SPECIAL STUDIES				
55360 - EASEMENT PLATS	\$7,500.00	\$925.00	\$6,575.00	
55370 - LEGAL FEES	\$7,000.00	\$5,417.00	\$1,583.00	
55380 - ACQUISITION SERVICES				
55390 - COMPENSATION	\$40,000.00	\$14,506.00	\$25,494.00	
55400 - APPRAISAL	\$3,000.00		\$2,000.00	\$1,000.00
55410 - CONDEMNATION	\$7,500.00		\$2,500.00	\$5,000.00
55420 - CONSTRUCTION	\$795,000.00			\$795,000.00
55430 - CONST. CONTRACT ADM.				
55440 - TESTING	\$2,000.00			\$2,000.00
55450 - SURVEY - ASBUILT	\$7,000.00			\$7,000.00
<b>TOTAL AMOUNT</b>	<b>\$894,300.00</b>	<b>\$44,638.00</b>	<b>\$39,652.00</b>	<b>\$810,000.00</b>

ENGINEER: MSD		<b>ESTIMATED BUDGETS - FY '14 -'23</b>	
R.O.W. ACQUISITION: MSD	# PLATS: [ 6 ]	FY 14-15	\$0.00
CONTRACTOR:		FY 15-16	\$0.00
CONSTRUCTION ADM: MSD		FY 16-17	\$0.00
INSPECTION: MSD		FY 17-18	\$0.00
		FY 18-19	\$0.00
PROJECT DESCRIPTION: This project will relocate and replace an existing line between Murdock Avenue and Bond Street and to pipe burst the line in Charlotte Street and Macon Avenue. This project ties into the recently completed Lennox Avenue project, and the future Cherokee Drive project. Existing vitrified clay pipe lines are in very poor condition with cracked, broken pipe, bad joints, and root problems.		FY 19-20	\$0.00
		FY 20-21	\$0.00
		FY 21-22	\$0.00
		FY 22-23	\$0.00
SPECIAL PROJECT NOTES: A portion of this project is pipe bursting.			







## Metropolitan Sewerage District of Buncombe County Board Action Item

**Meeting Date:** February 19, 2014

**Subject:** Consideration of Bids - New Backhoe, Fleet Replacement

**Prepared by:** Peter Weed, Division Director  
Mike Stamey, Division Director  
Julie Willingham, CLGPO; Purchasing Supervisor

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

**Background:** The District's policy is to annually evaluate the condition of fleet vehicles and purchase replacements when the estimated cost of repair and maintenance will exceed the cost of a new one. At the March 12, 2013, Fleet Replacement Committee meeting, the members recommended the purchase of one (1) New Backhoe Replacement, as presented to this Board for approval. This purchase was included in the FY2013-2014 Budget.

**Discussion:** Pursuant to North Carolina Purchasing Statutes and MSD Procedures, bids for the Backhoe were solicited and an advertisement placed on the MSD web site. Two bid packages were received and opened on February 3, 2014, at 11:00 am. The Contractor's Machinery/Case Construction bid was the lowest responsive bidder to MSD specifications. The bids are summarized below. Because the cost of this Backhoe exceeds \$90,000.00, the contract must receive Board approval.

**Fiscal Impact:** The total cost of this contract will be \$98,897.00, and funds are budgeted in the Fleet Replacement Fund.

**Staff Recommendation:** Staff recommends that the bid from Contractor's Machinery/Case Construction be awarded.

Vendor	Excavator Cost	Comments
Contractor's Machinery / Case Construction Johnson City, TN	\$98,897.00	Case 590SN
James River Equip. / John Deere Asheville, NC	\$99,450.00	410K John Deere



# METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY

## BOARD ACTION ITEM

**Meeting Date:** February 19, 2014

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

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

**Subject:** Consideration of Auditing Services Contract for FY2014

### **Background**

In FY 2003, the District issued an RFP for audit services. The scope of the contract was for a minimum of three years covering the fiscal years ending June 30, 2004 through 2006. The RFP specified that after the first year of the contract, it could be continued on the basis of annual negotiation. On September 15, 2006, the Finance Committee accepted staff's recommendation that if the General Manager and Director of Finance were satisfied with the quality of the auditor's work and service that they be allowed to negotiate a proposed amount for future audits. An RFP would be issued only upon failure to arrive at a mutually agreeable fee amount.

### **Discussion**

For this year's engagement, the auditors proposed fees continued to stay at FY2013 level of \$46,500. The auditor's experience and the District's preparedness on previous engagements have helped keep cost flat. On March 13, 2013, Mr. Burke provided staff with a three-year commitment letter to keep audit fees at the aforementioned amount. Cherry, Bekaert, LLP will continue to work hard to control expenses, and pass on any additional savings to the District.

### **Fiscal Impact**

The combined audit fees and reimbursable expenses of \$46,500 (See attached engagement letter and audit contract) will be included in the FY2014-2015 budget.

### **Committee/Staff Recommendation**

Committee/Staff recommends approval of the FY 2014 audit contract with Cherry, Bekaert, LLP.

#### **Action Taken**

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

January 24, 2014

Mr. W. Scott Powell, Director of Finance  
Metropolitan Sewerage District of Buncombe County, North Carolina  
2028 Riverside Drive  
Asheville, North Carolina

Dear Mr. Powell:

This engagement letter between Metropolitan Sewerage District of Buncombe County, North Carolina (hereafter referred to as the "District") and Cherry Bekaert LLP (the "Firm" or "Cherry Bekaert") sets forth the nature and scope of the services we will provide, the District's required involvement and assistance in support of our services, the related fee arrangements and other Terms and Conditions, which are attached hereto and incorporated by reference, designed to facilitate the performance of our professional services and to achieve the mutually agreed upon objectives of the District.

## **SUMMARY OF SERVICES**

We will provide the following services to the District as of and for the year ended June 30, 2014:

### **Audit services**

1. We will audit the financial statements of the District which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.
2. The introductory and statistical section accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements and our auditor's report will not provide an opinion or any assurance on that information.
3. We will audit the supplementary information other than the required supplementary information (RSI) accompanying the District's basic financial statements. As part of our engagement, we will apply certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures.
4. We will apply limited procedures to the management's discussion and analysis (MD&A) which will consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements.

## **YOUR EXPECTATIONS**

As part of our planning process, we have discussed with you your expectations of Cherry Bekaert, changes that occurred during the year, your views on risks facing you, any relationship issues with Cherry Bekaert, and specific engagement arrangements and timing. Our services plan, which includes our audit plan, is designed to provide a foundation for an effective, efficient, and quality-focused approach to accomplish the engagement objectives and meet or exceed your expectations. Our service plan will be reviewed with you periodically and will serve as a benchmark against which you will be able to measure our performance.

**Metropolitan Sewerage District of Buncombe County, North Carolina**

**January 24, 2014**

**Page 2**

Any additional services that you may request, and that we agree to provide, will be the subject of separate written arrangements.

The engagement will be led by Eddie Burke, who will be responsible for assuring the overall quality, value, and timeliness of the services provided to you.

**AUDIT SERVICES**

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the Summary of Services section when considered in relation to the basic financial statements taken as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements and grants, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and will include tests of accounting records and other procedures as deemed necessary to enable us to express such opinions and to render the required reports. If any of our opinions resulting from the procedures described above are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue a report as a result of this engagement.

**FEES**

The estimated fee contemplates only the services described in the Summary of Services section of this letter. If Management requests additional services not listed above, we will provide an estimate of those fees prior to commencing additional work.

The fees will be billed periodically. Invoices are due on presentation. A service charge will be added to past due accounts equal to 1-1/2% per month (18% annually) on the previous month's balance less payments received during the month, with a minimum charge of \$2.00 per month. The fee for our audit as described in this letter will not exceed \$46,500.

**Metropolitan Sewerage District of Buncombe County, North Carolina**

**January 24, 2014**

**Page 3**

If the foregoing is in accordance with your understanding, please sign a copy of this letter in the space provided and return it to us. If you have any questions, please call Eddie Burke at (910) 273-6000.

Sincerely,

**CHERRY BEKAERT LLP**

*Cherry Bekaert LLP*

ATTACHMENT – Engagement Letter Terms and Conditions

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Metropolitan Sewerage District of Buncombe County

ACCEPTED BY: \_\_\_\_\_

TITLE: \_\_\_\_\_ DATE: \_\_\_\_\_

**Cherry Bekaert LLP**  
**Engagement Letter Terms and Conditions**

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The following terms and conditions are an integral part of the attached engagement letter and should be read in their entirety in conjunction with your review of the letter.

**LIMITATIONS OF THE AUDIT REPORT**

Should the District wish to include or incorporate by reference these financial statements and our report thereon into *any* other document at some future date, we will consider granting permission to include our report into another such document at the time of the request. However, we may be required by generally accepted auditing standards (“GAAS”) to perform certain procedures before we can give our permission to include our report in another document such as an annual report, private placement, regulator filing, official statement, offering of debt securities, etc. You agree that you will not include or incorporate by reference these financial statements and our report thereon, or our report into any other document without our prior written permission. In addition, to avoid unnecessary delay or misunderstandings, it is important to provide us with timely notice of your intention to issue any such document.

**LIMITATIONS OF THE AUDIT PROCESS**

In conducting the audit, we will perform tests of the accounting records and such other procedures as we consider necessary in the circumstances to provide a reasonable basis for our opinion on the financial statements. We also will assess the accounting principles used and significant estimates made by Management, as well as evaluate the overall financial statement presentation.

Our audit will include procedures designed to obtain reasonable assurance of detecting misstatements due to errors or fraud that are material to the financial statements. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. For example, audits performed in accordance with GAAS are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that material misstatements due to errors or fraud, if they exist, may not be detected. Also, an audit is not designed to detect matters that are immaterial to the financial statements. In addition, an audit conducted in accordance with GAAS does not include procedures specifically designed to detect illegal acts having an indirect effect (e.g., violations of fraud and abuse statutes that result in fines or penalties being imposed on the District) on the financial statements.

Similarly, in performing our audit we will be aware of the possibility that illegal acts may have occurred. However, it should be recognized that our audit provides no assurance that illegal acts generally will be detected, and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected. We will inform you with respect to errors and fraud, or illegal acts that come to our attention during the course of our audit unless clearly inconsequential. In the event that we have to consult with the District’s counsel or counsel of our choosing regarding any illegal acts we identify, additional fees incurred may be billed to the District. You agree to cooperate fully with any procedures we deem necessary to perform with respect to these matters.

If, for any reason, we are unable to complete the audit, or are unable to form, or have not formed an opinion on the financial statements, we may decline to express an opinion or decline to issue a report as a result of the engagement. We will notify the appropriate party within your organization of our decision and discuss the reasons supporting our position.

## **MANAGEMENT'S RESPONSIBILITIES RELATED TO THE AUDIT**

Management is responsible for the fair presentation of the financial statements in conformity with GAAP, including the appropriate basis of accounting is applied by all component units, if applicable, for making all financial records and related information available to us, for ensuring that all material information is disclosed to us, and for identifying and ensuring that the District complies with the laws and regulations applicable to its activities and with the provisions of contracts and grant agreements.

Management is responsible for the preparation of the supplementary information in conformity with GAAP. Management agrees to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Management is also responsible for adjusting the financial statements to correct material misstatements, informing us of events that occurred subsequent to the balance sheet date until the date of the auditors' report that might affect the financial statements or related disclosures and informing us of any discovery of facts related to items that existed at the financial statement date that might affect the financial statements or related disclosures.

Management is responsible for informing us of its views regarding the risk of fraud at the District. Management must inform us of their knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, regulators, or others and for informing us about all known or suspected fraud affecting the District involving (a) Management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements.

Management is responsible for the design and implementation of programs and controls over financial reporting and to prevent and detect fraud. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors and fraud or illegal acts. As a part of our audit, we will consider the District's internal control structure, as required by GAAS, sufficient to plan the audit and to determine the nature, timing, and extent of auditing procedures necessary for expressing our opinion concerning the financial statements. An audit is not designed to provide any assurance on internal controls. As part of our consideration of the District's internal control structure, we will inform you of matters that come to our attention that represent significant deficiencies or material weaknesses in the design or operation of the internal control structure.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying to us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

At the conclusion of the engagement, Management will provide to us a representation letter that, among other things, addresses (1) Management's responsibilities related to the audit and confirms certain representations made to us during the audit, including, Management's acknowledgement of its responsibility for the design and implementation of programs and controls to prevent and detect fraud; (2) Management's responsibilities related to the monitoring of internal control over financial reporting; and (3) Management's knowledge, directly or from allegations by others, of fraud or suspected fraud affecting the District. The representation letter will also affirm to us that Management believes that the effects of any uncorrected misstatements, if any, pertaining to the financial statements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The Firm will rely on Management providing these representations to us, both in the planning and performance of the audit, and in considering the fees that we will charge to perform the audit.

### **AUDIT PROCEDURES – GENERAL**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve professional judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and fraud, or illegal acts that come to our attention during the course of our audit. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

### **AUDIT PROCEDURES – INTERNAL CONTROLS**

Our audit will include obtaining an understanding of the District and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and

other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards, and *Government Auditing Standards*.

### **AUDIT PROCEDURES - COMPLIANCE**

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the District's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Communications**

At the conclusion of the audit engagement, we may provide Management and those charged with governance a letter stating any significant deficiencies or material weaknesses which may have been identified by us during the audit and our recommendations designed to help the District make improvements in its internal control structure and operations related to the identified matters discovered in the financial statement audit. As part of this engagement we will ensure that certain additional matters are communicated to the appropriate members of the District. Such matters include (1) our responsibility under GAAS; (2) the initial selection of and changes in significant accounting policies and their application; (3) our independence with respect to the District; (4) the process used by Management in formulating particularly sensitive accounting estimates and the basis for our conclusion regarding the reasonableness of those estimates; (5) audit adjustments, if any, that could, in our judgment, either individually or in the aggregate be significant to the financial statements or our report; (6) any disagreements with Management concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements; (7) our views about matters that were the subject of Management's consultation with other accountants about auditing and accounting matters; (8) major issues that were discussed with Management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards; and (9) serious difficulties that we encountered in dealing with Management related to the performance of the audit.

*Government Auditing Standards* require that we provide you with a copy of our most recent quality control review report. Our most recent peer review report accompanies this letter.

### **OTHER MATTERS**

#### **Access to working papers**

The working papers and related documentation for the engagement are the property of the Firm and constitute confidential information. We have a responsibility to retain the documentation for a period of time to satisfy legal or regulatory requirements for records retention. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties.



We may be requested to make certain documentation available to regulators, governmental agencies (e.g., SEC, PCAOB, HUD, DOL, etc.) or their representatives ("Regulators") pursuant to law or regulations. If requested, access to the documentation will be provided to the Regulators. The Regulators may intend to distribute to others, including other governmental agencies, our working papers and related documentation without our knowledge or express permission. You hereby acknowledge and authorize us to allow Regulators access to and copies of documentation as requested. In addition, our Firm, as well as all other major accounting firms, participates in a "peer review" program covering our audit and accounting practices as required by the American Institute of Certified Public Accountants. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.

### **Electronic transmittals**

During the course of our engagement, we may need to electronically transmit confidential information to each other, within the Firm, and to other entities engaged by either party. Although email is an efficient way to communicate, it is not always a secure means of communication and thus, confidentiality may be compromised. You agree to the use of email and other electronic methods to transmit and receive information, including confidential information between the Firm, the District and other third party providers utilized by either party in connection with the engagement.

### **Subpoenas**

In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such a request at standard billing rates.

### **Dispute resolution procedures**

If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, on written notice to the other party, request that the matter be mediated. Such mediation would be conducted by a mediator appointed by and pursuant to the rules of the American Arbitration Association (AAA) or such other neutral facilitator acceptable to both parties. Both parties would exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute, controversy, or claim.

### **TERMS AND CONDITIONS SUPPORTING FEE**

The estimated fees set forth in the attached engagement letter are based on anticipated full cooperation from your personnel, timely delivery of requested audit schedules and supporting information, timely communication of all significant accounting and financial reporting matters, the assumption that unexpected circumstances will not be encountered during the audit, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances. We strive to ensure that we have the right professionals scheduled on each engagement. As a result, sudden District requested scheduling changes or scheduling changes necessitated by the agreed information not being ready on the agreed

upon dates can result in expensive downtime for our professionals. Any last minute schedule changes that result in downtime for our professionals could result in additional fees. Our estimated fee does not include assistance in bookkeeping or other accounting services not previously described. If for any reason the District is unable to provide such schedules, information and assistance, the Firm and the District will mutually revise the fee to reflect additional services, if any, required of us to achieve these objectives.

The estimated fees contemplate that the District will provide adequate documentation of its systems and controls related to significant transaction cycles and audit areas.

In providing our services, we will consult with the District with respect to matters of accounting, financial reporting or other significant business issues as permitted by professional standards. Accordingly, time necessary to effect a reasonable amount of such consultation is reflected in our fee. However, should a matter require research, consultation or audit work beyond that amount, the Firm and the District will agree to an appropriate revision in our fee.

The estimated fees are based on auditing and accounting standards effective as of the date of this engagement letter and known to apply to the District at this time, but do not include any time related to the application of new auditing or accounting standards that impact the District for the first time. If new auditing or accounting standards are issued subsequent to the date of this letter and are effective for the period under audit, we will estimate the impact of any such standard on the nature, timing and extent of our planned audit procedures and will communicate with you concerning the scope of the additional procedures and the estimated fees.

The District agrees to pay all costs of collection (including reasonable attorneys' fees) that the Firm may incur in connection with the collection of unpaid invoices. In the event of nonpayment of any invoice rendered by us, we retain the right to (a) suspend the performance of our services, (b) change the payment conditions under this engagement letter, or (c) terminate our services. If we elect to suspend our services, such services will not be resumed until your account is paid. If we elect to terminate our services for nonpayment, the District will be obligated to compensate us for all time expended and reimburse us for all expenses through the date of termination.

This engagement letter sets forth the entire understanding between the District and the Firm regarding the services described herein and supersedes any previous proposals, correspondence, and understandings whether written or oral. Any subsequent changes to the terms of this letter, other than additional billings, will be rendered in writing and shall be executed by both parties. Should any portion of this engagement letter be ruled invalid, it is agreed that such invalidity will not affect any of the remaining portions.

## System Review Report

August 30, 2013

To the Partners of Cherry Bekaert LLP  
And the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Cherry Bekaert LLP (the firm), applicable to non-SEC issuers in effect for the year ended April 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, and examinations of service organizations [Service Organizations Control (SOC) 1 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Cherry Bekaert LLP, applicable to non-SEC issuers in effect for the year ended April 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Cherry Bekaert LLP has received a peer review rating of *pass*.



EisnerAmper LLP  
Iselin, NJ

November 14, 2013

Howard Joseph Kies, CPA  
Cherry Bekaert LLP  
200 S 10th St  
Ste 900  
Richmond, VA 23219

Dear Mr. Kies:

It is my pleasure to notify you that on November 13, 2013 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is October 31, 2016. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,



Betty Jo Charles  
Chair, National Peer Review Committee  
nprc@aicpa.org 919 402-4502

cc: Lewis Eddie Dutton;Lawrence S Gray

Firm Number: 10011816

Review Number 347649

Letter ID: 840713

**CONTRACT TO AUDIT ACCOUNTS**  
**Of Metropolitan Sewerage District of Buncombe County**  
Governmental Unit

On this 24th day of January, 2014, Cherry Bekaert LLP

1111 Metropolitan Avenue, Suite 1000 Charlotte, North Carolina 28204 <sup>Auditor</sup>

Mailing Address

\_\_\_\_\_ , hereinafter referred to as

the Auditor, and Commissioners of Metropolitan Sewerage District of Buncombe County, hereinafter referred  
Governing Board Governmental Unit

to as the Governmental Unit, agree as follows:

1. The Auditor shall audit all statements and disclosures required by generally accepted accounting principles (GAAP) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit for the period beginning July 1, 2013, and ending June 30, 2014. The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion will be rendered in relation to (as applicable) the governmental activities, the business-type activities, the aggregate discretely presented component units, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).
2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with generally accepted auditing standards. The Auditor shall perform the audit in accordance with *Government Auditing Standards* if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB Circular A-133 and the State Single Audit Implementation Act, the Auditor shall perform a Single Audit. This audit and all associated workpapers may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit and/or workpapers are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC CPA Board).
3. This contract contemplates an unqualified opinion being rendered. If financial statements are not prepared in accordance with GAAP, or the statements fail to include all disclosures required by GAAP, please provide an explanation for that departure from GAAP in an attachment.
4. This contract contemplates an unqualified opinion being rendered. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract
5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2011 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of their most recent peer review report regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the LGC prior to the execution of the audit contract (See Item 22). If the audit firm received a peer review rating other than pass, the Auditor shall not contract with the Governmental Unit without first contacting the Secretary of the LGC for a peer review analysis that may result in additional contractual requirements.  
  
