BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
June 10, 2026

1. Call to Order and Roll Call:

The regular monthly meeting of the Metropolitan Sewerage District Board and Public Hearing on the Final Budget for FY 2026-2027 was held in the Boardroom of MSD's Administration Building at 2:00 pm, Wednesday, June 10, 2026. Chairman VeHaun presided with the following members present: Bryson, Endries, Lapsley, Manheimer, Pelly, Pennington, Tarleton and Wisler. Ashley, Moore, Player, Watts and Whitesides were absent.

Others present were Billy Clarke, General Counsel; Patty Beaver with CIBO; Tom Hartye, Hunter Carson, Scott Powell, Mike Stamey, Bart Farmer, Derrick Swing, Matthew Walter, Spencer Nay and Pam Nolan, MSD.

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 May 20, 2026 Board Meeting:

Mr. VeHaun asked if there were any changes to the Minutes of the May 20, 2026 Board Meeting. Ms. Bryson moved for approval of the minutes as presented. Mr. Pennington seconded the motion. Voice vote in favor of the motion was unanimous.

4. Discussion and Adjustment of Agenda: None.

5. Introduction of Guests:

Mr. VeHaun welcomed Patty Beaver with CIBO.

6. Informal Discussion and Public Comment: None.

7. Report of General Manager:

Mr. Hartye reported that the Final FY 2027 Budget of $117.5 Million and a Public Hearing will be held at this meeting. There have been no changes to the Preliminary Budget that was brought to this Board in May. He shared a hard copy of a synopsis of this year's budget and 10-year Business Plan/Financial Model. Mr. Powell will give a presentation regarding these items at the Public Hearing.

Mr. Hartye reported that MSD is working with Buncombe County to apply for BRIC funding for the extension of sewer further west into the Candler area, not only to expand residential and commercial/industrial service but also to eliminate two package plant discharges into Hominy Creek along with providing service in areas where there are failing septic systems.

Mr. Hartye reported that Mr. Endries has agreed to serve on the Planning, CIP, and Right of Way Committees. Ms. Wisler has agreed to serve on the Personnel Committee in order to still have five members. Ms. Bryson has ceded her Chair on Personnel Committee to Mr. Whitesides but will still be serving as a Committee Member.

Mr. Hartye reported that the June Right of Way Committee Meeting will be cancelled. The next Right of Way Committee Meeting will be held on July 22nd at 9am. The next Regular Board Meeting will be held on July 15th at 2 pm.

8. Consolidated Motion Agenda:

a. Consideration of Non-City of Asheville Road ROW Paving Restoration Contract - FY 2026-2027:

Mr. Hartye reported that this is an annual contract for restoration of roads, driveways and sidewalks resulting from District Maintenance activities for areas outside of the City of Asheville Road Right of Ways. These activities are both planned (new connections or small repairs) and unplanned (emergency repairs). At the June 12, 2024 Board Meeting the contract was awarded to C&T Paving with a bid amount of $424,350.00. Their bid was approved and contained a provision to renew for a period of two additional years if in MSD's best interest. For FY27, the contract will be renewed at the same amount of $424,350.00. The FY27 System Services CIP Construction budget includes appropriate funding for this item. This item is provided for information only.

b. Report on City of Asheville Paving Agreement FY 2026-2027:

Mr. Hartye reported that this agreement is for small patches of 300 SF or less within the City Limits. This renewal agreement was approved by the MSD Board in 2013. For FY27, the District's monetary contribution for this agreement is $291,193.99. This amount is based upon usage throughout the past three years. The System Services CIP Construction budget for FY27 includes appropriate funding for this item. This item is provided for information only.

c. General Manager Recruitment – Vendor Approval:

Mr. Swing reported that with the pending retirement of Mr. Hartye occurring next Fall, Staff has been in contact with vendors to do a third-party recruitment. Three proposals were taken to the Personnel Committee on June 4th. Committee recommendation is to contract with Developmental Associates, LLC, to conduct the General Manager recruitment. Staff will keep the MSD Board apprised during recruitment and also invite the Board Members who are not on the Personnel Committee to attend meetings as they are scheduled. Mr. Lapsley asked who the other two firms were. Mr. Swing answered Slavin Management and Raftelis. Mr. Pelly asked for information about Developmental Associates, LLC. Mr. Swing stated that they are a company based out of North Carolina. They are one of the only companies that concentrate on local governments, also based in North Carolina. They have done hundreds of management recruitments across the state and across the country. They have worked with the City of Asheville and Buncombe County in the last couple of years. They have also hired water and sewer directors specifically for the City of Durham, City of Greensboro, Goldsboro and the City of Savannah. Their Senior Consultant is Ed Kerwin who retired as the GM of OWASA.

d. Cash Commitment Investment Report – Month ended April, 2025:

Mr. Powell reported that Page 36 presents the makeup of the District's Investment Portfolio. There has been no significant change in the makeup of the portfolio from the prior month. Page 37 presents the MSD Investment Manager's report as of the month of April. The weighted average maturity of the investment portfolio is 78 days and the yield to maturity is 3.66%. Page 38 presents the District's Analysis of Cash Receipts. Monthly and YTD domestic revenue are considered reasonable based on timing of cash receipts and historical trends. Industrial User Fees are considered reasonable based on timing of cash receipts and historical trends. YTD facility and tap fees are above historical trends due to the timing of various cash receipts from developers as well as these fees being budgeted conservatively. Page 39 presents the Districts' analysis of expenditures. O&M, Debt Service and Capital Project expenditures are considered reasonable based on timing of cash expenditures and historical trends. Page 40 presents the District's Variable Debt Service Report. The 2008A Series Bonds are performing at budgeted expectations. As of the end of May, the issue has saved the District rate payers approximately $8.2 million in debt service since April of 2008.

