

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
JANUARY 27, 1999

1. Call to Order and Roll Call:

The regular monthly meeting of the Board of the Metropolitan Sewerage District was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, January 27, 1999. Chairman Selby presided with the following members present: Aceto, Blackburn, Bryson, Graham, Pace, Sobol, Spell and Venable. Ms. Field and Mr. Kelly were absent.

Others present were: W. H. Mull, General Manager, William Clarke, District Attorney, Gary McGill of McGill Associates, Con Dameron of Architectural Resource Collaborative, Charles and Delores Hillery and Jean Beery with the League of Women Voters, Jim Fatland, Tom Hartye, Stan Boyd, Marsha Kiser and Sondra Honeycutt, MSD.

2. Approval of Minutes of the December 16, 1998 Meeting:

Mr. Clarke reported that he submitted the minutes of the Closed Session to the Chairman of the Personnel Committee for review and recommended that they be included as part of the regular minutes. He stated that the Open Meeting Law requires Closed Session minutes to be taken and allows the minutes to remain confidential as long as they need to be. However, based on his discussion with the Chairman, there is no reason to keep the minutes confidential since they deal with the General Manager's contract with the Board from January 1, 1999 to December 31, 1999. He presented a copy of the Closed Session minutes for Board review. With no further discussion, Ms. Graham moved that the Board approve the minutes of the December 16, 1998 meeting, with the addition of the minutes of the Closed Session as presented. Mr. Pace seconded the motion. Voice vote was unanimous in favor of the motion.

Mr. Selby welcomed Mr. Venable as a Member of the Board representing the Town of Weaverville.

3. Consolidated Motion Agenda:

a. Consideration of Engineering Organization/Personnel Recommendation:

The Personnel Committee recommends approval of staff's recommendation for two (2) new positions; Capital Improvement Program Manager and a Right of Way Field Agent. The positions will be advertised immediately and filled by the beginning of the next fiscal year, July 1, 1999, with office space located in the new Maintenance Facility. The need for two additional positions will be considered during the next twelve to eighteen months.

b. Consideration of Self-funded Medical Program:

The Finance Committee recommends acceptance of staff's recommendation to approve Lloyds of London as the District's insurance stop loss carrier for a two-year premium of \$127,135.00 per year; approve a two-year agreement with Kanawha to serve as third party administrator at \$28,512.00 per year and to maintain the same level of employer/employee contributions to the employee self-funded medical plan. Also, that staff provide information regarding whether quotes for third party administrator were requested.

c. Consideration of Budget Calendar:

Presented as information only.

d. Consideration of Insurance Agreement Amendment:

The Board of Trustees for the N.C. League of Municipalities' Risk Management Programs and the Board of Directors of the League have authorized amendments to the Interlocal Agreement of the IRFFNC (Interlocal Risk Financing Fund of North Carolina). The proposed amendments deal with two issues: severability and an "exiting fee" for failure to comply with the notice of termination requirement. Following review of the amendments by the District's Attorney, Mr. Mull recommends execution of the amended agreement as presented.

e. Consideration of Investment Report for Period Ended November 30, 1998:

Staff recommends approval of the Monthly Investment Report for the period ended November 30, 1998.

f. Consideration of Bids for Consolidated Office Facility - Phase II:

Bids for the new administrative and engineering office facility were received December 22, 1998. The apparent low bidders are as follows: Gerald Donald Payne, Inc. (General Contract) with a total base bid of \$2,895,000.00; Haynes Plumbing Systems (Plumbing Contract) with a total base bid of \$212,900.00; Haynes Heating & Cooling (Mechanical Contract) with a total base bid of \$483,500.00; Hayes & Lunsford (Electrical Contract) with a total base bid of \$428,000.00 for a combined total of \$4,019,400.00. Mr. Dameron of Architectural Resource Collaborative recommends awarding the bids with the deduct Alternate #1 of \$160,000.00, allowing aluminum windows in lieu of steel, which would bring the total combined contract to \$3,859,400.00. Following review of the bids and approval by the District's Attorney, the Construction Committee recommends awarding the bid(s) as delineated totaling \$3,859,400.00. Also, recommends a \$255,000.00 (6.6%) contingency for any changes in the work, by approval of the General Manager.

g. Consideration of Change Order #5 - Electrical Contract - D.R. Walters Electric, Inc. - New Maintenance Facility Phase 1:

The Construction Committee recommends approval of Change Order #5 for the Electrical Contract (D.R. Walters Electric, Inc.) for a time extension of five (5) days and a credit of \$569.62.

h. Consideration of Change Order Review and Approval Process Update:

The Construction Committee recommends approval of staff's recommendation that a change be made to the Change Order Review and Approval Process Update matrix, which include increasing the time extension limit from 5% to 10%, excluding weather related delays. Also, that information on all Change Orders be provided to the Board regardless of size or how approved.

i. Consideration of Acceptance of Developer Constructed Sewer System - Rockwood Hills Subdivision:

Staff recommends acceptance of developer constructed sewer system (Rockwood Hills Subdivision) located off of Glen Bridge Road in Arden, which included installation of approximately 2,393 linear feet of 8" sanitary

sewer pipe at an approximate cost of \$76,371.00. All MSD requirements have been met.

j. Consideration of Condemnation - Johnston Boulevard, MSR:

The Right-of-Way Committee recommends appraisal of damages for the taking and if not accepted, proceed with condemnation.

k. Consideration of Compensation Chart - State Street:

The Right of Way Committee recommends acceptance of the Compensation Budget as presented.