If the audit engagement is not subject to *Government Accounting Standards*, the Auditor shall provide an explanation as to why in an attachment.
6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to the State and Local Government Finance Division (SLGFD) within four months of fiscal year end. Audit report is due on: October 31, 2014. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay must be submitted to the Secretary of the LGC for approval.
7. It is agreed that generally accepted auditing standards include a review of the Governmental Unit's systems of internal control and accounting as same relates to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor will make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his findings, together with his recommendations for improvement. That written report must include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the *AICPA Professional Standards (Clarified)*. The Auditor shall file a copy of that report with the Secretary of the LGC.
8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. Invoices for services rendered under these contracts shall not be paid by the Governmental Unit until the invoice has been approved by the Secretary of the LGC. (This also includes any progress billings.) [G.S. 159-34 and 115C-447] The process for

**Contract to Audit Accounts (cont.)** Metropolitan Sewerage District of Buncombe County  
(Name of Governmental Unit)

invoice approval has changed. All invoices for Audit work must be submitted by email in PDF format to the Secretary of the LGC for approval. The invoices must be sent through the portal at: <http://nctreasurer.slgfd.leapfile.net>. Subject line should read "Invoice - only. The PDF invoice marked 'approved' with approval date will be returned by email to the Auditor for them to present to the Governmental Unit for payment. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.

9. In consideration of the satisfactory performance of the provisions of this contract, the Governmental Unit shall pay to the Auditor, upon approval by the Secretary of the LGC, the following fee, which includes any cost the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (Federal and State grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts:

**Year-end bookkeeping assistance – [For audits subject to Government Auditing Standards, this is limited to bookkeeping services permitted by revised Independence Standards]** N/A  
Audit \$46,500

**Preparation of the annual financial statements** N/A  
Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees above. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee. **The 75% cap for interim invoice approval for this audit contract is \$34,875**

10. If the Governmental Unit has outstanding revenue bonds, the Auditor shall include documentation either in the notes to the audited financial statements or as a separate report submitted to the SLGFD along with the audit report, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the Auditor should be aware that any other bond compliance statements or additional reports required in the authorizing bond documents need to be submitted to the SLGFD simultaneously with the Governmental Unit's audited financial statements unless otherwise specified in the bond documents.
11. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include but not be limited to the following information: (a) Management's Discussion and Analysis, (b) the financial statements and notes of the Governmental Unit and all of its component units prepared in accordance with GAAP, (c) supplementary information requested by the client or required for full disclosure under the law, and (d) the Auditor's opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Governing Board as soon as practical after the close of the accounting period.
12. If the audit firm is required by the NC CPA Board or the Secretary of the LGC to have a pre-issuance review of their audit work, there must be a statement added to the engagement letter specifying the pre-issuance review including a statement that the Governmental Unit will not be billed for the pre-issuance review. The pre-issuance review must be performed **prior** to the completed audit being submitted to the LGC. The pre-issuance report must accompany the audit report upon submission to the LGC.
13. The Auditor shall electronically submit the report of audit to the LGC when (or prior to) submitting the invoice for services rendered. The report of audit, as filed with the Secretary of the LGC, becomes a matter of public record for inspection, review and copy in the offices of the SLGFD by any interested parties. Any subsequent revisions to these reports must be sent to the Secretary of the LGC. These audited financial statements are used in the preparation of official statements for debt offerings (the Auditors' opinion is not included), by municipal bond rating services, to fulfill secondary market disclosure requirements of the Securities and Exchange Commission, and other lawful purposes of the Governmental Unit, without subsequent consent of the Auditor. If it is determined by the LGC that corrections need to be made to the Governmental Unit's financial statements, they should be provided within three days of notification unless, another time frame is agreed to by the LGC.


The LGC's process for submitting contracts, audit reports and Invoices are subject to change. Auditors should use the submission process in effect at the time of submission. The most current instructions will be found on our website: <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx>

In addition, if the OSA designates certain programs to be audited as major programs, a turnaround document and a representation letter addressed to the OSA shall be submitted to the LGC.

14. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the Secretary of the LGC, this contract may be varied or changed to include the increased time and/or compensation as may be agreed upon by the Governing Board and the Auditor.
15. If an approved contract needs to be varied or changed for any reason, the change must be made in writing, signed and dated by all parties and pre-audited if the change includes a change in audit fee. This document and a written explanation of the change must be submitted by email in PDF format to the Secretary of the LGC for approval. The portal address to upload your amended contract and letter of explanation documents is <http://nctreasurer.slgfd.leapfile.net> No change shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.

**Contract to Audit Accounts (cont.)** Metropolitan Sewerage District of Buncombe County  
 (Name of Governmental Unit)

16. Whenever the Auditor uses an engagement letter with the Governmental Unit, Item 17 is to be completed by referencing the engagement letter and attaching a copy of the engagement letter to the contract to incorporate the engagement letter into the contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract will control. Engagement letter terms are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item 23 of this contract. Engagement letters containing indemnification clauses will not be approved by the LGC.
17. Special provisions should be limited. Please list any special provisions in an attachment.
18. A separate contract should not be made for each division to be audited or report to be submitted. A separate contract must be executed for each component unit which is a local government and for which a separate audit report is issued.
19. The contract must be executed, pre-audited, physically signed by all parties and submitted in PDF format including Governmental Unit and Auditor signatures to the Secretary of the LGC. The current portal address to upload your contractual documents is <http://nctreasurer.slgfd.leapfile.net> Electronic signatures are not accepted at this time. **Included with this contract are instructions to submit contracts and invoices for approval as of September 4, 2013. These instructions are subject to change. Please check the NC Treasurer's web site at [www.nctreasurer.com](http://www.nctreasurer.com) for the most recent instructions.**
20. The contract is not valid until it is approved by the LGC Secretary. The staff of the LGC shall notify the Governmental Unit and Auditor of contract approval by email. The audit should not be started before the contract is approved.
21. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the LGC.
22. The Auditor acknowledges that any private employer transacting business in this State who employs 25 or more employees in this State must, when hiring an employee to work in the United States, use E Verify to verify the work authorization of the employee in accordance with N.C.G.S. §64 26(a). The Auditor acknowledges further that any such private employer and its subcontractors must comply with all of the requirements of Article 2 of Chapter 64 of the North Carolina General Statutes (North Carolina's E-verify law), and that such private employer has a duty under the law to ensure compliance by its subcontractors. The Auditor further acknowledges that this contract is of the type governed by S.L. 2013-418, which makes it unlawful for a local government to enter into certain types of contracts unless the contractor and its subcontractors comply with North Carolina's E-verify law, and that failure to comply with such law could render this contract void. The Auditor hereby covenants, warrants and represents for itself and its subcontractors that with respect to this contract the Auditor and its subcontractors shall comply with the provisions of North Carolina's E-verify law and that failure to comply with such law shall be deemed a breach of this contract and may render this contract void.
23. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted: (See Item 16.)
24. **All communications regarding audit contract requests for modification or official approvals will be sent to the email addresses provided in the spaces below.**

**Audit Firm Signature:**  
 Firm Cherry Bekaert LLP  
 By Eddie Burke  
 (Please type or print name)   
 (Signature of authorized audit firm representative)  
**Email Address of Audit Firm:**  
eburke@cbh.com  
 Date 1/24/14

**Governmental Unit Signatures:**  
 By \_\_\_\_\_  
 (Please type or print name and title)

**(Signature of Mayor/Chairperson of governing board)**  
 Date \_\_\_\_\_

**Date Governing Body Approved Audit Contract - G.S. 159-34(a)**

Date: \_\_\_\_\_

**Unit Signatures (continued):**  
 By \_\_\_\_\_  
**(Chair of Audit Committee- please type or print name)**  
 \_\_\_\_\_  
 (Signature of Audit Committee Chairperson)  
 Date \_\_\_\_\_  
 (If Governmental Unit has no audit committee, this section should be marked "N/A.")

This instrument has been preaudited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act. Additionally, the following date is the date this audit contract was approved by the governing body.

\_\_\_\_\_  
 Governmental Unit Finance Officer (Please type or print name)

\_\_\_\_\_  
 (Signature)  
**Email Address of Finance Officer**  
 \_\_\_\_\_

Date \_\_\_\_\_  
**(Preaudit Certificate must be dated.)**



## Steps to Completing the Audit Contract

1. Complete the Header Information
2. Item No. 1 – Complete the period covered by the audit
3. Item No. 6 – Fill in the audit due date. For the Governmental Unit, the contract due date can be no later than 4 months after the end of the fiscal year, even though amended contracts may not be required until a later date.
4. Item No. 8 – The process for invoice approval changed during 2012, so the Auditor should make sure he and his administrative staff is familiar with the new process. Instructions for each process can be found at the following link. <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx>
5. Item No. 9 – Complete the fee section as in the past but please note:
  - Language has been inserted into the contract that specifies the cap on interim payments is 75% of the current audit fee for services rendered if the contracted fee amount is a fixed amount. If any part of the fee is variable, interim payments are limited to 75% of the prior year's total audit fee. If the contract fee is in any part variable, we will compare the authorized interim payment on the contract to 75% of last year's actual approved total audit fee amount according to our records. There is a report of audit fees paid by each governmental unit on our web site: <https://www.nctreasurer.com/slg/Pages/Non-Audit-Services-and-Audit-Fees.aspx> - Auditors and Audit Fees.  
Please call or email Steven Holmberg of our office at 919-807-2382 [steven.holmberg@nctreasurer.com](mailto:steven.holmberg@nctreasurer.com) if you have any questions about the fees on this list.
  - For variable fees for services, are the hourly rates or other rates clearly stated in detail? If issued separately in an addendum, has the separate page been acknowledged in writing by the Governmental Unit?
  - For fees for services that are a combination of fixed and variable fees, are the services to be provided for the fixed portion of the fee clearly stated? Are the hourly rates or other rates clearly stated for the variable portion of the fee? See previous bullet point regarding variable fees.
6. Item No. 18 – If there is a reference to an engagement letter or other document, has the engagement letter or other document been acknowledged by the Governmental Unit and attached to the contract submitted to the SLGFD?
  - a. Does the engagement letter contain an indemnification clause? **The audit contract will not be approved if there is an indemnification clause – refer to LGC Memo # 986.**
7. Item No. 22 – E-verify requirements now apply to all municipal and county contracts, including the audit contract. There is no e-verify requirement for the audit contract for other types of entities The best approach to meeting e-verify requirements may be for the municipal or county local government to have its vendors with 25 or more employees in the State of North Carolina sign a document attesting that they have complied with the e-verify requirements for their staff and their sub-contractors. This language is included in Item 22 of the audit contract. Any

Contract to Audit Accounts (cont.) Metropolitan Sewerage District of Buncombe County  
(Name of Governmental Unit)

municipal or county contracts executed Sept 4, 2013 or later whose audit firm has 25 or more employees in the State of North Carolina will need the addendum/language and it will be returned to the unit if it is not included. If the e-verify requirements do not apply to your contract, either because you are a city or county but your audit firm has less than 25 employees, or you are an entity to which e-verify does not apply, please mark Item #22 "N/A" or exclude Item #22 by specifically excluding it in Item #23.

8. Signature Area – Make sure all signatures have been obtained. **The contract must be approved by your Governing Board pursuant to G.S. 159-34(a).** Please place the date the Governing Board approved the audit contract in the space provided.
  - a. Please make sure that you provide email addresses for the audit firm and finance officer as these will be used to communicate official approval of the contract.
  - b. Has the pre-audit certificate been signed and dated by the appropriate party?
  - c. Has the name and title of the Mayor or Chairperson of the Governing Board been typed or printed on the contract and has he/she signed in the correct area directly under the Auditor's signature?
9. If the Auditor is performing an audit under the yellow book or single audit rules, has year-end bookkeeping assistance been limited to those areas permitted under the revised GAO Independence Standards? Although not required, we encourage Governmental Units and Auditors to disclose the nature of these services in the contract or an engagement letter. Fees for these services should be shown in the space indicated in Item 9 of the contract.
10. Has the most recently issued peer review report for the audit firm been included with the contract? (This is required if the audit firm has received a new peer review report that has not yet been forwarded to us. The audit firm is not required to send the Peer Review report multiple times.)
11. After all the signatures have been obtained and the contract and is complete, please convert the contract and all other supporting documentation to be submitted for approval into a PDF copy. Peer Review Reports should be submitted in a separate PDF file. These documents should be submitted using the most current submission process which can be obtained at the NC Treasurer's web site – <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx>.

# METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY

## BOARD ACTION ITEM

**Meeting Date:** February 19, 2014

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

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

**Reviewed By:** Billy Clarke, District Legal Counsel

**Subject:** Amendment to Standby Bond Purchase Agreement

### **Background**

The District has Series 2008A revenue refunding bonds. This Series is a variable rate debt series with an outstanding balance of \$32,185,000 as of February 5 2014. Due to their variable nature, this series require a standby bond purchase agreement. Currently, the District has a 0.53% agreement with Wells Fargo, NA at an annual cost of approximately \$171,000.

### **Discussion**

A Standby Bond Purchase Agreement is an agreement with a third party, typically a bank, in which the bank agrees to purchase variable rate bonds tendered for purchase in the event the bonds cannot be remarketed. MSD is required to have such an agreement in place for its outstanding variable rate bonds. Due to continuing economic conditions, the cost of providing such an agreement in the variable rate market continues to change depending on the provider.

Staff informally investigated the Standby Bond Purchase Agreement market. They open dialogue with its current liquidity provider as to an extension and a reduction in cost. Wells Fargo, NA has proposed extending the District's current agreement to February 2017 at .43%. The District will have the option to terminate the agreement at any time if Wells Fargo, NA short-term ratings fall below A-1/P-1. Finally, the District can terminate the agreement if market conditions are favorable to refund either series.

### **Fiscal Impact**

The District will incur approximately \$2,500 in legal fees to extend its current agreement. The District will save approximately \$32,000 **ANNUALLY** (\$96,000 total) over the life of the extension with Wells Fargo, NA.

### **Committee/Staff Recommendation**

Committee/Staff recommends to the Board the endorsement of the proposed amendment from Wells Fargo, NA (Exhibit 1) which will be presented to the full board on February 19, 2014.

#### **Action Taken**

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

**Government & Institutional Banking**

301 South College Street, 4<sup>th</sup> Floor  
MAC D1053-041  
Charlotte, NC 28288  
T 704.383.7577  
F 866.359.0880



**FIRST AMENDMENT TO STANDBY BOND PURCHASE AGREEMENT**

The instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

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Scott Powell, Director of Finance

February 3, 2014

Scott Powell, Director of Finance  
Metropolitan Sewerage District of Buncombe County  
2028 Riverside Drive  
Asheville, NC 28804

Re: Standby Bond Purchase Agreement dated as of June 1, 2012, between Metropolitan Sewerage District of Buncombe County, North Carolina (the "District") and Wells Fargo Bank, National Association (the "Bank") related to the District's 2008A Sewerage System Revenue Refunding Bonds (the "Agreement")

Dear Scott,

Subject to the satisfaction of the conditions set forth below and acceptance of this letter agreement (the "*First Amendment*") evidenced by your execution hereof on behalf of the District, the Bank and the District hereby agree to amend the Standby Bond Purchase Agreement dated as of June 1, 2012 and entered into by and between the METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA, a public body and body politic and corporate duly created and validly existing under the laws of the State of North Carolina (the "*District*") and WELLS FARGO BANK, NATIONAL ASSOCIATION., a national banking association organized and existing under the laws of the United States of America (in its capacity hereunder as provider of the liquidity facility for the 2008B Bonds (hereinafter defined), but in no other capacity, the "*Bank*") as follows:

The following definitions shall be amended as follows:

"Commitment Rate" means 0.43% per annum. The Commitment Rate shall be increased by the per annum percentage described in the chart below if the debt rating assigned by the Rating Agencies to the unsecured long term debt of the District, without regard to third party credit enhancement, falls to the corresponding levels specified below. Such increase shall be effective as of the Facility Fee Payment Date immediately prior to which the rating change occurs. The increase to the Commitment Rate shall be the percentage listed below which corresponds to the lowest debt rating assigned to the District specified in the schedule below:

<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch</u>	Increase to Facility Fee <u>% Per Annum</u>
AA-	Aa3	AA-	0.05
A+	A1	A+	0.10
A	A2	A	0.10
A-	A3	A-	0.10
BBB+	Baa1	BBB+	0.25
BBB	Baa2	BBB	0.25
BBB-	Baa3	BBB-	0.50

provided, however, that the Commitment Rate shall be immediately increased to the Commitment Rate which would apply if any rating assigned to the unsecured long term debt of the District is "BBB-/Baa3" plus 1.00% upon (1) the occurrence of an Event of Default or (2) if any Rating Agency then rating the District's parity debt (a) withdraws or suspends, for any reason (other than the defeasance or payment in full of the 2008A Bonds), the debt rating assigned to such indebtedness or (b) assigns a rating which is below investment grade (as specified by such Rating Agency).

References in the table above are to rating categories as presently determined by the rating agencies, and in the event of the adoption of any new or changed rating system or a "global" rating scale by any such rating agency, the ratings categories shall be adjusted according to the new rating which most closely approximates the ratings currently in effect.

"Expiration Date" means February 28, 2017, and, thereafter, such later date as may be agreed to in writing between the Bank and the District.

"Related Documents" means the 2008A Bonds, the Bond Order, the Series Resolution, the Remarketing Agreement and the Tender Agreement and any exhibits, schedules, instruments or agreements relating thereto, as the same may be amended, modified or supplemented in accordance with their terms and the terms hereof.

The following new definitions shall be added as follows:

"Applicable Law" means (i) all applicable common law and principles of equity and (ii) all applicable provisions of all (A) constitutions, statutes, rules, regulations and orders of any governmental authority, (B) Governmental Approvals and (C) orders, decisions, judgments and decrees of all courts (whether at law or in equity) and arbitrators.

"Change in Law" means the occurrence, after the Closing Date, of any of the following: (i) the adoption or taking effect of any Law, including, without limitation Risk Based Capital Guidelines, (ii) any change in any Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (iii) the making or issuance of any request, rule, ruling, guideline, regulation or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (a) the Dodd -Frank Wall Street Reform and Consumer Protection Act and all requests, rules, ruling, guidelines, regulations or directives thereunder or issued in connection therewith and (b) all requests, rules, rulings, guidelines, regulations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Excluded Taxes" means, with respect to the Bank or any Participant, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which the Bank or such Participant is organized or in which its principal office is located, and (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the District is located.

"First Amendment" means that certain First Amendment dated as of February 3, 2014, by and between the District and the Bank, which amends this Agreement.

"Governmental Approvals" means an authorization, consent, approval, license or exemption of, registration or filing with, or report to, any Governmental Authority.

"Governmental Authority" means the government of the United States or any other nation or any political subdivision thereof or any governmental or quasi governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Law" means any treaty or any federal, regional, state and local law, statute, rule, ordinance, regulation, code, license, authorization, decision, injunction, interpretation, order or decree of any court or other Governmental Authority.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Related Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Related Document.

"Participant(s)" means any bank(s) or other financial institution(s) that may purchase from the Bank a participation interest in this Agreement and certain of the Related Documents pursuant to a participation agreement between the Bank and the Participant(s).

"Risk Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the Closing Date, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including transition rules, and any amendments to such regulations adopted prior to the Closing Date.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, fines, additions to tax or penalties applicable thereto.