With no further discussion, Mr. VeHaun called for a motion to approve the Consolidated Motion Agenda. Mr. Pelly moved, Ms. Manheimer seconded the motion. Roll call vote was as follows: 9 ayes; 0 Nays.

9. Public Hearing: Consideration of Resolution adopting Final Budget for FY 2026-2027 and the Schedule of Sewer Rates and Fees.

Mr. VeHaun declared the Public Hearing open at 2:16 pm.

Mr. VeHaun called for comments from the public or Board Members. There were no comments.

Mr. VeHaun declared the Public Hearing closed at 2:17 pm.

Mr. Powell reported that the $117.5 Million budget has had no changes from the Preliminary Budget. Included in this budget is $23.3 Million for O&M; a 3.2 % increase in Salaries and Benefits, which has an impact of approximately $593,000. This includes Personnel Committee recommendations of 3.0% COLA Adjustment. There are the same funding levels for Self-insurance, and GASB 75 OPEB, as well as State required 5.5% retirement contribution and unemployment funding. There is a 1.8% increase in materials, supplies and services that has an approximate impact of $179,000.00. This includes adjustments to address regulatory and operational needs. This also includes CIP Committee recommendations of $83.8 Million. Treatment Plant and Pump Stations are the majority of that investment at $64.48 Million. Collection Rehabilitation is $14.6 Million. As far as Capital Equipment is concerned, Fleet Replacement is the lion's share at approximately $1.1 Million. The flusher truck replacement will be about $625,000.00. Starting July 1 there will be an approximate 10%-20% increase pertaining to tariffs, so we need to secure something before that time. Debt Service is $8.67 Million. Regarding Revenue, Staff has made the following assumptions based on current trend data: 0.75% growth in residential accounts, .75% increase in domestic consumption for FY 27; Facility and Tap Fee revenue at $4,300,0000 for FY 27; 3.0% rate of return on investments.

Staff recommends no increase in Sewer System Development Fee. Staff recommends a 7.0% Domestic rate increase which will be a $2.72 increase in the average single family month bill which amounts to $32.64 per year. The average single family monthly bill will go from $39.46 to $42.18. The rate increase is proposed to provide funding for the CIP, to maintain favorable debt service ratio, to minimize future interest expense and to keep rate increases small and uniform per industry and previous District Boards direction. Mr. Powell presented a graph showing how MSD rates compare to other sewer service providers. Mr. Hartye presented a graph showing MSD's average monthly bill over time. Over time, MSD has been getting more and more competitive with the monthly bill being below the average and at the same time reducing our SSO's and investing more in the system. Mr. Hartye conveyed that when the Board considers a rate increase that it must be taken in context with the existing bill, whether the existing bill is competitive or already expensive. Also, what you are getting for your 7%, is it just to keep the operation afloat or does it involve capital reinvestment? MSD's bill is very competitive, well below the average for our region. In addition, MSD is putting $795 million of capital improvements into the system in the next 10 years. Our CIP document goes into great detail, showing where our revenues are to be spent and when. This level of detail is not provided by many other local agencies, but is crucial when we are asking for rate increases. Mr. Powell added that MSD rates, in comparison to AA and AAA NC Units of Government, are fairly comparable to entities that are similar in size. We choose AA and AAA because they are usually the ones reinvesting in their systems.

Mr. Pelly stated that this is all very helpful information but regardless of all of that people are going to be not happy with a 7% increase so anything that MSD can do to share this information in the bill is one way to let people know that relative to other places it could be a lot worse and that he would encourage MSD to consider doing that. Mr. Hartye stated that could be done.

Mr. VeHaun called for a motion to approve the Resolution adopting the Final Budget for FY 26-27 and the Schedule of Sewer Rates and Fees. Ms. Manheimer moved. Ms. Wisler seconded the motion. Roll call vote was as follows: 9 ayes; 0 nays.

10. Old Business:

Mr. Hartye stated that his four-year contract ends July 1, 2026. He asked for the Board's approval to make an amendment to his contract and change the date to 15 months from now, which will be September 30, 2027. Mr. Pennington made the motion to accept this amendment. Ms. Wisler seconded the motion. Roll call vote was as follows: 9 ayes; 0 nays.

11. New Business: None.

12. Adjournment:

With no further business, Mr. VeHaun called for adjournment at 2:30 pm.

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Jackie W. Bryson, Secretary/Treasurer