Section 2.10 shall be deleted in its entirety and replaced with the following:

**Section 2.10 Payments in Respect of Increased Costs.**

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, liquidity ratio, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, the Bank or any Participant;

(ii) subject the Bank or any Participant to any Taxes of any kind whatsoever with respect to this Agreement, or change the basis of taxation of payments to the Bank or such Participant in respect thereof (except for Indemnified Taxes and the imposition of, or any change in the rate of any Excluded Tax payable by the Bank or any Participant); or

(iii) impose on the Bank or any Participant any other condition, cost or expense affecting this Agreement;

and the result of any of the foregoing shall be to increase the cost to the Bank or such Participant related to issuing or maintaining this Agreement, or to reduce the amount of any sum received or receivable by the

Bank or such Participant hereunder (whether of principal, interest or any other amount) then, upon written request of the Bank or such Participant, the District shall promptly pay to the Bank or such Participant, as the case may be, such additional amount or amounts as will compensate the Bank or such Participant, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If the Bank or any Participant determines that any Change in Law affecting the Bank or such Participant or the Bank's or such Participant's parent or holding company, if any, regarding capital requirements, has or would have the effect of reducing the rate of return on the Bank's or such Participant's or the Bank's or such Participant's parent or holding company, if any, as a consequence of this Agreement, or for maintaining this Agreement, to a level below that which the Bank or such Participant or the Bank's or such Participant's parent or holding company could have achieved but for such Change in Law (taking into consideration the Bank's or such Participant's policies and the policies of the Bank's or such Participant's parent or holding company with respect to capital adequacy), then from time to time upon request of the Bank or such Participant, the District shall promptly pay to the Bank or such Participant, as the case may be, such additional amount or amounts as will compensate the Bank or such Participant or the Bank's or such Participant's parent or holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of the Bank or a Participant setting forth the amount or amounts necessary to compensate the Bank or any such Participant or the Bank's or any such Participant's parent or holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the District, shall be conclusive absent manifest error. The District shall pay the Bank or any such Participant, together with one or more schedules setting forth in reasonable detail the calculation of such amount, as the case may be, the amount shown as due on any such certificate within thirty (30) days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of the Bank or any such Participant to demand compensation pursuant to this Section shall not constitute a waiver of the Bank's or any such Participant's right to demand such compensation, provided that the District shall not be required to compensate the Bank or any such Participant pursuant to this Section for any Increased Costs incurred or reductions suffered more than 90 days prior to the date that the Bank or any such Participant, as the case may be, notifies the District of the Change in Law giving rise to such increased costs or reductions, and of the Bank's or any such Participant's intention to claim compensation therefor (except that if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 90-day period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Survival. Without prejudice to the survival of any other agreement of the District hereunder, the agreements and obligations of the District contained in this Section shall survive the termination of this Agreement and the payment in full of the 2013G Certificates and the obligations of the District thereunder and hereunder.

Section 2.13 shall be added:

**Section 2.13. Taxes.**

(a) *Payments Free of Taxes*. Any and all payments by or on account of any obligation of the District hereunder shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; provided that if the District shall be required by Applicable Law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Bank or any Participant receives an amount equal to the sum it would have received had no such deductions been made, (ii) the District shall make such deductions and (iii) the District shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law.



(b) **Payment of Other Taxes by the District.** Without limiting the provisions of paragraph (a) above, the District shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) **Indemnification by the District.** The District, to the extent permitted by law, shall indemnify the Bank and each Participant, within thirty (30) days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Bank or any Participant and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate stating the amount of such payment or liability delivered to the District by the Bank or any Participant shall be conclusive absent manifest error. In addition, the District, to the extent permitted by law, shall indemnify the Bank and each Participant, within thirty (30) days after demand therefor, for any incremental Taxes that may become payable by the Bank or any Participant as a result of any failure of the District to pay any Taxes when due to the appropriate Governmental Authority or to deliver to the Bank or any Participant pursuant to clause (d), documentation evidencing the payment of Taxes.

(d) **Evidence of Payments.** As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the District to a Governmental Authority, the District shall deliver to the Bank or such Participant the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Bank or such Participant, as applicable.

(e) **Treatment of Certain Refunds.** If the Bank or any Participant determines that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified pursuant to this Section (including additional amounts paid by the District pursuant to this Section), it shall pay to the applicable indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Bank, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that the applicable indemnifying party, upon the request of the Bank, or such Participant, as applicable, agrees to repay the amount paid over pursuant to this Section (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Bank or such Participant in the event the Bank or such Participant is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the Bank or any Participant be required to pay any amount to an indemnifying party pursuant to this paragraph (e) the payment of which would place the Bank in a less favorable net after-Tax position than the Bank would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require the Bank or any Participant to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the District or any other Person.

(f) **Survival.** Without prejudice to the survival of any other agreement of the District hereunder, the agreements and obligations of the District contained in this Section shall survive the termination of this Agreement and the payment in full of the 2008A Bonds and the obligations of the District thereunder and hereunder.


The following additional conditions apply to this First Amendment:

1. Capitalized terms used in this First Amendment which are not otherwise defined herein shall have the meanings assigned thereto in the Agreement, as amended by this First Amendment.

2. The District shall deliver to the Bank a certified copy of all documents, resolutions, and such other documents as the Bank may reasonably request authorizing the execution, delivery and performance of this amendment letter and the terms herein.
3. Your acceptance of the terms of this First Amendment letter shall be deemed to be your representation and warranty that (a) all the representations and warranties of the District contained in the Agreement are true and correct, (b) that no Event of Default or Default (each as defined in the Agreement) has occurred and is continuing and (c) except as specifically amended and waived hereby, all provisions of the Agreement remain in full force and effect.
4. The District acknowledges and agrees that, as of the date hereof, it does not have any claim, defense or set-off right against the Bank, or any of its shareholders, officers, directors, employees, agents, successors, assigns or affiliates, nor any claim, defense or set-off right to the enforcement by the Bank of the full amount of the obligations under the Agreement. The District hereby expressly waives, releases, relinquishes, satisfies, acquits and discharges the Bank and its shareholders, officers, directors, employees, agents, attorneys, successors, assigns and affiliates, from any and all defenses to payment or other defenses, set-offs, claims, counterclaims, liability and causes of action, accrued or unaccrued, known or unknown, which occurred or arose on or prior to the date hereof.
5. The District shall pay the reasonable fees and expenses of counsel to the Bank. The Bank is represented by McGuireWoods LLP.
6. This First Amendment and the Agreement shall be deemed to be contracts made under, and for all purposes shall be construed in accordance with, the laws of the State.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of February \_\_, 2014.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:   
\_\_\_\_\_  
Peter Skilton  
Senior Vice President

METROPOLITAN SEWERAGE DISTRICT OF  
BUNCOMBE COUNTY

By: \_\_\_\_\_  
W. Scott Powell  
Director of Finance

# METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY

## BOARD ACTION ITEM

**Meeting Date:** February 19, 2014

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

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

**Reviewed By:** Billy Clarke, District Legal Counsel

**Subject:** Consideration of RFQ for Bond Co-Manager Underwriter Services

### **Background**

A RFQ for Investment Banking Services (Co-Managing Underwriter) was issued in response to District's staff concerns of personnel movement and performance of our current co-managing underwriter BB&T Capital Markets.

Staff sent out a RFQ to the following institutions:

- ▶ BB&T Capital Markets
- ▶ Bank of America Merrill Lynch
- ▶ Edward Jones
- ▶ PNC Capital Markets
- ▶ Raymond James
- ▶ RW Baird & Company
- ▶ Stephens
- ▶ TD Securities
- ▶ US Bancorp Investment Inc.

The aforementioned institutions represent entities that have expressed interest in participating in the upcoming \$28 million new money revenue bond issue. Staff sent the RFQ for Underwriter Services (Exhibit 1) to respective institutions on January 7<sup>th</sup> via email and required that all responses be submitted to the District on January 17<sup>th</sup>.

### **Discussion**

Due to the complexities of the current economic environment and timing of the District's debt issuances, staff engaged its financial advisor Davenport & Company LLC to assist in the evaluation of the RFQs. Davenport & Company LLC and staff evaluated the RFQs based on their relevant experience, a working knowledge of the District, and the firm's resources as it relates to municipal bond distribution and underwriting commitments (Exhibit 2).

### **Committee/Staff Recommendation**

Committee/Staff recommends to the Board that RW Baird & Company (Exhibit 3) be selected to serve as Co-Managing Underwriter due to their knowledge of the District as well as their municipal bond distribution resources.

#### **Action Taken**

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

# Exhibit 1



## Metropolitan Sewerage District OF BUNCOMBE COUNTY, NORTH CAROLINA

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**Metropolitan Sewerage District of Buncombe County, North Carolina**

**Request for Qualifications for Co-Manager Underwriting Services**

**Issued: January 7, 2014**

**Submission Deadline: January 17, 2014 at 3:00 pm North Carolina Time**

### **Background:**

The Metropolitan Sewerage District of Buncombe County, North Carolina ("the District") is soliciting proposals from selected firms to serve as a Co-Managing underwriter for its proposed Series 2014 Sewerage System Revenue Bonds (the "Bonds"). The District plans to offer the Bonds in late April 2014 and has selected Wells Fargo Securities to serve as the Senior Manager. The District is interested in selecting one or more Co-Managing underwriters to complete the underwriting syndicate.

Proceeds of the Bonds will be used to finance approximately \$30 million of the District's sewer rehabilitation projects. The Bonds are expected to be offered as fixed-rate tax-exempt securities and will be structured with a 25-year level debt service amortization. The Bonds will be secured by a senior pledge of the District's sewerage system revenues.

Additionally, the District is exploring opportunities to refinance/restructure its Series 2008A variable rate revenue bonds. The inclusion of these bonds in the proposed issuance will be determined in the coming weeks as additional analysis is conducted.

### **Role of the Co-Managing Underwriter(s):**

The Co-Managing Underwriter's role will be to work with the District, its Financial Advisor and the Senior Manager to successfully market the bonds through a public offering.

### **Response Requirements:**

To the extent possible, please provide responses to the questions in this section of the RFQ in the order that they are presented. In formulating your responses, please be as

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concise as possible. Responses should be limited to fifteen (15) pages inclusive of any appendices.

**Requested Information:**

1. Provide an overview of your firm's municipal sales and trading departments including both institutional and retail sales. Please provide any relevant information that demonstrates how your firm's sales and trading effort would compliment that of the District's Senior Manager, Wells Fargo Securities.
2. Discuss your firm's experience in underwriting utility revenue bond offerings for North Carolina issuers. Please identify the specific role that your firm performed for each transaction listed (i.e. Senior Manager, Co-Senior Manager, Co-Manager or Selling Group Member)
3. Provide a listing of all of the North Carolina competitively offered bond issues on which your firm has bid within the last three years. Please indicate whether your firm's bid was part of a bidding syndicate or for its own account. Please also indicate those offerings that were awarded to your firm.
4. Please identify the personnel in your firm who would be assigned to the proposed transaction and provide resumes for each person. Identify the individual who will serve as senior day-to-day banker, technical banker and sales/trading coordinator. Please provide the current work location for each of the professionals listed.
5. Discuss your firm's recommended approach to structuring the underwriting team including responsibilities for each primary underwriting function. Please specifically address your firm's approach to compensation for the Co-Manager(s) including management fee, participation, allocation of bonds and any other pertinent syndicate agreements that may influence the ability of the District to achieve the lowest cost of funds.
6. Describe your firm's policies and capacity regarding committing capital to underwrite projects, specifically addressing any limitations on such commitment. Please provide examples of previous commitments your firm has made to underwrite unsold bond balances of transactions.
7. Please provide the names and contact information for at least three client references for which your firm has served in an underwriting capacity for revenue bonds within the last three years.
8. Provide any additional information that may aid the District in determining a decision on Co-Manager underwriting services.

The District reserves the right to reject any and all proposals. Selection of the underwriter or underwriters shall be in the District's sole and absolute discretion.

Please submit your proposal and questions to W. Scott Powell as described below. The District intends to select the Co-Managing underwriter(s) shortly after receipt of proposals. On behalf of the Metropolitan Sewerage District of Buncombe County, we appreciate your interest in working with the District.

**Proposals should be submitted by e-mail to:**

Metropolitan Sewerage District of Buncombe County, North Carolina

W. Scott Powell, Director of Finance E-mail: [spowell@msdbc.org](mailto:spowell@msdbc.org)

**MEMORANDUM**

**To:** Finance Committee  
Metropolitan Sewerage District of Buncombe County, NC

**From:** Ted Cole  
Senior Vice President  
Davenport & Company LLC

**Re:** Co-Manager Selection for the District's Proposed 2014 Revenue Bond Financing

**Date:** January 22, 2014

**Cc:** Mr. W. Scott Powell  
Director of Finance  
Metropolitan Sewerage District of Buncombe County, NC

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**Background:**

As part of the Metropolitan Sewerage District's (the "District") planned revenue bond financing, Davenport & Company LLC ("Davenport") was asked to assist the District in reviewing and assessing the co-manager underwriting proposals received in response to the District's Underwriting Request for Qualifications (the "RFQ"). The RFQ was distributed to nine providers of underwriting services active in the North Carolina municipal market or that had previously expressed an interest in participating in the District's planned revenue bond offering. The primary role of the co-managing underwriter is to support the bond offering as a complimentary additional resource to the District's senior managing underwriter, Wells Fargo Securities.

The District received responses to the RFQ from the following firms:

- Bank of America Merrill Lynch
- BB&T Capital Markets
- PNC Capital Markets
- Raymond James
- Robert W. Baird & Co.
- Stephens Inc.
- TD Securities
- U.S. Bancorp Investments, Inc.



Davenport developed a scorecard as a means to rank each firm's response to the questions listed in the RFQ. The scorecard assigned weights to each question and gave a final weighted average score for each response. Both qualitative and quantitative measures were considered when determining the preferred firm for recommendation. Davenport identified the following criteria as critical to a firm's ability to serve as the co-manager on the District's revenue bond issue:

- Municipal bond distribution network.
- Ability to complement the distribution capabilities of the senior manager.
- History of underwriting North Carolina issued revenue bonds.
- Historical support and participation in the North Carolina municipal bond market.
- Relevant experience and location of assigned personnel.
- Demonstration of the firm's capital commitments for clients' bond offerings.

### **Recommendation and Rationale:**

Based upon our review of the proposals including discussions with District staff, we recommend that the District select Robert W. Baird & Co. ("RW Baird") to serve as co-manager on the planned revenue bond offering.

RW Baird presented a very thorough proposal and provided a number of compelling points to support their selection. The firm emerged as a leader for all of the identified criteria discussed above and was able to effectively demonstrate how these capabilities have been used to support their clients' capital funding needs. To this end, we offer the following observations/conclusions of RW Baird:

- The firm has significant relevant experience with North Carolina municipal bond issuers and specifically with revenue bond issuers.
- The firm has demonstrated its ability to underwrite municipal bonds even during periods of extended market disruption.
- RW Baird's North Carolina based sales and trading personnel have relationships with a wide range of retail and institutional investors that will complement those of the District's senior manager.
- RW Baird is well capitalized as a firm and has demonstrated its willingness and ability to commit this capital to support bond issues in the primary market.

We are confident that the underwriting syndicate led by Wells Fargo Securities and complimented by RW Baird will position the District to successfully access the credit market for its capital funding needs later this spring.

# Financial Advisor

Metropolitan Sewerage District of Buncombe County  
Sewerage System Revenue Bonds, Series 2014

## Co-Manager RFQ Scorecard

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7	Question 8	Overall Impression	Weighted Average	Rank
Weight	20%	20%	10%	10%	n/a	15%	n/a	n/a	25%	100%	
Firm	Scores										
Bank of America	4	4	4	5	n/a	5	n/a	n/a	4	4.25	2
BB&T	4	3	2	4	n/a	5	n/a	n/a	2	3.25	5
PNC	3	2	3	3	n/a	5	n/a	n/a	3	3.10	6
US Bank	3	2	3	3	n/a	5	n/a	n/a	3	3.10	6
TD Bank	5	2	3	3	n/a	5	n/a	n/a	4	3.75	4
Stephens	3	3	1	3	n/a	5	n/a	n/a	3	3.10	6
Raymond James	5	3	5	3	n/a	3	n/a	n/a	4	3.85	3
<b>RW Baird</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>n/a</b>	<b>5</b>	<b>n/a</b>	<b>n/a</b>	<b>5</b>	<b>4.80</b>	<b>1</b>
Edward Jones	0	0	0	0	n/a	0	n/a	n/a	0	0.00	7

Note: 0 = Lowest Score ; 5 = Highest Score

# MSD Finance Director

Metropolitan Sewerage District of Buncombe County  
Sewerage System Revenue Bonds, Series 2014

## Co-Manager RFQ Scorecard

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7	Question 8	Overall Impression	Weighted Average	Rank
Weight	20%	20%	10%	10%	n/a	15%	n/a	n/a	25%	100%	
Firm	Scores										
Bank of America	3	4	4	4	n/a	4	n/a	n/a	3	3.55	2
BB&T	4	3	2	3	n/a	4	n/a	n/a	3	3.25	3
PNC	3	2	2	2	n/a	4	n/a	n/a	2	2.50	6
US Bank	2	1	2	2	n/a	4	n/a	n/a	2	2.10	7
TD Bank	2	1	2	2	n/a	4	n/a	n/a	2	2.10	7
Stephens	3	3	2	3	n/a	4	n/a	n/a	3	3.05	4
Raymond James	3	2	2	3	n/a	4	n/a	n/a	3	2.85	5
<b>RW Baird</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>n/a</b>	<b>4</b>	<b>n/a</b>	<b>n/a</b>	<b>4</b>	<b>4.00</b>	<b>1</b>
Edward Jones	0	0	0	0	n/a	0	n/a	n/a	0	-	8

Note: 0 = Lowest Score ; 5 = Highest Score

# Exhibit 3



*Qualifications to Provide Co-Managing Underwriter Services to the*

## **Metropolitan Sewerage District of Buncombe County, North Carolina**

**January 17, 2014**

Ryan Maher  
Director  
Robert W. Baird & Co.  
(336) 631-5835  
rmaher@rwbaird.com

Stephen Anderson  
Vice President  
Robert W. Baird & Co.  
(336) 631-5836  
seanderson@rwbaird.com

**Robert W. Baird & Co.**  
Public Finance Investment Banking  
380 Knollwood Street, Suite 440  
Winston-Salem, NC 27103  
(336) 761-5835



January 17, 2014

VIA EMAIL

W. Scott Powell  
Director of Finance  
Metropolitan Sewerage District of Buncombe County, North Carolina  
[spowell@msdbc.org](mailto:spowell@msdbc.org)

Dear Scott:

Robert W. Baird & Co. ("Baird" or the "firm") is pleased to submit this response to the Metropolitan Sewerage District of Buncombe County, North Carolina's (the "District" or "Buncombe MSD") *Request for Qualifications to Provide Co-Manager Underwriter Services*. The following items highlight our interest and qualifications:

- **North Carolina Revenue Bond Financing Experience** – Baird's investment banking team has extensive North Carolina water and sewer utility revenue bond financing experience, both as senior/sole manager and as a co-manager. Since 2003, the team has underwritten **23 water and sewer utility revenue bond financings in North Carolina totaling \$1.7 billion** (including while at previous firms).
- **Underwriting, Pricing and Sales Expertise in North Carolina and the Nation** – Baird is a leading underwriter of municipal bonds, and is currently ranked as the **#1 municipal bond underwriter in the nation** (by number of issues) by iPreo MuniAnalytics. We also have extensive financing experience in **Western North Carolina**, as we serve as senior investment bankers to Buncombe County. Most importantly, however, **Baird is one of only two investment banks with a municipal debt underwriting desk still located in North Carolina**.
- **Retail and Institutional Distribution Ability** – Baird distributes municipal bonds through our network of 715 retail financial advisors and over 140 institutional salespersons and traders. In North Carolina, we maintain four private wealth management offices (Charlotte, Lake Norman, Raleigh and Winston-Salem).
- **Commitment to Buncombe MSD** – Although Baird has not previously had the opportunity to serve as the District's underwriter, **we have facilitated trading of Buncombe MSD's bond in the secondary market**. Over the past several years, Baird has facilitated buy and sell trades in the District's bonds totaling \$1.1 million in par amount.
- **Excellent Working Relationship With the District's Financing Team** – Baird has an excellent working relationship with the members of Buncombe MSD's proposed financing. We have worked extensively with both **Davenport** and **McGuire Woods** on various financings, as well as with Walker McQuage on **Wells Fargo's** underwriting desk.

We look forward to the opportunity to serve Buncombe MSD as co-managing underwriter on the upcoming revenue bonds financing. If you have any questions, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan Maher".

Ryan Maher  
Director  
Robert W. Baird & Co.  
(336) 631-5835  
[rmaher@rwbaird.com](mailto:rmaher@rwbaird.com)

A handwritten signature in blue ink, appearing to read "Stephen E. Anderson".

Stephen E. Anderson  
Vice President  
Robert W. Baird & Co.  
(336) 631-5836  
[seanderson@rwbaird.com](mailto:seanderson@rwbaird.com)



As required for all underwriters by the Municipal Securities Rulemaking Board ("MSRB"), Robert W. Baird & Co. Incorporated ("Baird") is hereby providing you with certain disclosures.

Robert W. Baird & Co. Incorporated ("Baird") is providing the information contained herein and/or accompanying materials (the "Materials") for discussion or general informational purposes only, in seeking to serve as underwriter (or placement agent) for a possible issuance of municipal securities you may be considering.

Municipal Securities Rulemaking Board Rule G-17 requires an underwriter (or placement agent) to deal fairly at all times with both municipal issuers and investors. As underwriter, Baird's primary role is to purchase the proposed securities to be issued with a view to distribution in an arm's length commercial transaction between you and Baird. In its role as underwriter (or placement agent), Baird has financial and other interests that differ from your interests. As part of our services as underwriter (or placement agent), Baird may provide advice concerning the structure, timing, terms, and other similar matters concerning an issuance of municipal securities you are considering. Any such advice, however, would be provided by Baird in the context of serving as an underwriter (or placement agent) and not as municipal advisor, financial advisor or fiduciary. Unlike a municipal advisor, Baird as an underwriter (or placement agent) does not have a fiduciary duty to the issuer under the federal securities law and is therefore not required by federal law to act in the best interests of an Issuer without regard to its own financial or other interests. As underwriter (or placement agent), Baird has a duty to purchase (or facilitate the purchase of) securities from an issuer at a fair and reasonable price but must balance that duty with its duty to sell those securities to investors at prices that are fair and reasonable. As underwriter (or placement agent), Baird will review the official statement (if any) applicable to the proposed issuance in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the proposed issuance.

The Materials do not include any recommendations or suggestions that you take or refrain from taking any action with regard to an issuance of municipal securities and are not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934 or Rule 15Ba1-1 thereunder. You should consult with your own financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent you deem appropriate. The Materials are intended to provide information of a factual or educational nature, as well as general information about Baird (including its Public Finance unit) and its experience, qualifications and capabilities.

Baird has not identified any additional potential or actual conflicts of interest that require disclosure.

Any opinions or estimates contained in the Materials represent the judgment of Baird at this time, and are subject to change without notice. Interested parties are advised to contact Baird for more information.

If you have any questions or concerns about the above disclosures, please contact Baird Public Finance.

IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that the Materials do not constitute tax advice and shall not be used for the purpose of (i) avoiding tax penalties or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

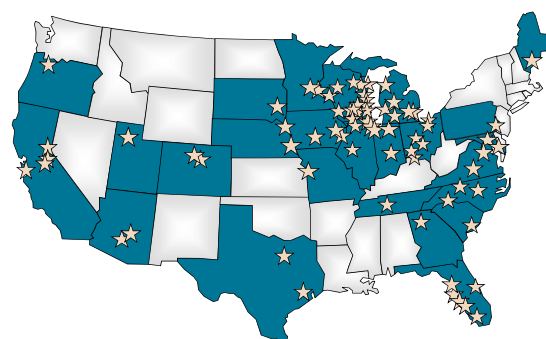


1. Provide an overview of your firm’s municipal sales and trading departments including both institutional and retail sales. Please provide any relevant information that demonstrates how your firm’s sales and trading effort would complement that of the District’s Senior Manager, Wells Fargo Securities.

Baird’s goal for Buncombe MSD is to have solid retail and institutional participation. As we will discuss below, we believe that the firm has distribution capabilities that will complement those of Wells Fargo, the District’s Senior Manager.

**Retail Distribution Capabilities**

Baird markets municipal securities to retail investors through our private wealth management (“PMW”) offices nationwide. The firm currently maintains 75 PWM offices in 25 states staffed by 715 financial advisors. These advisors service over 280,000 client accounts nationally holding more than \$88 billion of assets. Currently, 684 individuals within Baird are licensed to sell North Carolina securities, and Baird’s advisors oversee **8,080 North Carolina-based accounts with \$1.9 billion in assets.**



Baird currently has four private wealth management offices in North Carolina: Charlotte (Southpark and Lake Norman), Raleigh, and Winston-Salem.

**Institutional Distribution Capabilities**

Baird maintains 27 fixed income sales and trading offices, including in **two in North Carolina** (Charlotte and Winston-Salem).

Baird is unique in that **every institutional fixed income salesperson has access to all available products across our platform.** By structuring account coverage by customer instead of by product, our accounts enjoy deeper, more seamless relationships.

State	City	Sales	Trading
AZ	Scottsdale		1
CA	Dana Point	1	
CA	San Francisco	7	2
CT	Stamford	2	2
FL	Destin	2	
FL	Tampa		1
IL	Chicago	15	4
IN	Indianapolis	2	
LA	New Orleans	1	
MN	Edina	5	
MO	St. Louis	2	1
NC	Charlotte	6	1
NC	Winston Salem	2	2
NJ	Morristown	16	4

State	City	Sales	Trading
NJ	Red Bank	1	1
NY	Albany	2	2
NY	New York	5	3
OH	Brecksville	1	
OH	Columbus		1
OR	Portland	1	
PA	Pittsburgh	2	
TN	Memphis	1	
TN	Nashville	5	8
TX	Dallas	1	
TX	Houston	7	
VA	Reston	1	
WI	Milwaukee	8	13
<b>TOTAL</b>		<b>96</b>	<b>46</b>

Another key advantage of Baird’s institutional distribution is that **we also market to investors in the second and third investor tiers.** These investors are characterized by the size of the orders they place (typically, less than \$5 million of a particular maturity or issue). We have worked diligently to develop and maintain long-standing relationships with these buyers and will leverage these relationships for Buncombe MSD’s benefit.

Baird’s team of 140+ institutional sales personnel provide direct access to over 3,000 financial institutions throughout the country including private corporations, portfolio managers, commercial banks, life and casualty insurance companies as well as sponsors of bond and mutual funds. Major portfolio managers continually trade their portfolio to adjust for maturity, credit or geographic exposure. Baird makes aggressive bids for bonds institutional managers wish to sell. In doing so, Baird assumes risk by holding these bonds in its trading account until they are resold. **Our strategy of aggressive bidding on secondary market trades makes Baird a resource for those institutional and bank portfolio managers.** As a result, we have day-to-day working knowledge of these portfolio managers’ objectives and criterion when they are purchasing new issue product.





Importantly, we have also developed similar relationships with Midwest second tier institutions, a group often overlooked by other firms. Our combination of retail and institutional sales personnel provides Baird with the knowledge necessary to provide advice on bond issues of varying sizes, structures and credit quality in an efficient, timely and cost effective manner.

**North Carolina Municipal Sales, Trading and Underwriting Desk**

Baird’s primary municipal fixed income sales operations in North Carolina are based in Winston-Salem. While most banks once had municipal underwriting desks in North Carolina, only two municipal underwriting desks now remain in North Carolina, one of which is Baird’s.

Buncombe MSD’s bonds will be underwritten and traded by professionals with a combined experience of over 75 years in North Carolina municipal finance. This office includes underwriter Tim Jackson (27 years), salesperson Bruce Mason (32 years) and trader Pat Pesavento (18 years). These professionals have extensive experience underwriting North Carolina bonds – particularly those for Western North Carolina municipalities – and have deep relationships with all major buyers of North Carolina municipal bonds. Tim has an excellent working relationship with Walker McQuage, who serves as Wells Fargo’s head municipal underwriter.

- Discuss your firm’s experience in underwriting utility revenue bond offerings for North Carolina issues. Please identify the specific role that your firm performed for each transaction listed.

Baird has extensive experience with water and sewer utility system financings throughout the nation. As tables below indicates, Baird is ranked by iPreo MuniAnalytics as the **#6 underwriter of water and sewer utility system financings** by number of financings and the **#2 underwriter of revenue bonds**, also by number of financings.

Water & Sewer / Utility Financing Rankings Competitive & Negotiated January 1, 2013 - December 31, 2013			
Firm	Rank	Par Amount (\$MM)	# of Issues
SAMCO Cap Mkts	1	458.57	105
RBC Capital Markets	2	1,062.91	93
BOSC	3	353.90	57
D.A Davidson	4	120.23	54
Piper Jaffray	5	960.28	49
<b>Baird</b>	<b>6</b>	<b>547.16</b>	<b>49</b>
Citigroup	7	6,150.18	44
FirstSouthwest	8	447.00	44
Stifel Nicolaus	9	542.35	41
Raymond James	10	648.69	39
BA Merrill Lynch	12	3,006.79	31
Wells Fargo	19	961.42	16
Stephens	26	329.54	14
PNC Capital Markets	27	319.35	14

Revenue Bond Financing Rankings Competitive and Negotiated January 1, 2013 - December 31, 2013			
Firm	Rank	Par Amount (\$MM)	# of Issues
BA Merrill Lynch	1	18,180.48	173
<b>Baird</b>	<b>2</b>	<b>2,181.45</b>	<b>169</b>
RBC Capital Markets	3	8,259.81	155
JPMorgan	4	24,730.03	146
Citigroup	5	23,024.32	145
Piper Jaffray	6	3,270.98	130
Raymond James	7	3,718.50	129
Stifel Nicolaus	8	1,929.91	103
Morgan Stanley	9	10,822.37	97
D.A Davidson	10	575.10	92
Wells Fargo	11	7,564.84	79
Stephens	19	923.31	39
PNC Capital Markets	25	677.91	29
BB&T Capital Markets	29	910.90	25

More specifically, Baird has solid experience with North Carolina water and sewer utility system revenue bond financings. We have senior managed utility revenue bonds for such issuers as the **Brunswick County**, the **City of Raleigh**, the **City of Salisbury** and the **Town of Oak Island**. We have served as co-manager to countless other utility revenue bond issuers. The table at the top of the next page outlines the experience of Baird’s investment bankers (including while at previous firms) over the past ten years.



Par Amount	Issuer	Issue Description	Date	Baird Role
\$ 23,470,000	City of Raleigh	Taxable Combined Enterprise System Revenue Refunding Bonds, Series 2013B	5/2/2013	Senior Manager
179,675,000	City of Raleigh	Combined Enterprise System Revenue and Revenue Refunding Bonds, Series 2013A	5/2/2013	Co-Manager
98,400,000	Town of Cary	Combined Enterprise System Revenue and Revenue Refunding Bonds, Series 2013	1/9/2013	Co-Manager
31,230,000	City of Raleigh	Combined Enterprise System Revenue Refunding Bonds, Series 2012A	3/7/2012	Co-Manager
44,200,000	Town of Mooresville	Enterprise System Revenue Refunding Bonds, Series 2012	2/22/2012	Co-Manager
\$ 23,145,000	Brunswick County	Enterprise Systems Revenue Refunding Bonds, Series 2012A	2/9/2012	Senior Manager
108,340,000	City of Raleigh	Combined Enterprise System Revenue Bonds, Series 2011	1/26/2011	Co-Manager
\$ 16,065,000	City of Salisbury	Combined Enterprise System Revenue Refunding Bonds, Series 2010	10/28/2010	Sole Manager
\$ 25,810,000	Brunswick County	Enterprise Systems Revenue Bonds, Series 2010	6/23/2010	Senior Manager
49,420,000	Town of Oak Island	Enterprise System Revenue Bonds, Series 2009	3/11/2009	Co-Manager
109,030,000	City of Winston-Salem	Water and Sewer System Revenue Bonds, Series 2009	2/19/2009	Co-Manager
187,765,000	Cape Fear Public Utility Authority	Water and Sewer System Revenue Bonds, Series 2008	8/20/2008	Co-Manager
41,745,000	City of High Point	Combined Enterprise System Revenue Refunding Bonds, Series 2008	6/11/2008	Co-Manager
\$ 33,040,000	Town of Oak Island	Enterprise System Revenue Bonds, Series 2008A	1/16/2008	Senior Manager
\$ 52,800,000	Brunswick County	Enterprise Systems Revenue Bonds, Series 2008A	1/10/2008	Senior Manager
35,710,000	Town of Cary	Combined Enterprise System Revenue and Revenue Refunding Bonds, Series 2007	5/16/2007	Co-Manager
300,385,000	City of Raleigh	Combined Enterprise System Revenue Bonds, Series 2006A	9/20/2006	Co-Manager
31,380,000	City of High Point	Combined Enterprise System Revenue Bonds, Series 2006	5/24/2006	Co-Manager
30,860,000	City of Greensboro	Combined Enterprise System Revenue Bonds, Series 2006	5/9/2005	Co-Manager
40,375,000	City of High Point	Combined Enterprise System Revenue Bonds, Series 2004	10/27/2004	Co-Manager
\$ 31,540,000	Brunswick County	Enterprise Revenue Bonds, Series 2004A	5/19/2004	Sole Manager
108,980,000	City of Raleigh	Combined Enterprise System Revenue Bonds, Series 2004	4/22/2004	Co-Manager
33,435,000	City of Greensboro	Combined Enterprise System Revenue Bonds, Series 2003A	7/22/2003	Co-Manager

3. Provide a listing of all of the North Carolina competitively offered bond issues on which your firm has bid within the last three years. Please indicate whether your firm's bid was part of a bidding syndicate or for its own account. Please also indicate those offerings that were awarded to your firm.

For numerous years, Baird has shown its commitment to the competitive bond market. The firm is currently ranked by iPreo MuniAnalytics as the **#1 underwriter of competitive bonds in the nation** (by number of financings). We are also ranked as the **#2 underwriter of competitive bonds in North Carolina** (by number of financings) for the 2006-2013 time period.

Competitive National Financing Rankings Senior Book-Running Manager January 1, 2013 - December 31, 2013			
Firm	Rank	Par Amount (\$MM)	# of Issues
Baird	1	5,059.87	517
BOSC	2	1,189.69	273
Roosevelt & Cross	3	921.40	230
Raymond James	4	2,084.39	205
Piper Jaffray	5	2,308.33	166
UMB Bank	6	352.60	156
BA Merrill Lynch	7	14,898.96	127
Hutchinson Shockey Early	8	1,606.29	123
Janney Montgomery Scott	9	1,388.48	120
FTN Capital Markets	10	746.32	113
PNC Capital Markets	19	594.51	60
Wells Fargo	21	4,637.23	57
Stephens	58	24.69	6
BB&T Capital Markets	94	25.00	1

Competitive North Carolina Financings January 1, 2006 - December 31, 2013 Full Credit to Book Runner			
Firm	Rank	Par Amount (\$MM)	# of Issues
Wells Fargo	1	2,031.58	66
Baird	1	614.62	63
BA Merrill Lynch	2	3,471.04	41
Raymond James	3	209.31	21
Citigroup	4	3,078.60	17
UBS	5	238.40	15
BB&T Capital Markets	6	265.30	13
Davenport	6	165.50	13
Hutchinson Shockey Erley	7	248.41	10
First Citizens Bank	8	36.20	8



Why do Baird's competitive rankings matter? **Success in the competitive market requires Baird to put its capital at risk since many of the bonds are not presold.**

Baird's competitive market success in both North Carolina and the nation demonstrates:

- ✓ Baird's knowledge of the market for both tax-exempt and taxable bonds
- ✓ Baird's ability to sell bonds at aggressive interest rates
- ✓ The strength of Baird's capital position
- ✓ Baird's willingness to use its capital, even in volatile market conditions, to underwrite bonds
- ✓ Baird's ability to successfully work with an underwriting syndicate (*for competitive financings, Baird generally leads the syndicate, communicating with each member and fairly allocating bonds*)

In the table below, we have listed the North Carolina competitively-sold financings for which Baird has submitted a bid over the last three years (since 2011). Over this time period, **Baird bid on 49 (78%) of the 53 competitively-sold financings sold in North Carolina, winning 31% of the bids the firm submitted.**

Sale Date	Par Amount	Issuer	Issue	Baird Role	Bid Rank	Financial Advisor	Underwriter
12/10/2013	\$10,000,000	Town of Garner	G.O. Public Improvement Bonds, Series 2014	Sole Mgr	6 of 8	Davenport	FTN Financial
10/15/2013	\$9,500,000	County of Nash	G.O. Community College Bonds, Series 2013	Sr Mgr	3 of 8	Davenport	Raymond James
8/13/2013	\$34,370,000	City of Charlotte	Taxable G.O. Bonds, Series 2013A	Sr Mgr	4 of 7		Wells Fargo
6/18/2013	\$4,000,000	Town of Morrisville	G.O. Parks and Recreational Facilities Bonds, Series	Sr Mgr	5 of 5	Davenport	Stifel Nicolaus
6/4/2013	\$54,000,000	County of New Hanover	G.O. Community College Bonds, Series 2013A	Sr Mgr	10 of 11		Janney Montgomery
4/16/2013	\$8,000,000	Town of Indian Trail	G.O. Bonds, Series 2013	Sr Mgr	6 of 7	Davenport	Stifel Nicolaus
3/26/2013	\$64,955,000	County of Gaston	G.O. Refunding Bonds, Series 2013	Sr Mgr	4 of 9	Davenport	William Blair
3/19/2013	\$18,235,000	County of Lenoir	G.O. Refunding Bonds, Series 2013	Sr Mgr	8 of 11	BB&T	Janney Montgomery
3/5/2013	\$4,555,000	Town of Apex	G.O. Refunding Bonds, Series 2013	Sr Mgr	7 of 8	Davenport	Citigroup
3/5/2013	\$6,000,000	Town of Apex	G.O. Parks and Recreation Bonds, Series 2013	Sr Mgr	7 of 8	Davenport	Citigroup
<b>2/20/2013</b>	<b>\$2,945,000</b>	<b>Town of River Bend</b>	<b>G.O. Refunding Bonds, Series 2013</b>	<b>Sr Mgr</b>	<b>1 of 2</b>	<b>BB&amp;T</b>	<b>Baird</b>
2/5/2013	\$100,000,000	County of Mecklenburg	G.O. Public Improvement Bonds, Series 2013B	Sr Mgr	7 of 8	FirstSW	JPMorgan
1/23/2013	\$10,270,000	East Carolina Univ	General Revenue Refunding Bonds, Series 2013A	Sr Mgr	7 of 11	FirstSW	Hutchinson Shockey
1/23/2013	\$16,640,000	County of Granville	G.O. Refunding Bonds, Series 2013	Sr Mgr	9 of 13	Davenport	Guggenheim
12/18/2012	\$4,600,000	Town of Carrboro	G.O. Sidewalk and Greenways Bonds, Series 2013	Sr Mgr	3 of 3		Raymond James
<b>12/17/2012</b>	<b>\$13,300,000</b>	<b>County of Orange</b>	<b>G.O. Refunding Bonds, Series 2012</b>	<b>Sr Mgr</b>	<b>1 of 5</b>	<b>Davenport</b>	<b>Baird</b>
<b>12/11/2012</b>	<b>\$5,000,000</b>	<b>County of Forsyth</b>	<b>G.O. Educational Facilities Bonds Series 2013</b>	<b>Sr Mgr</b>	<b>1 of 4</b>	<b>DEC Assoc</b>	<b>Baird</b>
12/11/2012	\$13,750,000	County of Forsyth	G.O. Public Improvement Bonds Series 2013	Sr Mgr	2 of 5	DEC Assoc	Janney Montgomery
<b>10/23/2012</b>	<b>\$11,360,000</b>	<b>Town of Holly Springs</b>	<b>G.O. Refunding Bonds, Series 2012</b>	<b>Sr Mgr</b>	<b>1 of 8</b>	<b>Davenport</b>	<b>Baird</b>
<b>10/23/2012</b>	<b>\$12,000,000</b>	<b>Town of Holly Springs</b>	<b>G.O. Parks and Recreation Facilities Bonds, Series</b>	<b>Sr Mgr</b>	<b>1 of 9</b>	<b>Davenport</b>	<b>Baird</b>
9/18/2012	\$3,500,000	Town of Fuquay-Varina	G.O. Street Bonds, Series 2012	Sr Mgr	6 of 6		Vining-Sparks IBG
6/19/2012	\$11,320,000	City of Durham	G.O. Bonds, Series 2012A	Co Mgr	2 of 5	Stephens	BA Merrill Lynch
6/19/2012	\$12,105,000	City of Durham	G.O. Refunding Bonds, Series 2012D	Co Mgr	2 of 9	Stephens	BA Merrill Lynch
6/19/2012	\$4,885,000	City of Durham	Taxable G.O. Bonds, Series 2012B Taxable	Sr Mgr	4 of 8	Stephens	FTN Financial
6/19/2012	\$38,620,000	City of Durham	G.O. Bonds, Series 2012C	Co Mgr	7 of 8	Stephens	BA Merrill Lynch
6/12/2012	\$5,785,000	City of High Point	G.O. Public Improvement Bonds, Series 2012	Sr Mgr	4 of 6	Davenport	Wells Fargo
6/12/2012	\$16,000,000	City of High Point	G.O. Refunding Bonds, Series 2012	Sr Mgr	9 of 9	Davenport	Wells Fargo
<b>6/5/2012</b>	<b>\$2,955,000</b>	<b>City of Winston-Salem</b>	<b>G.O. Bonds, Series 2012A</b>	<b>Sr Mgr</b>	<b>1 of 3</b>		<b>Baird</b>
<b>5/30/2012</b>	<b>\$35,000,000</b>	<b>Town of Apex</b>	<b>G.O. Wastewater System Bonds, Series 2012</b>	<b>Sr Mgr</b>	<b>1 of 7</b>	<b>Davenport</b>	<b>Baird</b>
5/22/2012	\$27,215,000	County of Pender	G.O. School Refunding Bonds, Series 2012	Sr Mgr	4 of 6	FirstSW	FTN Financial
<b>5/15/2012</b>	<b>\$1,450,000</b>	<b>Town of Chapel Hill</b>	<b>G.O. Public Improvement Bonds, Series 2012</b>	<b>Sr Mgr</b>	<b>1 of 2</b>	<b>Davenport</b>	<b>Baird</b>
5/15/2012	\$4,940,000	Town of Chapel Hill	G.O. Refunding Bonds, Series 2012	Sr Mgr	2 of 7	Davenport	BB&T
<b>5/3/2012</b>	<b>\$27,115,000</b>	<b>Appalachian State</b>	<b>General Revenue Refunding Bonds, Series 2012</b>	<b>Sr Mgr</b>	<b>1 of 13</b>	<b>Davenport</b>	<b>Baird</b>
3/13/2012	\$2,000,000	Town of Clayton	G.O. Public Improvement Bonds, Series 2012	Sr Mgr	3 of 3	Davenport	UMB Bank
2/14/2012	\$34,345,000	County of Johnston	G.O. Refunding Bonds, Series 2012	Sole Mgr	13 of 15	Davenport	Hutchinson Shockey
2/7/2012	\$19,820,000	County of Lincoln	G.O. Refunding Bonds, Series 2012A	Sr Mgr	7 of 13	First Tryon	Morgan Keegan
1/18/2012	\$10,000,000	City of Greensboro	G.O. Public Improvement Bonds, Series 2012A	Sr Mgr	5 of 9	DEC Assoc	Raymond James
<b>1/10/2012</b>	<b>\$12,530,000</b>	<b>County of Lincoln</b>	<b>G.O. Refunding Bonds, Series 2012</b>	<b>Co Mgr</b>	<b>1 of 11</b>	<b>First Tryon Secs</b>	<b>Davenport</b>
<b>12/13/2011</b>	<b>\$18,495,000</b>	<b>County of Rowan</b>	<b>G.O. Refunding Bonds, Series 2011</b>	<b>Sr Mgr</b>	<b>1 of 8</b>	<b>FirstSW</b>	<b>Baird</b>
<b>12/13/2011</b>	<b>\$12,000,000</b>	<b>County of Rowan</b>	<b>G.O. Community College Bonds, Series 2011</b>	<b>Sr Mgr</b>	<b>1 of 9</b>	<b>FirstSW</b>	<b>Baird</b>
10/25/2011	\$22,845,000	County of Orange	G.O. Refunding Bonds, Series 2011	Co Mgr	4 of 14	Davenport	Wells Fargo
<b>6/15/2011</b>	<b>\$3,225,000</b>	<b>City of Greenville</b>	<b>G.O. Public Improvement Bonds, Series 2011</b>	<b>Co Mgr</b>	<b>1 of 2</b>	<b>FirstSW</b>	<b>Davenport</b>
<b>6/14/2011</b>	<b>\$3,660,000</b>	<b>City of Wilmington</b>	<b>G.O. Bonds, Series 2011A</b>	<b>Co Mgr</b>	<b>1 of 4</b>	<b>Waters</b>	<b>Davenport</b>
<b>6/14/2011</b>	<b>\$5,000,000</b>	<b>City of Wilmington</b>	<b>G.O. Bonds, Series 2011C</b>	<b>Co Mgr</b>	<b>1 of 4</b>	<b>Waters</b>	<b>Davenport</b>
6/14/2011	\$3,015,000	City of Wilmington	G.O. Refunding Bonds, Series 2011B	Co Mgr	3 of 6	Waters	Stifel Nicolaus
3/15/2011	\$116,800,000	County of Wake	G.O. Public Improvement Bonds, Series 2011	Co Mgr	9 of 11	Waters	JPMorgan
1/25/2011	\$9,600,000	County of Lincoln	G.O. School Bonds, Series 2011B	Co Mgr	3 of 9	First Tryon	UBS Financial Svcs
1/25/2011	\$17,405,000	County of Lincoln	G.O. Refunding Bonds, Series 2011A	Co Mgr	4 of 10	First Tryon	Wells Fargo

4. Please identify the personnel in your firm who would be assigned to the proposed transaction and provide resumes for each person. Identify the individual who will serve as senior day-to-day banker, technical banker and sales/trading coordinator. Please provide the current work location for each of the professionals listed.

**Ryan Maher** (*Winston-Salem*) will serve as the principal contact for Baird's engagement with Buncombe MSD. **Stephen Anderson** (*Charlotte*) will serve as support banker. **Tim Jackson** (*Winston-Salem*) will serve as underwriter. Brief resumes for these individuals appear below.

**Ryan Maher – Director (Investment Banking)**

Ryan Maher serves as Baird's senior investment banker for North Carolina governmental issuers in North Carolina the Southeast with investment banking services. His financing experience includes transactions for state and local governments, water and sewer systems, and economic development projects. Over the past five years, Ryan has managed more than 55 financings totaling over \$1.5 billion in par value. **He has served as senior investment banker to Buncombe County for many years.**

Prior to joining Baird, Ryan has served as a director and an investment banker at Wells Fargo/Wachovia, A.G. Edwards, Legg Mason and legacy Wachovia Bank. He received a bachelor of science degree in business and finance from North Carolina State University.

**Stephen Anderson – Vice President (Investment Banking)**

Stephen Anderson provides quantitative, analytical and transaction support for issuers in North Carolina and throughout the United States. During his career, he has structured all types of financings, including general obligation, revenue, lease revenue/appropriation-backed, and derivative-based structures. He has served as a key member of the financing team for over 85 financings totaling \$5.3 billion in par value. Stephen received a bachelor of science degree in financial management from Bob Jones University and a masters of business administration degree in finance from Clemson University.

**Tim Jackson – Director (Municipal Underwriting)**

Tim Jackson is Baird's southeastern regional underwriter and is located at the firm's Winston-Salem municipal underwriting desk. **He has previously underwritten numerous financings for Buncombe County.** Prior to joining Baird, he led the municipal underwriting operations for Legg Mason and legacy Wachovia Bank. Tim received a bachelor of science degree from Clemson University and a masters of business administration from the Babcock School of Business at Wake Forest University.

5. Discuss your firm's recommended approach to structuring the underwriting team, including responsibilities for each primary underwriting function. Please specifically address your firm's approach to compensation for the co-manager(s), including management fee, participation, allocation of bonds and any other pertinent syndicate agreements that may influence the ability of the District to achieve the lowest cost of funds.

As a co-manager, Baird will participate as requested on all transaction meetings and conference calls, review documents, and provide price views to Wells Fargo, the Senior Manager.

Assuming a \$30 million transaction, we recommend that underwriting liability be allocated as follows: 70% liability for Wells Fargo (as senior bookrunning manager) and 30% liability for Baird (as so-manager). We do not believe that more than one co-manager will provide any incremental benefit.

If Buncombe MSD and its Financial Advisor decide to incorporate a restructuring of the Series 2008A variable rate bonds as part of the transaction, the District could potentially utilize an additional co-manager (resulting in 60% liability to Wells Fargo and 20% liability to each of the respective co-managers). However, even for a larger transaction, we believe that Buncombe MSD would be well-served with just a senior manager and one manager.

We believe that bona fide retail orders by investors living in Buncombe MSD's service area should be given first priority, followed by North Carolina retail orders and then national retail orders. Retail orders should





not include bank portfolios, insurance companies, bond funds or municipalities. Any retail order greater than \$500,000 should first be approved by the District and its Financial Advisor. Finally, in order to fairly balance the demand of professional retail and institutional investors across the yield curve, any retail order above \$500,000 will be considered a net designated order (the portion below \$500,000 may be treated as a retail order). We discuss our rationale for using a net designated compensation strategy in the next paragraph.

Historically, institutional order priority in North Carolina has been group net. However, **we instead recommend that the District and its Financial Advisor allow all syndicate members to be designated.** The ability for any firm to earn takedown gives its sales force an incentive to generate orders, and generally speaking, the harder the entire underwriting syndicate works, the lower the total interest costs. Net designations are frequently used by issuers in Texas, who have seen benefit from using this policy.

6. Describe your firm’s policies and capacity regarding committing capital to underwrite projects, specifically addressing any limitations on such commitment. Please provide examples of previous commitments your firm has made to underwrite unsold bond balances of transactions.

Baird is committed to utilizing its capital on behalf of Buncombe MSD as needed. **Baird’s underwriting desk is empowered to make underwriting decisions and to utilize the firm’s capital without having to obtain approvals from firm management.**

The table to the right shows Baird’s capital position as of September 30, 2013. The firm maintains one of the most conservative net capital ratios in the securities industry, allowing Baird’s management team to allocate its capital to those areas which have the greatest need without disturbing day-to-day operations. This excess net capital provides **legal underwriting capacity of \$3.8 billion.**

Regulatory Capital	\$644,926,000
Excess Net Capital	\$266,826,000
Net Capital Percentage	139%
Legal Underwriting Capacity	\$3,811,800,000
Net Capital	\$270,711,000

Below are examples of three financings for North Carolina issuers that demonstrate Baird’s willingness to commit capital and underwrite unsold bonds.

**DURHAM City of Durham, North Carolina**



On September 30, 2009, Baird served as sole managing underwriter for the City of Durham’s (“Durham”) \$20.3 million general obligation bond refunding transaction. Our underwriters aggressively priced these bonds, given Durham’s natural Triple-A credit ratings and the relative lack of new-issue North Carolina paper. While the maturities from 2013-2020 were 1x-3x oversubscribed, investor interest the 2010-2012 maturities was much more muted. In order to ensure that Durham maximize its refunding savings, **Baird offered to commit its capital and underwrite approximately \$5 million of the 2010-2012 maturities.** Because of the firm’s willingness to incur the risk of trading losses due in the underwriting process, the City of Durham achieved total refunding savings of over \$1.1 million on a net present value basis.

**Winston-Salem City of Winston-Salem, North Carolina**




On January 12, 2010, Baird served as sole managing underwriter for the City of Winston-Salem’s (“Winston-Salem”) \$29.535 million general obligation bond transaction. This financing included  
 1) new money bonds utilizing the Recovery Zone Economic Development Bonds structure and  
 2) refunding bonds which advanced refunded Winston-Salem’s Series 2002A and 2002C General Obligation Bonds. Both series received heavy interest from retail and institutional investors. For the Series 2010A Bonds, Baird’s underwriters were able to lower yields 15 basis points (“bps”) on all maturities from initial pre-pricing levels. For the Series 2010B Bonds, Baird’s underwriters were able to lower yields 3-6 bps on most maturities. In order to ensure that Winston-Salem maximize its refunding savings, **Baird offered to commit its capital and underwrite approximately \$3.4 million of the Series 2010B Refunding.** Because of the firm’s willingness to incur the risk of trading losses due in the underwriting process, the City of Winston-Salem achieved total refunding savings of over \$1.3 million on a net present value basis.



**Brunswick County, North Carolina**

On June 23, 2010, Baird served as senior managing underwriter for Brunswick County’s Series 2010 Enterprise System Revenue Bonds. The bonds were issued as 100% taxable RZEDBs, qualifying for a 45% interest rate subsidy from the U.S. Treasury. Baird saw healthy investor interest in the maturities in the early part of the yield curve, although interest was more muted in the mid to late part of the curve. The firm’s underwriters and traders believe this receptivity is a result of the heavy influx of small to mid-sized BABs financings that have recently come to market. In order to ensure that Brunswick County achieved the most aggressive pricing, **Baird willingly committed its capital and underwrote approximately \$14 million of the Series 2010 Bonds.** By utilizing the taxable RZEDBs versus a tax-exempt financing structure, Baird estimates that Brunswick County will save approximately \$2.2 million (\$1.7 million net present value) in net debt service over the 20-year life of the financing.

7. Please provide the names and contact information for at least three client references for which your firm has served in an underwriting capacity for revenue bonds within the last three years.

Client Name	Client Contact	Phone	Mailing Address	Email Address
City of Raleigh, NC 	Allyson Wharton <i>(Treasury Services Manager)</i>	(919) 996-4938	222 West Hargett Street Raleigh, NC 27602	allyson.wharton@raleighnc.gov
Brunswick County, NC 	Ann Hardy <i>(County Manager)</i>	(910) 253-2060	45 Courthouse Drive, NE Bldg. E Bolivia, NC 28422	ahardy@brunco.net
Town of Cary, NC 	Karen Mills <i>(Chief Financial Officer)</i>	(919) 496-4110	316 N. Academy Street Cary, NC 27513	karen.mills@townofcary.org

8. Provide any additional information that may aid the District in determining a decision on co-manager underwriting services.

**About Baird**

Baird is an **employee-owned, fully-independent investment bank**. Headquartered in Milwaukee, the firm has more than 100 locations throughout the United States, Europe and Asia and approximately 2,900 full-time employees. In North Carolina, Baird has offices in Charlotte, Lake Norman, Raleigh and Winston-Salem.

**Public Finance Overview**

Baird’s Public Finance Department is comprised of 70 professionals in 15 offices – including Charlotte and Winston-Salem – located throughout the United States. The firm offers one of the most accomplished public finance staffs in the industry, having been honored by *The Bond Buyer* with the:

- Southeast Regional Deal of the Year** (2013 – Underwriter)  
*This was a \$20 million Limited Obligation Bonds financing for Harnett County and is the first time that a North Carolina financing has ever won a Bond Buyer award.*



- **National Deal of the Year** (2012 – *Financial Advisor*)
- **Midwest Regional Deal of the Year** (2012 and 2007 – *Financial Advisor*)
- **Small Issue Deal of the Year** (2011 – *Underwriter*)
- **Nontraditional Financing Deal of the Year** (2009 – *Underwriter*)

Baird is among the top-ranked public finance firms in the United States. The firm is ranked as the **#1 underwriter of municipal bonds in the United States** (by number of issues) by iPreo MuniAnalytics for 2013.

Top Underwriters of Competitive & Negotiated Financings January 1, 2013 - December 31, 2013 <i>Full Credit to Book Runner</i>			
Firm	Rank	Par Amount (\$MM)	# of Issues
Baird	1	8,280.48	754
Piper Jaffray	2	11,257.74	554
RBC Capital Markets	3	17,327.44	488
Stifel Nicolaus	4	7,838.25	462
Raymond James	5	9,564.93	450
BOSC	6	2,764.50	366
Roosevelt & Cross	7	1,933.66	365
D.A. Davidson	8	2,028.57	353
BA Merrill Lynch	9	45,762.28	321
Citigroup	10	34,949.60	276
Wells Fargo	16	17,353.18	183
PNC Capital Markets	20	2,033.92	135
Stephens	38	1,310.06	69
BB&T Capital Markets	61	935.90	26
SunTrust	124	153.31	3

### Secondary Market Trading

As noted earlier, Baird has clearly demonstrated its commitment to secondary trading of tax-exempt and taxable bonds. The firm trades an average of \$350 million in fixed income securities daily, approximately 25% of which is with individual investors (excluding trust department orders).

The table below shows the volume of retail and institutional trades in North Carolina municipal bonds from 2010 to the present. Over the past four years, **Baird has executed \$1.8 billion in North Carolina municipal securities trades.**

Year	Retail (\$)	Institutional (\$)	Total (\$)
2013	\$12,260,000	\$331,020,000	\$343,280,000
2012	\$27,510,000	\$425,290,000	\$452,800,000
2011	\$26,000,000	\$411,600,000	\$437,600,000
2010	\$18,755,000	\$510,100,000	\$528,855,000
<b>TOTAL</b>	<b>\$84,525,000</b>	<b>\$1,678,010,000</b>	<b>\$1,762,535,000</b>

Most importantly, however, is how **Baird has shown its commitment to the District in the secondary market.** Even though the firm has not yet had the opportunity to serve in the underwriting syndicate, we have facilitated trading in Buncombe MSD’s bonds nonetheless. Over the past several years, Baird has facilitated buy and sell trades in Buncombe MSD’s bonds totaling \$1.1 million in par amount.



### **In Conclusion**

Baird is pleased to submit this response to Buncombe MSD's *Request for Qualifications to Provide Co-Manager Underwriter Service*. We believe that Baird's expertise in underwriting tax-exempt bonds, extensive experience underwriting higher education bonds, talent of our investment bankers, and strength of our retail and institutional sales departments will all allow Baird to provide the District with aggressive pricing, excellent service, and wide distribution of its bonds as a co-manager.

As the **largest underwriter in the nation** (by number of issues) and frequent secondary trader of numerous North Carolina municipal financings, our underwriters, salespersons and traders all know the retail and institutional buyers of North Carolina bonds.

Finally, as an **employee-owned and fully independent** investment banking firm, we are committed to utilizing our capital base on behalf of Buncombe MSD's financing to ensure aggressive pricing and refunding savings.

We look forward to the opportunity to serve Buncombe MSD and work with its Financing Team. Should you have any questions, please do not hesitate to contact Ryan Maher at (336) 631-5835 / [rmaher@rwbaird.com](mailto:rmaher@rwbaird.com) or Stephen Anderson at (336) 631-5836 / [seanderson@rwbaird.com](mailto:seanderson@rwbaird.com).



# METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY

## BOARD ACTION ITEM

**Meeting Date:** February 19, 2014

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

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

**Reviewed By:** Billy Clarke, District Legal Counsel

**Subject:** Resolution authorizing filing application to LGC to issue Revenue Bonds

### **Background**

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

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

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

### **Discussion**

Approval of this resolution is a necessary step to issue debt required to augment pay-as-you-go financing for the District's CIP. A Financing Schedule is attached which outlines the overall process for a May issuance. Also included is a list of projects, which will be funded and/or reimbursed, based on three (3) previous reimbursement resolutions authorizing the use of bond proceeds. Lastly, the February 5<sup>th</sup> Finance Committee agenda item on the \$28 Million Revenue Bond Issuance, which outlines the need and financial impact, is also attached.

### **Fiscal Impact**

In the event the process is abandoned, the \$12,500 application fee may not be refunded. However, any attorney and underwriting fees contingent on issuing the bonds need not be paid. The District may be liable for minor expenditures such as printing, to the extent ancillary goods and services are provided.

February 19, 2014

Resolution authorizing filing application to LGC to issue Revenue Bonds

Page -2-

**Staff Recommendation**

Staff recommends the approval of the attached resolution.

**Action Taken**

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

The District Board of the Metropolitan Sewerage District of Buncombe County met in a regular session in the Boardroom at the District's office in Woodfin, North Carolina, the regular place of meeting, at 2:00 P.M. on February 19, 2014.

Present: Chairperson M. Jerry VeHaun, presiding, and Boardmembers \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_.

Absent: \_\_\_\_\_.

\* \* \* \* \*

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

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION WITH THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF THE ISSUANCE AND PRIVATE SALE OF METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA SEWERAGE SYSTEM REVENUE BONDS, SERIES 2014 AND RELATED ACTIONS

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

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

WHEREAS, the District proposes to issue its Sewerage System Revenue Bonds, Series 2014 (the “Series 2014 Bonds”) in an aggregate principal amount not to exceed \$30,000,000, for the purpose of providing funds, together with other available funds, to (i) pay for the cost of certain improvements to the District’s sewerage system (collectively, the “Additional Improvements”), (ii) pay a portion of the interest on the Series 2014 Bonds, and (iii) pay certain costs and expenses incurred in connection with the issuance of the Series 2014 Bonds; and

WHEREAS, the District has selected for recommendation to the North Carolina Local Government Commission (the “Local Government Commission”) a financing team to be used in connection with the issuance and sale of the Series 2014 Bonds; and

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

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

Section 1. The Board hereby finds and determines, in connection with the issuance of the Series 2014 Bonds, that (i) the issuance of the Series 2014 Bonds is necessary or expedient for the District, (ii) the proposed principal amount of the Series 2014 Bonds is adequate and not excessive for the proposed purpose of such issue, (iii) the Additional Improvements are feasible, (iv) the District’s debt management procedures and policies are good and the District’s finances are managed in strict compliance with law and (v) under current economic conditions, the Series 2014 Bonds can be marketed at a reasonable interest cost to the District.

Section 2. The Board hereby authorizes the filing of an application with the Local Government Commission for approval of the issuance of the Series 2014 Bonds pursuant to The State and Local Government Revenue Bond Act and hereby directs Thomas Hartye, P.E.,

General Manager of the District, and W. Scott Powell, Director of Finance of the District, as representatives of the District, to file such application with the Local Government Commission.

Section 3. The Board hereby recommends that the following financing team members be engaged in connection with the issuance and sale of the Series 2014 Bonds and requests that the Local Government Commission approve said financing team members:

- Bond Counsel: Sidley Austin LLP
- Underwriters: Wells Fargo Bank, National Association and R.W. Baird & Co.
- Underwriters' Counsel: McGuireWoods LLP
- Financial Advisor: Davenport & Company LLC
- Trustee and Bond Registrar: The Bank of New York Mellon Trust Company, N.A.

Section 4. The Local Government Commission is hereby requested to sell the Series 2014 Bonds at private sale without advertisement to any purchaser or purchasers thereof, at such price as the Local Government Commission determines to be in the best interest of the District, subject to the approval of the District.

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

Thereupon, upon motion of Boardmember \_\_\_\_\_, seconded by Boardmember \_\_\_\_\_, the resolution entitled "RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION WITH THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF THE ISSUANCE AND PRIVATE SALE OF METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA SEWERAGE SYSTEM REVENUE BONDS, SERIES 2014 AND RELATED ACTIONS" was adopted by the following vote:

Ayes: Boardmembers \_\_\_\_\_

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Noes: \_\_\_\_\_.

The Chairman then announced that the resolution entitled: “RESOLUTION DIRECTING THE FILING OF AN APPLICATION WITH THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF THE ISSUANCE AND PRIVATE SALE OF METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA SEWERAGE SYSTEM REVENUE BONDS, SERIES 2014 AND RELATED ACTIONS” had been adopted.





# Metropolitan Sewerage District of Buncombe County, North Carolina

*Sewerage System Revenue Bonds, Series 2014*



## FINANCING SCHEDULE

February						
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Date	Activity	Participants
FEBRUARY 7	Submit Joint Legislative Committee Letter	MSD / BC
FEBRUARY 12	Distribute 1 <sup>st</sup> Draft of Bond Documents	BC
FEBRUARY 13	Distribute 1 <sup>st</sup> Draft of POS Distribute 1 <sup>st</sup> Draft of Agreed Upon Procedures Letter/Financial Projections	UC MSD
FEBRUARY 18	1 <sup>st</sup> Document Review Session (Conference Call) @ 1:00pm Dial-in: 888.549.3557 Passcode: 7631917552	All
FEBRUARY 19	MSD Adopts Preliminary Resolution	MSD / BC
BY MARCH 5	Distribute 2 <sup>nd</sup> draft of All Documents Submit LGC Application	BC / UC / MSD MSD
WEEK OF MARCH 10	2 <sup>nd</sup> Document Review Session	All
BY MARCH 26	Distribute 3 <sup>rd</sup> Draft of Documents Submit Documents to Rating Agencies	BC / UC UW
APRIL 1	Receive LGC Approval	LGC
APRIL 2/3	Rating Meetings	MSD / UW / FA
APRIL 8	Finalize Series Resolution	BC
APRIL 16	MSD Adopts Series Resolution	MSD / BC
BY APRIL 18	Receive Ratings	MSD / UW / FA
APRIL 25	Finalize POS	UC
APRIL 29	Post POS	UC / UW
MAY [7]	Price Bonds	MSD / LGC / UW / FA
MAY 8	Execute Bond Purchase Agreement	MSD / LGC / UW
MAY 20	Pre-Closing	All
MAY 21	Closing	All

Participants	
MSD	Metropolitan Sewerage District of Buncombe County
LGC	Local Government Commission
FA	Financial Advisor – Davenport & Company LLC
BC	Bond Counsel – Sidley Austin
UW	Underwriter – Wells Fargo Securities (Senior); RW Baird (Co)
UC	Underwriter's Counsel – McGuire Woods

Metropolitan Sewerage District of Buncombe County  
Exhibit A

At 2/04/14 Project Number	Project Name	Life to Date Dec. 2013	Projected Expenditures Jan-April 2014	Projected Total at Issuance on May 2014	Projected Expenditures May - June 2014	Total Project Costs	DESCRIPTION
<b>Sewer Rehabilitation -SS</b>							
2002101	Construction Division	\$ 1,482,970	\$ 2,705,280	\$ 4,188,250	\$ 380,750	\$ 4,569,000	20,000 LF
2004025	Short Coxe @ Southside	956,498	-	956,498	-	956,498	3,826 LF
2004252	Merrimon Avenue @ Stratford Road	144,862	747,715	892,577	-	892,577	2,460 LF
2004266	Moore Circle - PRP45001	234,262	-	234,262	-	234,262	1,561 LF
2004267	Brookcliff Drive - PRP59001	183,511	218,582	402,093	-	402,093	1,438 LF
2006013	Forest Ridge Road	-	588,115	588,115	106,000	694,115	2,842 LF
2006014	Givens Estate	944,020	-	944,020	-	944,020	3,683 LF
2006016	Macon Avenue @ Sunset Parkway Four Inch Main - N. Griffing	-	757,688	757,688	150,000	907,688	2,804 LF
2006022	Boulevard	155,739	-	155,739	-	155,739	678 LF
2007014	Sycamore Terrace - PRP34012	-	460,950	460,950	307,300	768,250	3,186 LF
2007016	Four Inch Main - Mountain Terrace	78,356	-	78,356	-	78,356	448 LF
2007017	Indiana Avenue	-	-	-	490,500	490,500	2,135 LF
2007021	Patton Avenue @ Parkwood	302,596	-	302,596	-	302,596	805 LF
2007023	Scenic View Drive - PRP29020	318,375	-	318,375	-	318,375	1,619 LF
2007026	Final Microscreen Replacement	10,122,588	-	10,122,588	-	10,122,588	Plant Project
2007319	Bradley Branch Road Phase 2	275,046	108,514	383,560	-	383,560	2,665 LF
2007322	Old US 70 at Grovemont Avenue	17,441	860,900	878,341	-	878,341	4,690 LF
2008085	Meadow Lark Road	77,575	-	77,575	-	77,575	273 LF
2010024	Slide Gate Replacement	329	273,276	273,605	68,319	341,924	Plant Project
2010032	Electrical Improvements	2,368,760	136,190	2,504,950	-	2,504,950	Plant Project
2010085	Mount Vernon Place Phase 1	78,565	39,582	118,147	-	118,147	458 LF
2010110	Pipe Rate Project Contract #7 Lining	976,772	21,425	998,197	-	998,197	10,000 LF
2012030	Influent Pump Replacement	194,183	25,486	219,668	-	219,668	Plant Project
2012056	Hydro Facility Renovation	473,352	5,000	478,352	-	478,352	Plant Project
2012084	Merrimon Avenue @ Colonial Place	154,950	63,118	218,068	-	218,068	457 LF
<b>Total Project Costs</b>		<b>\$ 19,540,749</b>	<b>\$ 7,011,821</b>	<b>\$ 26,552,570</b>	<b>\$ 1,502,869</b>	<b>\$ 28,055,439</b>	

Note: Reimbursement Resolution # 1 October 20,2010  
Reimbursement Resolution #2 August 15,2012  
Reimbursement Resolution #2 August 21, 2013

# Metropolitan Sewerage District of Buncombe County

## FINANCE COMMITTEE INFORMATIONAL ITEM

**Meeting Date:** February 5, 2014  
**Submitted By:** Thomas E. Hartye, PE., General Manager  
**Prepared By:** W. Scott Powell, CLGFO, Director of Finance  
**Reviewed By:** Billy Clarke, District Legal Counsel  
**Subject:** \$28 Million Revenue Bond Issuance

### **Background**

On June 12, 2013, the Board approved the District's FY2014 Budget. The Budget included a proposed new money \$28 million revenue bond issuance. The monies received will be used to reimburse the District as outlined in reimbursement resolutions. These resolutions were approved by the Board on October 20, 2010, August 15, 2012, and August 21, 2013.

Reimbursement resolutions are used to meet the objectives of the District's Debt Policy. The District obtains funding from completed rehabilitation projects. These funds are used to fund future projects identified in the District's Capital Improvement Plan.

### **Discussion**

The attached proposed financing schedule from Well Fargo, NA outlines the process and timing of the upcoming bond issuance. The proposed preliminary resolution is slated to be adopted by the Board on March 19<sup>th</sup> with LGC approval on April 1<sup>st</sup>. The District will have rating agencies calls on the week of April 7<sup>th</sup>. Finally, the bonds issuance will price on May 7<sup>th</sup> and close on May 21<sup>st</sup>.

### **Financial Impact**

The Business Plan has been attached to provide the financial impact of the debt issuance to the District. The Business Plan incorporates this debt issuance with anticipated future revenue and expenditure assumptions. Based on these assumptions, the District will be able to maintain its goal of approximate 1.5x debt service coverage into the foreseeable future.

### **Staff Recommendation**

None – Informational only

#### **Action Taken**

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



# Metropolitan Sewerage District of Buncombe County, North Carolina

*Sewerage System Revenue Bonds, Series 2014*



## FINANCING SCHEDULE

February						
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March						
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April						
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May						
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18	19	20	21	22	23	24
25	26	27	28	29	30	31

Date	Activity	Participants
WEEK OF FEBRUARY 3	Organizational Call	All
FEBRUARY 11	Distribute 1 <sup>st</sup> Draft of Bond Documents	BC
BY FEBRUARY 12	Submit Joint Legislative Committee Letter	MSD / BC
FEBRUARY 13	Distribute 1 <sup>st</sup> Draft of POS Distribute 1 <sup>st</sup> Draft of Agreed Upon Procedures Letter/Financial Projections	UC MSD
WEEK OF FEBRUARY 17	1 <sup>st</sup> Document Review Session	All
BY MARCH 5	Distribute 2 <sup>nd</sup> draft of All Documents Submit LGC Application	BC / UC / MSD MSD
WEEK OF MARCH 10	2 <sup>nd</sup> Document Review Session	All
MARCH 19	MSD Adopts Preliminary Resolution	MSD / BC
BY MARCH 28	Distribute 3 <sup>rd</sup> Draft of Documents Submit Documents to Rating Agencies	BC / UC UW
APRIL 1	Receive LGC Approval	LGC
WEEK OF APRIL 7	Rating Calls/Meetings	MSD / UW / FA
APRIL 8	Finalize Series Resolution	BC
APRIL 16	MSD Adopts Series Resolution	MSD / BC
BY APRIL 23	Receive Ratings	MSD / UW / FA
APRIL 25	Finalize POS	UC
APRIL 29	Post POS	UC / UW
MAY 7	Price Bonds	MSD / LGC / UW / FA
MAY 8	Execute Bond Purchase Agreement	MSD / LGC / UW
MAY 20	Pre-Closing	All
MAY 21	Closing	All

Participants	
MSD	Metropolitan Sewerage District of Buncombe County
LGC	Local Government Commission
FA	Financial Advisor – Davenport & Company LLC
BC	Bond Counsel – Sidley Austin
UW	Underwriter – Wells Fargo Securities
UC	Underwriter's Counsel – McGuire Woods

**Metropolitan Sewerage District of Buncombe County, North Carolina  
Sewerage System Revenue Bonds, Series 2014**

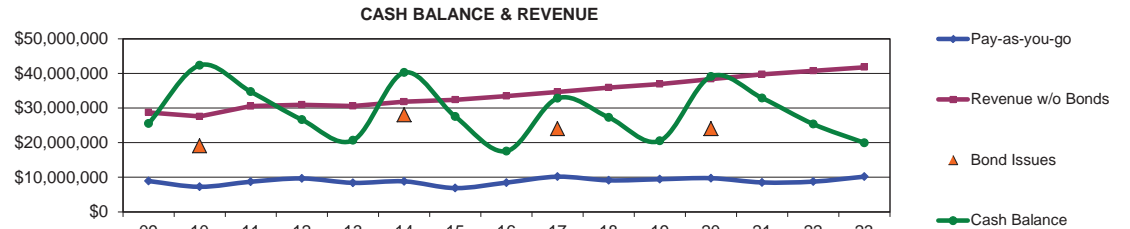
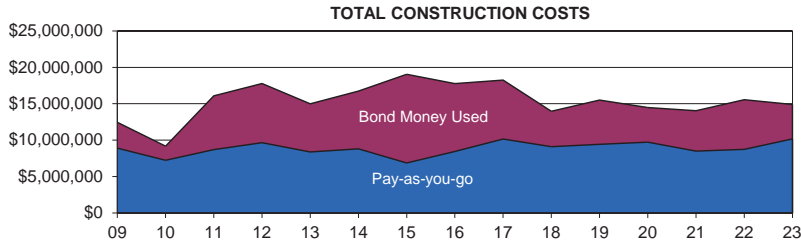
**Underwriter's Discount**

<b>Underwriter's Discount</b>		
	<b>\$ / Bond</b>	<b>\$</b>
Average Takedown	\$4.5555	\$118,077.50
Management Fee	0.5000	12,960.00
Expenses (see breakdown below)	<u>2.0722</u>	<u>53,712.40</u>
<b>Total</b>	<b>\$7.1277</b>	<b>\$184,749.90</b>
<b>Detailed Expense Breakdown</b>		
	<b>\$ / Bond</b>	<b>\$</b>
Underwriter's Counsel*	1.7361	45,000.00
DTC	0.0193	500.00
Electronic Order Entry	0.0150	388.80
I-Deal Bookrunning System	0.0800	2,073.60
CUSIP	0.0289	750.00
Travel/Conf Calls/Out-of-Pocket*	<u>0.1929</u>	<u>5,000.00</u>
<b>Total</b>	<b>2.0722</b>	<b>\$53,712.40</b>

\*Estimated

<b><u>Average Takedown</u></b>			
<b>Year</b>	<b>Estimated Principal</b>	<b>Takedown \$ / Bond</b>	<b>Takedown \$</b>
2015	465,000	1.00	465
2016	610,000	2.50	1,525
2017	630,000	2.50	1,575
2018	655,000	3.75	2,456
2019	680,000	3.75	2,550
2020	710,000	3.75	2,663
2021	745,000	3.75	2,794
2022	780,000	3.75	2,925
2023	820,000	3.75	3,075
2024	860,000	3.75	3,225
2025	905,000	5.00	4,525
2026	930,000	5.00	4,650
2027	980,000	5.00	4,900
2028	1,025,000	5.00	5,125
2029	1,080,000	5.00	5,400
2030	1,130,000	5.00	5,650
2031	1,170,000	5.00	5,850
2032	1,230,000	5.00	6,150
2033	1,290,000	5.00	6,450
2034	1,355,000	5.00	6,775
2035	1,425,000	5.00	7,125
2036	1,495,000	5.00	7,475
2037	1,570,000	5.00	7,850
2038	1,650,000	5.00	8,250
<u>2039</u>	<u>1,730,000</u>	<u>5.00</u>	<u>8,650</u>
<b>Total</b>	<b>25,920,000</b>		<b>118,078</b>
<b>Average Takedown</b>		<b>4.56</b>	

Business Plan FY14	3.0%	3.75%	3.5%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	Sewer Rate Increase	
	\$23.99	\$24.84	\$25.72	\$26.45	\$27.14	\$27.81	\$28.51	\$29.22	\$29.95	\$30.70	\$31.46	\$32.25	\$33.06	\$33.88	\$34.73	Average Monthly Bill	
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Assumptions	
July 1- Available for Construction	29,669,151	25,496,310	42,331,200	34,698,658	26,606,688	20,669,346	40,237,135	27,508,101	17,539,686	32,794,315	27,279,681	20,527,664	39,096,893	32,875,737	25,356,006	Minimum of 365 Days Cash on Hands	
<b>REVENUE:</b>																	
Domestic Users	22,284,340	23,242,077	24,686,228	25,586,768	25,989,919	27,367,458	28,245,115	29,137,277	30,101,029	31,080,667	32,076,476	33,146,859	34,234,872	35,340,831	36,465,057	Consumption and Account Growth  0.75% Increase	
Industrial Users (No growth)	1,386,132	1,498,529	1,565,402	1,599,819	1,577,916	1,710,390	1,843,922	1,988,652	2,146,507	2,238,079	2,342,718	2,451,611	2,512,901	2,575,723	2,640,116		
Billing and Collections (User Fee)	620,247	629,212	643,264	662,589	701,015	712,932	734,320	756,350	779,040	802,412	826,484	851,278	876,817	903,121	930,215		
Tap Fees	281,830	278,100	211,165	236,850	313,040	188,850	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000		
Facility Fees	2,677,285	1,375,910	2,027,006	2,084,624	2,253,595	1,411,495	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000		
Interest & Non-operating Revenues	817,650	457,815	383,248	212,648	160,909	269,692	302,540	283,579	323,226	528,368	405,701	654,841	809,192	637,431	475,570		
City of Asheville (annex.-Enka)	37,003	37,003	37,000	37,290	37,023	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000		
Rental Income	16,560	16,560	20,507	70,356	70,356	68,597	68,742	69,950	71,399	71,641	71,641	71,641	71,641	71,641	71,641		
Transfer from Reserves (to / from)	449,370	0	0	0	(768,978)	0	0	0	0	0	0	0	0	0	0		
Miscellaneous	113,246	10,651	963,786	449,426	219,456	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000		
<b>Total Revenues</b>	<b>28,683,663</b>	<b>27,545,857</b>	<b>30,537,606</b>	<b>30,940,370</b>	<b>30,554,251</b>	<b>31,816,414</b>	<b>32,386,639</b>	<b>33,427,808</b>	<b>34,613,201</b>	<b>35,913,167</b>	<b>36,915,020</b>	<b>38,368,230</b>	<b>39,697,423</b>	<b>40,720,748</b>	<b>41,774,599</b>		Bond Issues figured at: 4.5% yield FY14 5.0% yield FY17 5.5% yield FY20
State and Federal (EPA) Grants																	
Revenue Bonds/Stimulus		19,072,980				28,000,000			24,000,000			24,000,000					
<b>Total Funds Available</b>	<b>58,352,814</b>	<b>72,115,147</b>	<b>72,868,806</b>	<b>65,639,028</b>	<b>57,160,939</b>	<b>80,485,761</b>	<b>72,623,774</b>	<b>60,935,909</b>	<b>76,152,887</b>	<b>68,707,482</b>	<b>64,194,701</b>	<b>82,895,894</b>	<b>78,794,317</b>	<b>73,596,485</b>	<b>67,130,606</b>	3% inflation in O & M, Replacement Funds and Engineering Force Account  ENR 10-year Construction Index @ 3.60%  General Sewer Rehab to cover 50,000 lineal ft / year  Target Debt Coverage 1.5  No growth in Industries - Rate Parity for Flow in 2020	
<b>EXPENSES:</b>																	
Operations & Maintenance	12,408,349	12,454,727	13,272,468	13,632,269	12,888,006	14,508,908	15,032,839	15,695,113	16,327,558	16,979,865	17,668,443	18,386,138	19,144,649	19,943,601	20,489,847		
Replacement Funds (WRF & Fleet)	400,000	300,000	250,000	350,000	500,000	500,000	550,000	650,000	650,000	650,000	675,000	675,000	675,000	700,000	700,000		
Debt Service	7,600,364	7,855,989	8,565,201	7,274,680	8,114,665	8,502,191	10,488,447	9,285,033	8,132,415	9,832,385	9,818,840	10,259,242	12,057,982	12,043,843	11,114,436		
CIP (including Bond Projects)	12,447,791	9,173,231	16,082,479	17,775,391	14,988,922	16,737,527	19,044,387	17,766,077	18,248,599	13,965,551	15,504,755	14,478,621	14,040,949	15,553,035	14,899,496		
<b>Total Expenses</b>	<b>32,856,504</b>	<b>29,783,947</b>	<b>38,170,148</b>	<b>39,032,340</b>	<b>36,491,593</b>	<b>40,248,626</b>	<b>45,115,673</b>	<b>43,396,223</b>	<b>43,358,572</b>	<b>41,427,801</b>	<b>43,667,038</b>	<b>43,799,001</b>	<b>45,918,580</b>	<b>48,240,479</b>	<b>47,203,779</b>		
Pay-as-you-go (Current Revenue only)	8,900,674	7,235,141	8,699,937	9,650,613	8,377,997	8,805,316	6,865,353	8,447,662	10,153,228	9,100,917	9,427,737	9,722,851	8,494,793	8,733,304	10,170,316		
Debt Coverage (User Fees only)	1.6	1.7	1.6	2.0	1.9	1.8	1.5	1.8	2.1	1.8	1.8	1.8	1.5	1.6	1.8		
Debt Coverage with Total Revenue	2.1	1.9	2.0	2.4	2.2	2.0	1.7	1.9	2.2	1.9	2.0	1.9	1.7	1.7	1.9		
<b>January 14, 2014</b>																	
<b>10-Year Capital Improvement Program</b>																	
<b>Active Plan CIP</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>		
Interceptor/Wet Weather Rehabilitation	3,257,084	1,391,413	3,496,305	2,039,068	15,698	634,790	137,788	26,832	0	2,889,126	2,607,417	1,629,573	1,494,821	2,834,518	0		
General Sewer Rehabilitation	4,885,626	3,433,233	5,109,985	4,026,203	6,777,306	9,380,900	10,253,240	8,906,854	8,671,200	6,471,275	7,606,358	8,258,401	7,812,264	7,881,182	9,924,642		
Pipe Rated Projects	610,703	728,835	806,840	1,030,217	1,170,517	1,464,537	411,292	2,150,241	1,239,029	1,270,041	1,315,762	1,363,130	1,412,202	1,463,041	1,515,711		
Private Sewer Rehabilitation	101,784	12,171	134,473	282,765	17,920	40,700	5,180	551,137	5,560	116,348	120,537	124,876	129,372	134,029	138,854		
Treatment Plant / Pump Stations	1,119,623	993,867	3,496,305	7,737,401	4,567,989	1,579,600	5,538,870	3,370,149	5,462,713	283,383	852,113	98,912	116,563	90,237	93,486		
Engineering Force Account	2,269,403	2,547,454	2,635,451	2,659,737	2,439,492	2,437,000	2,498,017	2,560,864	2,670,097	2,735,378	2,802,568	2,803,729	2,875,727	2,950,028	3,026,803		
Reimbursements	203,568	66,258	403,120	0	0	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000		
Contingency				0	0	1,000,000											
<b>Capital Improvement Program Totals</b>	<b>12,447,791</b>	<b>9,173,231</b>	<b>16,082,479</b>	<b>17,775,391</b>	<b>14,988,922</b>	<b>16,737,527</b>	<b>19,044,387</b>	<b>17,766,077</b>	<b>18,248,599</b>	<b>13,965,551</b>	<b>15,504,755</b>	<b>14,478,621</b>	<b>14,040,949</b>	<b>15,553,035</b>	<b>14,899,496</b>		



# Metropolitan Sewerage District of Buncombe County

## BOARD INFORMATIONAL ITEM

**Meeting Date:** February 19, 2014

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

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

**Subject:** Cash Commitment/Investment Report-Month Ended December 31, 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 December 31, 2013 were \$26,257,858. The detailed listing of accounts is available upon request. The average rate of return for all investments is 0.596. These investments comply with North Carolina General Statutes, Board written investment policies, and the District's Bond Order.

The attached investment report represents cash and cash equivalents as of December 31, 2013 do not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of December 31, 2013 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is \$(6,917,805).

Total Cash & Investments as of 12/31/2013		26,257,858
Less:		
Budgeted Commitments (Required to pay remaining FY14 budgeted expenditures from unrestricted cash)		
Construction Funds	(12,003,604)	
Operations & Maintenance Fund	<u>(7,974,679)</u>	
		(19,978,283)
Bond Restricted Funds		
Bond Service (Funds held by trustee):		
Funds in Principal & Interest Accounts	(1,001,504)	
Remaining Principal & Interest Due	<u>(6,915,762)</u>	
		(7,917,266)
District Reserve Funds		
Fleet Replacement	(644,117)	
WWTP Replacement	(511,183)	
Maintenance Reserve	<u>(913,118)</u>	
		(2,068,418)
District Insurance Funds		
General Liability	(248,626)	
Worker's Compensation	(294,400)	
Post-Retirement Benefit	(1,159,538)	
Self-Funded Employee Medical	<u>(1,509,132)</u>	
		(3,211,696)
Designated for Capital Outlay		<u><u>(6,917,805)</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:



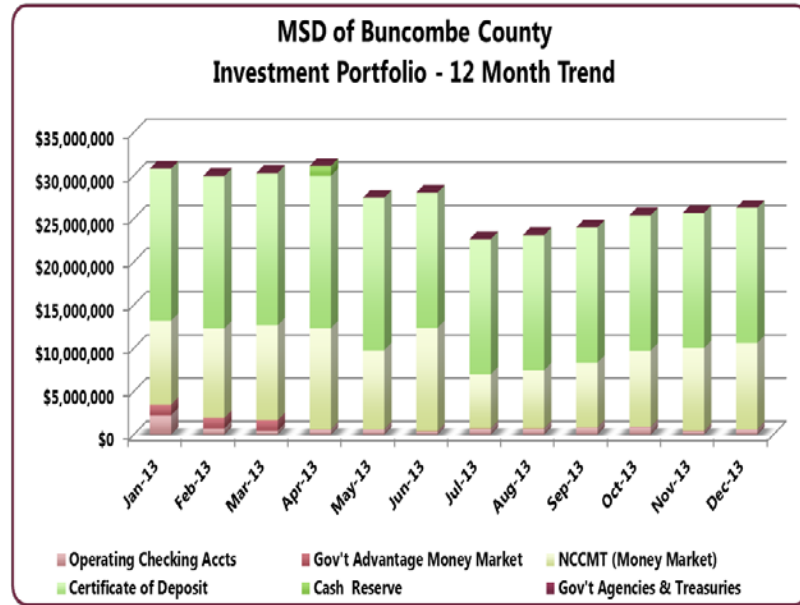
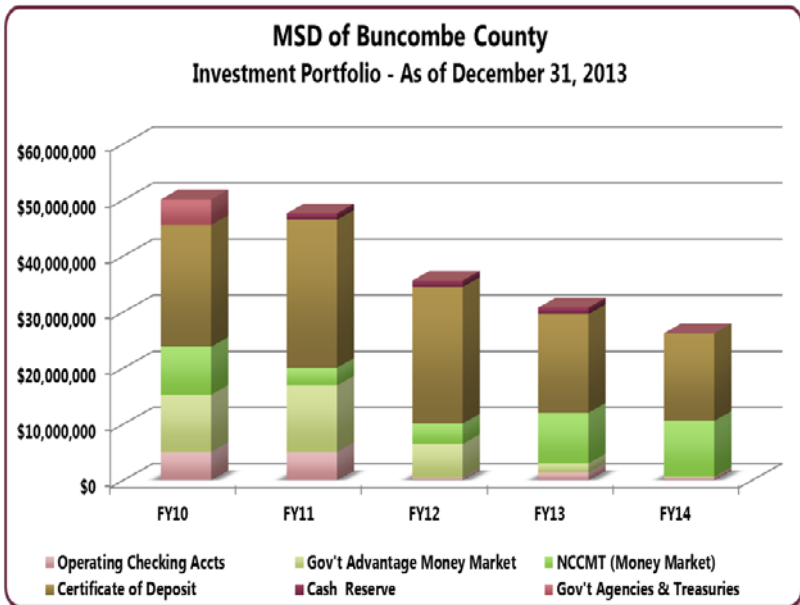
## Metropolitan Sewerage District of Buncombe County Investment Portfolio

**Board Meeting:**  
**Subject:**  
 Page -2-

February 19, 2014  
 Cash Commitment/Investment Report - Month Ended December 31, 2013

	Operating Checking Accounts	Gov't Advantage Money Market	NCCMT (Money Market)	Certificate of Deposit	Cash Reserve	Gov't Agencies & Treasuries	Total
<b>Held with Bond Trustee</b>	\$ -	\$ -	\$ 1,001,504	\$ -	\$ -	\$ -	\$ 1,001,504
<b>Held by MSD</b>	574,775	46,657	8,984,338	15,650,584	-	-	25,256,354
	<b>\$ 574,775</b>	<b>\$ 46,657</b>	<b>\$ 9,985,842</b>	<b>\$ 15,650,584</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,257,858</b>

<u>Investment Policy Asset Allocation</u>	<u>Maximum Percent</u>	<u>Actual Percent</u>	
U.S. Government Treasuries, Agencies and Instrumentalities	100%	0.00%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	59.60%	The District 's YTM of .76% is exceeding the YTM benchmarks of the 6 month T-Bill and NCCMT Cash Portfolio.
North Carolina Capital Management Trust	100%	38.03%	
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		2.19%	
Gov't Advantage Money Market		0.18%	

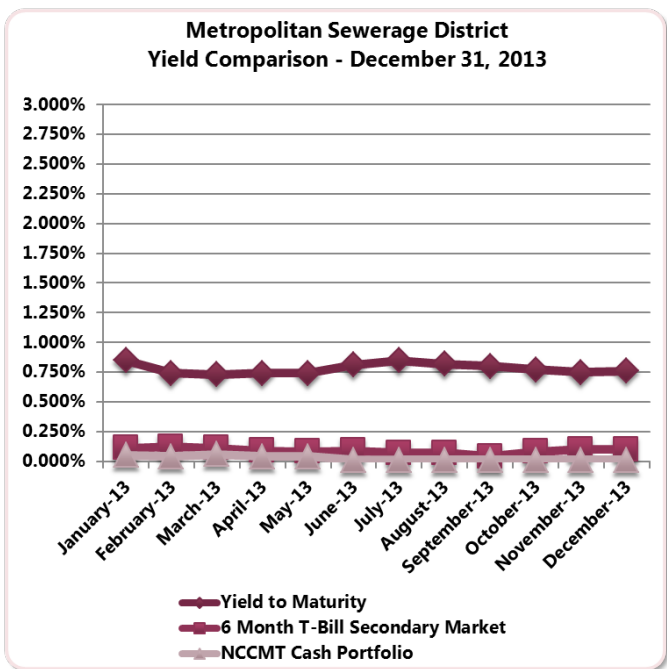
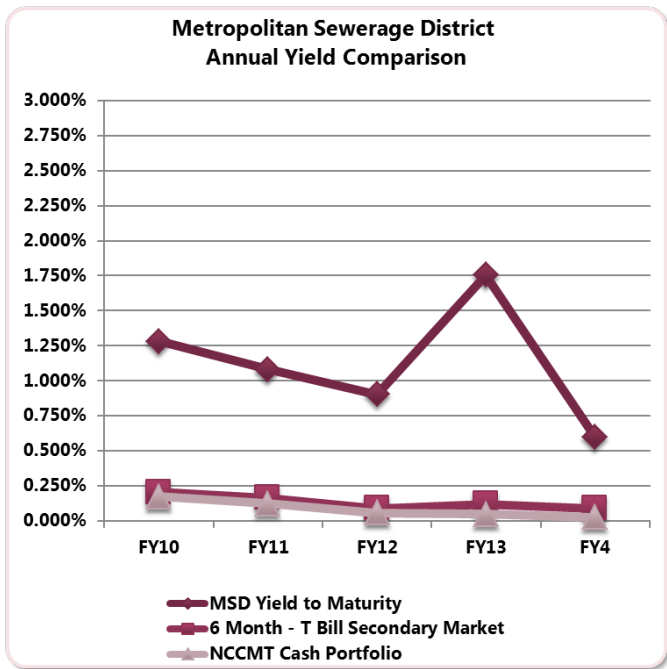


**METROPOLITAN SEWERAGE DISTRICT  
INVESTMENT MANAGERS' REPORT  
AT December 31, 2013**

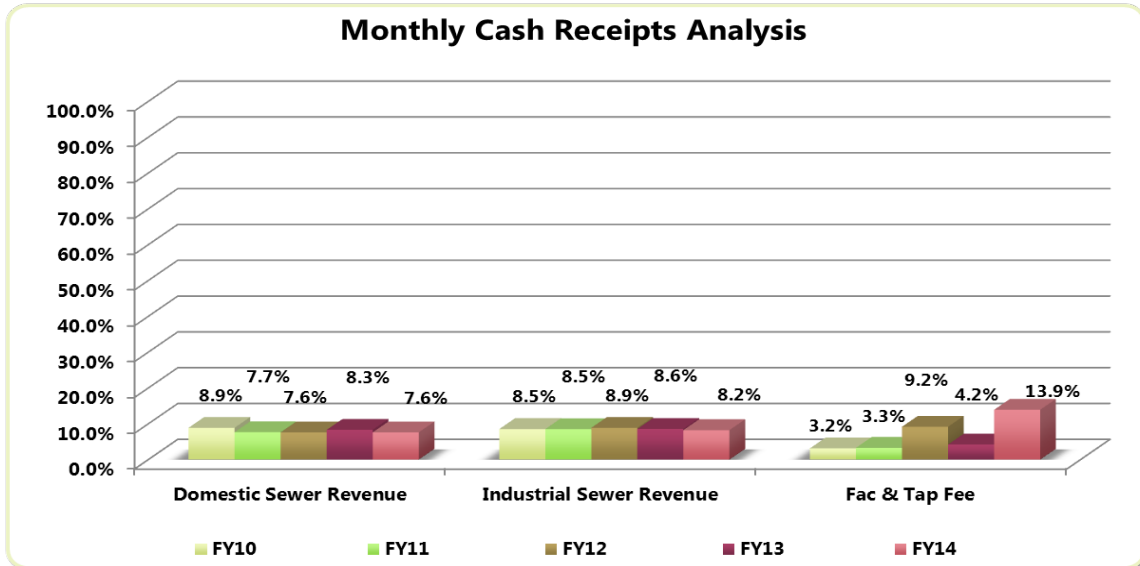
<b>Summary of Asset Transactions</b>			
	<b>Original Cost</b>	<b>Market</b>	<b>Interest Receivable</b>
Beginning Balance	\$ 23,706,023	\$ 23,706,023	\$ 462,026
Capital Contributed (Withdrawn)	(666,066)	(666,066)	
Realized Income	537	537	
Unrealized/Accrued Income		-	16,968
Ending Balance	<u>\$ 23,040,494</u>	<u>\$ 23,040,494</u>	<u>\$ 478,995</u>

<b>Value and Income by Maturity</b>		
	<b>Original Cost</b>	<b>Income</b>
Cash Equivalents <91 Days	\$ 7,389,910	\$ 5,615
Securities/CD's 91 to 365 Days	15,650,584	\$ 11,891
Securities/CD's > 1 Year	-	\$ -
	<u>\$ 23,040,494</u>	<u>\$ 17,506</u>

<b>Month End Portfolio Information</b>	
Weighted Average Maturity	236
Yield to Maturity	0.76%
6 Month T-Bill Secondary Market	0.10%
NCCMT Cash Portfolio	0.01%

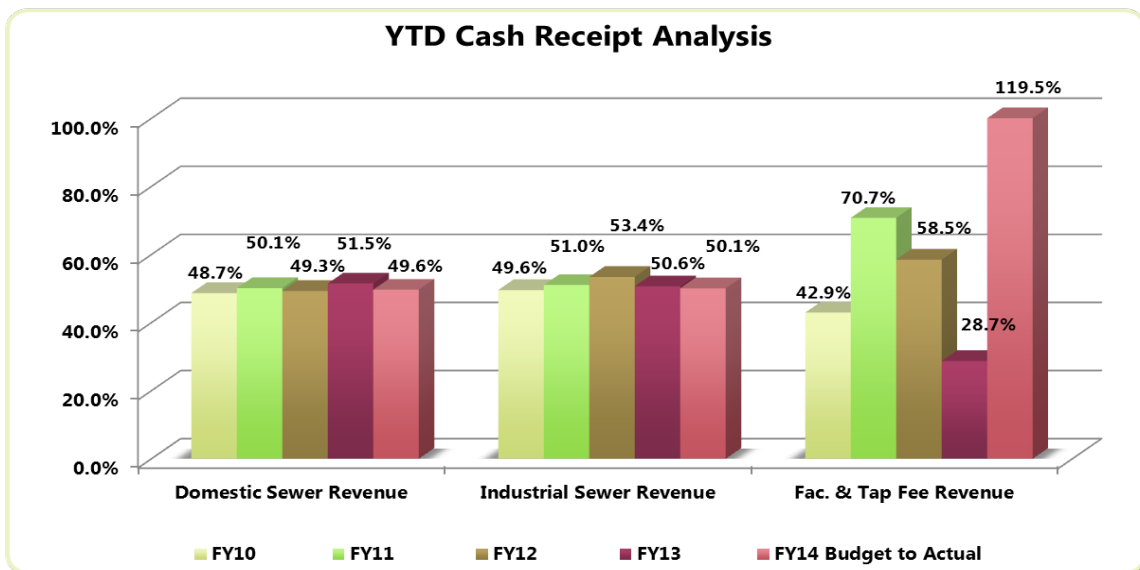


**METROPOLITAN SEWERAGE DISTRICT  
ANALYSIS OF CASH RECEIPTS  
AS OF December 31, 2013**



**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 trending below budgeted expectations.
- Due to the unpredictable nature of facility and tap fee revenue, staff considers facility and tap fee revenue reasonable.



**YTD Actual Revenue Analysis:**

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

**Board Meeting:**

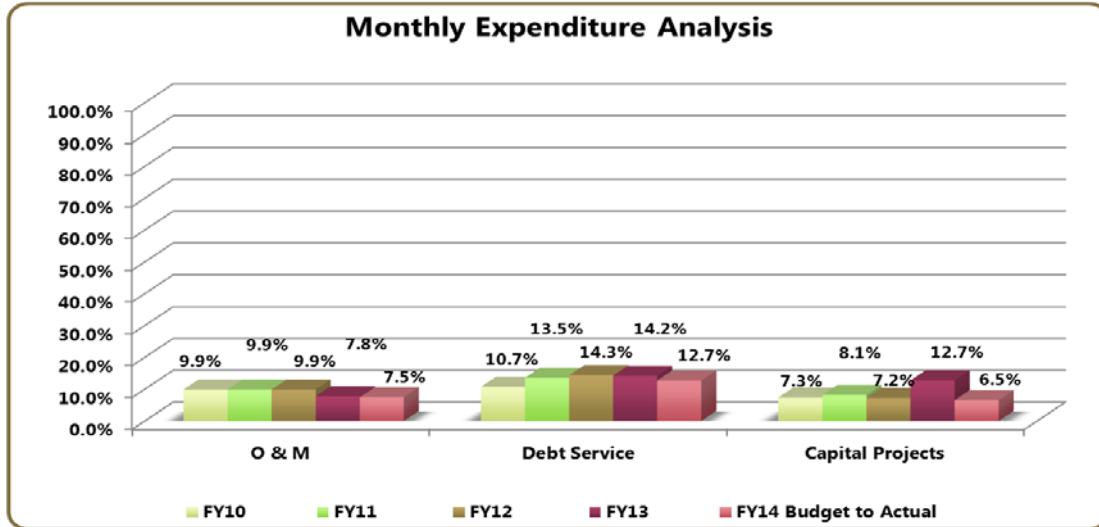
February 19, 2014

**Subject:**

Cash Commitment/Investment Report-Month Ended December 31, 2013

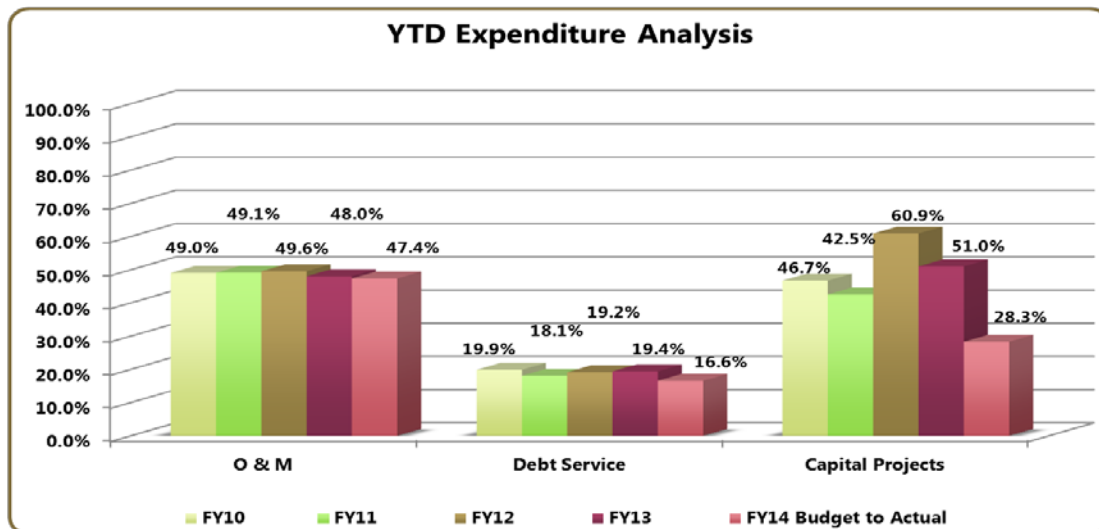
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**METROPOLITAN SEWERAGE DISTRICT  
ANALYSIS OF EXPENDITURES  
AS OF December 31, 2013**



**Monthly Expenditure Analysis:**

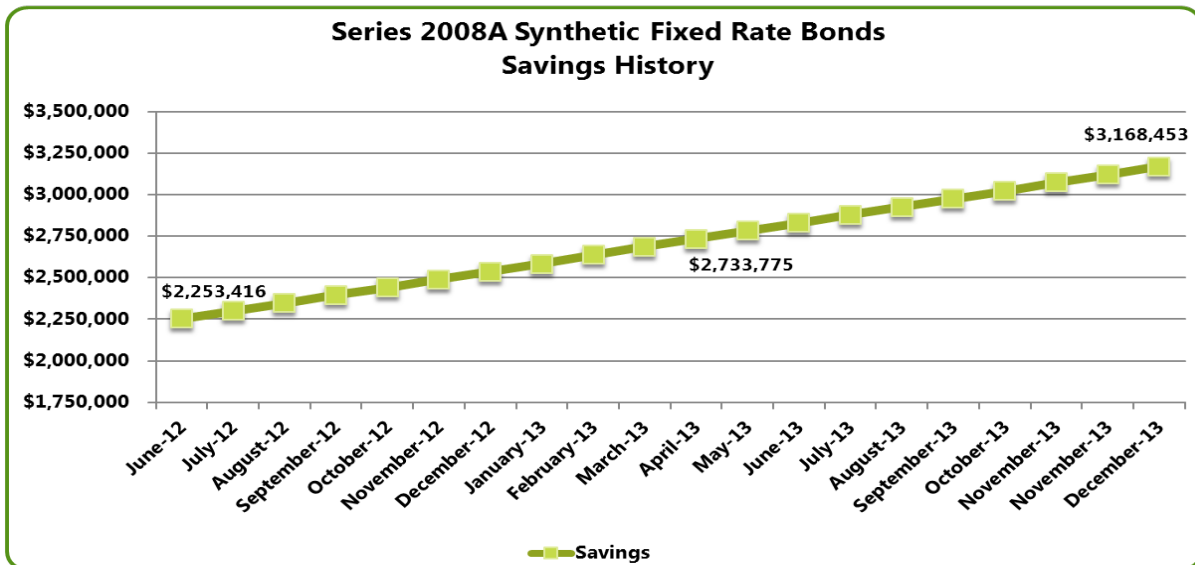
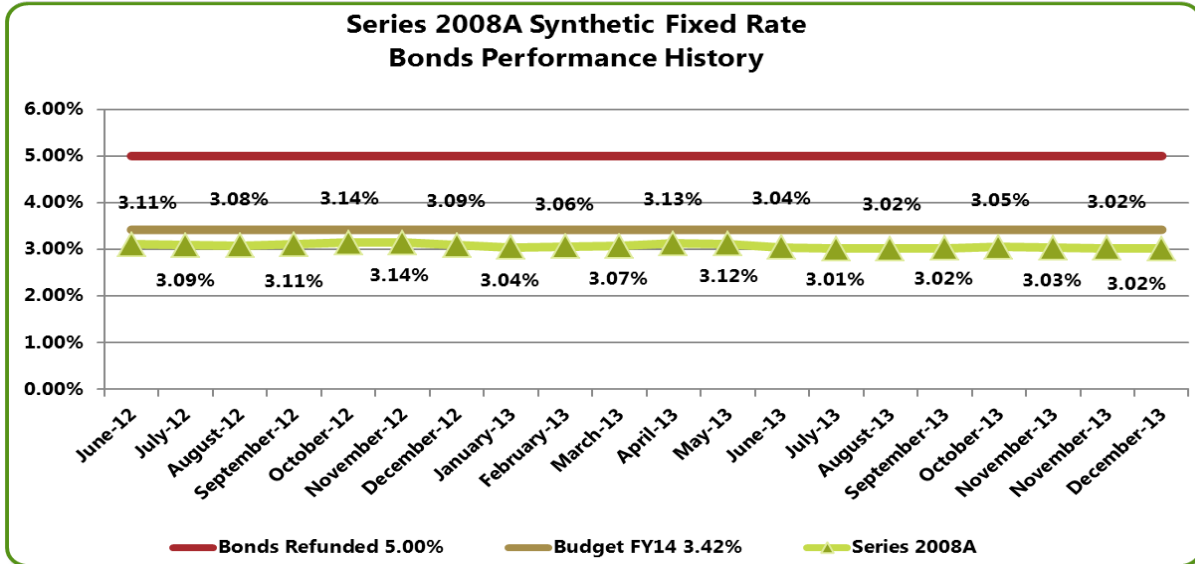
- Monthly O&M expenditures are considered reasonable based on historical trends and timing of expenditures in the current year.
- Due to the nature of the variable rate bond market, monthly expenditures can vary year to year. Based on current variable interest rates, monthly debt service expenditures 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 January 31, 2014**



**Series 2008A:**

- ▶ Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$3,168,453 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 \$3,951,400 to terminate the existing Bank of America Swap Agreement.

# **STATUS REPORTS**

**MSD System Services In-House Construction**

**FY 13-14 Projects**

<b>PROJECT NAME</b>	<b>ESTIMATED FOOTAGE</b>	<b>ESTIMATED PROJECT DATES</b>	<b>WO#</b>	<b>CREW</b>	<b>COMPLETION DATE</b>	<b>ACTUAL FOOTAGE</b>	<b>Notes</b>
Craven Street Improvements (P/N 2013071)	300	7/1/13-8/30/13	434914	667	8/14/2013	306	complete
90 Asheland Ave - Pipe Ream/Burst	118	8/29/2013	456371	631	8/29/2013	118	complete
Melody Lane	220	8/15/13 - 9/13/13	433549	667	8/30/2013	560	complete
Melody Lane Addition	25	9/10/2013	450458	667	9/10/2013	28	complete
41 Walnut Lane (Woodfin)	1260	5/27/13 - 8/30/13	441589	631	9/27/2013	1189	complete
View Street at Montreat Road (P/N 2013051)	461	10/8/13-10/31/13	400926	667	10/7/2013	463	complete
Elk Mtn Scenic Hwy @ Edgedale*(P/N 2010101)	785	10/7/13-11/7/13	456298/450460	667	10/23/2013	638	complete
Roberts Street at Haywood Rd* (P/N 20100980)	200	10/16/13 - 11/16/13	470501	631	10/22/2013	210	complete
Gay Street (P/N 2013077)	327	10/7/13 - 11/4/13	433544	631	11/6/2013	335	complete
Memorial Park Drive	963	10/24/13 - 12/1/13	433530	667	11/22/2013	1004	complete
Daniel Road Phase II (14)	568	11/4/13 - 12/1/13	456760	631	12/3/2013	574	complete
Memorial Park Drive Phase 2	480	11/25/13 - 12/5/13	456768	667	12/20/2013	453	complete
Central Avenue SanitarySewer Replacement*	675	12/3/13 - 1/1/14	448995	631	1/2/2014	692	complete
Sweeten Creek Industrial Park Replacement	45	1/14/14 - 1/15/14	470611/457019	632	1/15/2014	50	complete
Buckner Road	600	12/23/13 - 2/3/14	400919	667	1/31/2013	990	complete
Livinston - AB Tech	529	1/2/14 - 2/3/14	456309	631	1/28/2014	561	complete
Rash Road* (P/N 2010095)	550	2/4/14 - 2/28/14	456302	631			Construction in Progress
Dew Waite Dr - Public Sewer Rehabilitation	500	2/4/14 - 2/28/14	470610	667			Construction in Progress
101 E. Skyview Circle	260	3/3/14 - 3/7/14	456310	631			ready for construction
Shiloh Road	350	3/3/14 - 3/28/14	456294	667			ready for construction
18 Crestland Road	270	3/10/14-3/14/14	448974	631			ready for construction
Ridgeway Dr.	487	TBA	456296	TBA			ready for construction
Springside Drive	522	TBA	205995	TBA			ready for construction
N. Anne St.	550	TBA	400920	TBA			ready for construction
165 Old County Home Road	1,100	TBA	433522	TBA			ready for construction
Sareva Place	932	TBA	410095	TBA			ready for construction
Carjen Avenue	825	TBA	410096	TBA			ready for construction
Hunt Hill Place	786	TBA	400922	TBA			ready for construction
Emory Road* (P/N 2009137)	300	TBA	456301	TBA			ready for construction
350 Old Haw Creek Road	1333	TBA	400923	TBA			ready for construction
Grovestone Quarry	TBA	TBA	TBA	TBA			Design
Tabernacle Road	TBA	TBA	TBA	TBA			Design
S. Oak Forest	TBA	TBA	TBA	TBA			Design





## CONSTRUCTION TOTALS BY DATE COMPLETED - Monthly

From 7/1/2013 to 12/31/2013

	Dig Ups	Emergency Dig Ups	Dig Up ML Ftg	Dig Up SL Ftg	Manhole Repairs	Taps Installed	ROW Ftg	IRS Rehab Ftg *	Const Rehab Ftg *	D-R Rehab Ftg *	Manhole Installs	Bursting Rehab Ftg *	Total Rehab Ftg *
July 2013	36	16	108	628	40	23	2,264	0	0	0	0	0	0
August 2013	49	7	207	659	38	24	0	0	259	882	10	118	1259
September 2013	32	16	356	468	22	8	7,426	197	116	1217	11	0	1530
October 2013	28	22	406	921	42	35	17,950	288	375	1053	10	258	1974
November 2013	32	7	84	559	26	4	0	0	0	1192	12	147	1339
December 2013	40	5	131	623	31	16	500	0	0	1035	8	0	1035
<b>Grand Totals</b>	<b>217</b>	<b>73</b>	<b>1,292</b>	<b>3,857</b>	<b>199</b>	<b>110</b>	<b>28,140</b>	<b>485</b>	<b>750</b>	<b>5379</b>	<b>51</b>	<b>523</b>	<b>7137</b>

\* Used to calculate Total Rehab Footage



## PIPELINE MAINTENANCE TOTALS BY DATE COMPLETED - Monthly

July 01, 2013 to December 31, 2013

	Main Line Wash Footage	Service Line Wash Footage	Rod Line Footage	Cleaned Footage	CCTV Footage	Smoke Footage	SL-RAT Footage
<b>2013</b>							
<b>July</b>	81,515	2,058	5,143	86,658	33,272	2,080	12,186
<b>August</b>	59,365	1,469	5,763	65,103	36,640	35,663	12,680
<b>September</b>	56,833	1,230	6,596	63,354	32,358	18,324	20,686
<b>October</b>	58,251	3,187	4,418	62,664	33,888	22,886	26,287
<b>November</b>	27,673	1,891	5,969	33,642	26,252	500	6,992
<b>December</b>	45,183	3,133	4,389	49,537	30,203	4,286	10,919
<b>Grand Total:</b>	<b>328,820</b>	<b>12,968</b>	<b>32,278</b>	<b>360,958</b>	<b>192,612</b>	<b>83,739</b>	<b>89,750</b>
<b>Avg Per Month:</b>	<b>54,803</b>	<b>2,161</b>	<b>5,380</b>	<b>60,160</b>	<b>32,102</b>	<b>13,957</b>	<b>14,958</b>



## CUSTOMER SERVICE REQUESTS

### Monthly - All Crews

CREW	MONTH	JOBS	AVERAGE RESPONSE TIME	AVERAGE TIME SPENT
<b>DAY 1ST RESPONDER</b>				
	July, 2013	153	39	40
	August, 2013	109	30	36
	September, 2013	79	28	37
	October, 2013	111	29	40
	November, 2013	70	27	39
	December, 2013	84	29	49
		<b>606</b>	<b>31</b>	<b>40</b>
<b>NIGHT 1ST RESPONDER</b>				
	July, 2013	45	39	33
	August, 2013	34	35	31
	September, 2013	18	26	24
	October, 2013	33	26	33
	November, 2013	31	27	34
	December, 2013	20	31	30
		<b>181</b>	<b>32</b>	<b>31</b>
<b>ON-CALL CREW *</b>				
	July, 2013	79	52	35
	August, 2013	40	65	46
	September, 2013	30	49	43
	October, 2013	35	46	14
	November, 2013	35	36	47
	December, 2013	66	43	46
		<b>285</b>	<b>49</b>	<b>39</b>
<b>Grand Totals:</b>		<b>1,072</b>	<b>36</b>	<b>38</b>

\* On-Call Crew Hours: 10:30pm-7:30am Monday-Friday, Weekends, and Holidays

**CAPITAL IMPROVEMENT PROGRAM**

**STATUS REPORT SUMMARY**

**February 10, 2014**

PROJECT	CONTRACTOR	AWARD DATE	NOTICE TO PROCEED	ESTIMATED COMPLETION DATE	*CONTRACT AMOUNT	*COMPLETION STATUS (WORK)	COMMENTS
BRADLEY BRANCH ROAD PHASE II	Terry Brothers	8/21/2013	10/28/2013	2/25/2014	\$314,860.00	95%	All pipe work complete and awaiting Final. Paving on hold until Spring.
BROOKCLIFF DRIVE (PRP 59001)	Buckeye Construction	10/16/2013	11/4/2013	2/24/2014	\$360,132.50	80%	Mainline in roadway is complete. Contractor working in the ROW.
FOREST RIDGE ROAD	TBA	TBA	TBA	TBA	TBA	0%	Bids were opened on January 30th. Dillard Excavating Company is the apparent low. Project will be presented at the February Board meeting.
INDIANA AVENUE	TBA	TBA	TBA	TBA	TBA	0%	Project is scheduled to bid on March 4th.
MACON AVENUE @ SUNSET PARKWAY	TBA	TBA	TBA	TBA	TBA	0%	Bids were opened on February 4th. Terry Brothers Construction Company is the apparent low. Project will be presented at the February Board meeting.
MERRIMON AVENUE @ COLONIAL PLACE	Terry Brothers	8/21/2013	9/3/2013	2/24/2014	\$205,878.00	98%	Project near final completion - only remaining work item is to place plowable markers in Merrimon.
MERRIMON AVENUE @ STRATFORD ROAD	Terry Brothers	9/18/2013	12/16/2013	4/15/2014	\$774,177.00	15%	Contractor is working on 12-inch line near Beaver Lake. Road bore at Elkwood will be completed with a rock bore.
MOUNT VERNON PLACE PHASE I	Terry Brothers	8/21/2013	9/3/2013	1/15/2014	\$96,347.00	99%	Project is complete and in close out.
OLD US 70 @ GROVEMONT AVENUE	Buckeye Construction	10/16/2013	11/18/2013	5/17/2014	\$729,740.90	17%	Contractor is installing mainline upstream from MH # 21. Existing utilities are making progress extremely slow. Second crew working on upper end of project laying 8 inch line. That portion is moving smoothly.
SOUTH FRENCH BROAD INTERCEPTOR - BILTMORE ACCESS STRUCTURES	James E. Harris Construction	1/28/2014	2/3/2014	4/1/2014	\$228,880.00	5%	Working on 1 of 8 structures. Poor weather is creating problems.
SYCAMORE TERRACE (PRP 34012)	Terry Brothers	1/15/2014	TBA	TBA	\$638,350.00	0%	Terry Brothers was awarded the contract at the January Board meeting.
WRF - CRAGGY HYDRO FACILITY REPAIRS - CONTROL COMPONENTS UPGRADE	Innovative Solutions of NC	7/12/2012	N/A	1/1/2014	\$100,717.72	97%	This is to upgrade the old control panel at the Hydro Facility. In addition to this, Turbine No. 2 has been repaired and reinstalled. New controls are complete. Equipment being run-in and tested.
WRF - ELECTRICAL IMPROVEMENTS	Haynes Electric	8/15/2012	9/10/2012	12/7/2013	\$1,061,900.00	95%	Final testing/startup is underway.
WRF - SLIDE GATE REPLACEMENT	NHM Constructors	9/18/2013	10/7/2013	6/4/2014	\$288,924.00	5%	Gates in fabrication, delivery expected February 2014. Construction to begin thereafter.

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

## Planning & Development Project Status Report

February 19, 2014

Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
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
Haywood Village	2007172	Asheville	55	749	7/15/2008	New owner developer - will resume soon
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	New ownership - project currently inactive
North Point Baptist Church	2008105	Weaverville	Comm.	723	5/20/2009	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
Cottonwood Townhomes	2009110	Black Mtn.	8	580	10/20/2009	Complete-Waiting on final documents
Goldmont St	2012087	Black Mtn.	6	91	1/11/2013	Complete-Waiting on final documents
Berrington Village Apartments	2008164	Asheville	308	4,690	5/5/2009	Complete-Waiting on final documents
Bradley Street - Phase II	2013031	Asheville	12	194	2/14/2013	Waiting on revised as-built drawings
Onteora Oaks Subdivison	2012026	Asheville	28	1,222	1/4/2013	Complete-Waiting on final documents
Ramble at Parkway	2013100	Biltmore Forest	TBD	335	7/26/2013	Complete-Waiting on final documents
Eargle Sewer Extension	2011077	Asheville	2	45	9/4/2013	Complete-Waiting on final documents
Carolina Truck and Body (Cooper)	2012075	Asheville	Comm.	298	10/30/2012	Awaiting COA approval for work in ROW
Biltmore Lake Block "J"	2013013	Enka	32	3,918	4/16/2013	Complete-Waiting on final documents
Sardis Road (COA) Annexation	2009037	Asheville	N/A	6,981	4/2/2012	Complete-Waiting on revised ROW items
Ardmion Park	2011107	Asheville	5	208	4/16/2013	Complete-Waiting on final documents
Central Ave	2012065	Asheville	6	305	9/26/2013	Complete - Waiting on final documents
Waynesville Ave (Pittman)	2013046	Asheville	15	332	5/23/2013	Complete-Waiting on final documents
Ridgefield Business Park	2004188	Asheville	18	758	2/16/2005	Complete-Waiting on final documents

## Planning & Development Project Status Report

February 19, 2014

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	Project will not be built per consultant
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 - in bankruptcy
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	New developer, ready for testing
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
Reems Creek Cottages	2013066	Weaverville	17	483	11/15/2013	Under Construction
Camp Dorothy Walls - Ph. 2	2007294	Black Mtn.	Comm.	593	6/16/2009	Pre-con held, ready for construction
Burk Street Cottages	2012115	Asheville	27	631	10/24/2013	Under Construction
Thoms Estate 3B & 4	2013052	Asheville	35	4,690	7/26/2013	Installing/Testing (75% Complete)
Carmel Ridge Apartments	2013018	Leicester	80	1,162	10/11/2013	Under Construction
Palisades Apartments	2013024	Asheville	224	1,423	9/4/2013	Ready for testing
Crest Mountain Phase 3B	2013041	Woodfin	69	1,329	10/15/2013	Under Construction
Asheville Market (Relocation)	2012139	Asheville	Comm.	280	9/18/2013	Ready for testing
The Aventine	2011015	Biltmore Forest	300	3,238	10/14/2013	Under constr./some air testing complete
Westover Relocation	2013132	Asheville	1	87	11/20/2013	Under Construction
Eagle's Landing	2010015	Asheville	25	472	10/22/2013	Under Construction
Aldi (Weaverville)	2013048	Weaverville	Comm.	302	5/10/2013	Punch-list pending
Hyde Park	2013058	Arden	65	3,062	12/3/2013	Pre-con held, ready for construction
Ramble Block "D"	2013074	Biltmore Forest	36	4,783	12/11/2013	Under Construction
Pinebrook Farms Relocation	2013148	Weaverville	N/A	178	12/19/2013	Under Construction
Upper Kentucky Improvements	2013085	Montreat	N/A	284	12/3/2013	Under Construction
Isaac Dickson School Relocation	2013033	Asheville	School	504	1/13/2014	Pre-con held, ready for construction
Biltmore Lake Block "J2"	2013128	Biltmore Forest	14	1,541	2/4/2014	Pre-con held, ready for construction
Gorilla Carwash - Weaverville	2013109	Weaverville	Comm.	236	11/15/2013	Ready for final inspection
<b>TOTAL</b>			2,172	79,396		