With no discussion, Mr. Spell moved that the Board approve the Consolidated Motion Agenda as presented. Mr. Pace seconded the motion. Roll call vote was as follows: 9 Ayes; 0 Nays.

4. Committee Reports:

Personnel Committee

Mr. Sobol reported that the Personnel Committee discussed at length two (2) new positions (Capital Improvement Program Manager and Right of Way Field Agent). He referred to tab 2 of the Engineering Organization/Personnel Report and stated these positions were recommended by Gary McGill of McGill Associates. He further stated that he feels that with the expected increase in future rehabilitation projects, the District needs a CIP Program Manager in place to oversee the implementation of these projects and that the Right of Way Field Agent will work to secure rights-of-way on smaller projects and completion of the North Swannanoa Interceptor Sewer. He further reported that two additional positions were recommended (Engineer under project management and Inspector), which will be considered in next few months. He presented a Cost Comparison table showing the difference in cost for an in-house construction inspector compared to contracting with the consulting engineers for the same services. The cost of administrative support, clerical support and field supervisor were included in the comparison. He stated that the comparison shows a total savings of \$19,991.00 for the District Inspector individually, and a savings of \$25,777.00 for the project team. He also referenced tab 4 of the report showing the cost savings between a contract Field Agent and in-house Field Agent. The new positions will be funded with CIP money and advertised immediately. Mr. Selby suggested that these cost comparisons be placed in each Members board book for future reference.

Finance/Construction Committees

Mr. Blackburn presented memoranda from Mr. Fatland regarding the Self-Funded Medical Plan - Third Party Administrator and a recommendation to defer action on a Resolution directing the filing of an application with the North Carolina Local Government Commission for approval of the issuance and sale of sewer revenue bonds.

Regarding the revenue bond issue, Mr. Blackburn reported that the Finance Committee has decided it will proceed with a new issue and has requested that the District's Bond Counsel, Mr. Peter Michel of Brown & Wood, respond to tax and Bond Order amendment questions. He stated that until these questions can be answered, a final decision on the bonds will be deferred to a later date. He further stated he has requested that staff provide information to

assist Board Members in the understanding of how the flow of funds apply to the annual revenue of the District.

Mr. Blackburn reported that the Finance Committee met at 1:00 p.m. to discuss the sale of the Maintenance Facility in Biltmore. The Committee recommends the District advertise the building for sale, negotiate a contract with the highest offeror and advertise for upset bids. The Committee further directed that the staff look into a possible exchange of this property for other property which might be useful to the District and that the staff proceed with the development of a brochure to be distributed appropriately and that someone be designated to show the building. Mr. Blackburn moved that the Board approve the recommendation of the Finance Committee. Ms. Graham seconded the Motion. Roll call vote was as follows: 9 Ayes; 0 Nays.

Mr. Blackburn further reported that the Finance Committee recommends that staff enter into a lease agreement with Manna Food Bank to lease the Biltmore facility on a month to month basis at a commercially reasonable rate. Mr. Blackburn moved that the Board approve the recommendation of the Finance Committee. Ms. Graham seconded the motion. Roll call vote was as follows: 9 Ayes; 0 Nays.

Regarding the memorandum from Mr. Fatland on the Revenue Bond Resolution, Mr. Sobol requested that Mr. Fatland present to the CIP Committee scenarios on "pay as you go options" and debt policies and projections as to the effect the proposed revenue bonds will have on sewer rates. Also, Mr. Selby requested that staff evaluate the projected rate of growth of the user base. Mr. Blackburn stated that when the Bond Attorney provides the necessary tax ruling information, the Finance Committee and Board can evaluate a financial philosophy. Mr. Selby stated that the Board needs to be very deliberate when discussing rate structures, since the user base is concerned with unpredictable water rates and additional surcharge fees. With regard to sewer rates, he stated the District has been asked to meet jointly with the Water Authority Board to discuss the commercial industry user base. Mr. Pace questioned how the reduction in water usage would impact sewer revenues. Mr. Mull stated that there will be an approximate 3% revenue reduction for domestic users and that the District will be looking at this issue very closely during the next few months. Mr. Selby requested that this information be provided to the Board through the end of March. A discussion followed regarding the amount of sewer revenues from the City's billable flow.

Construction Committee

Mr. Pace stated that he had nothing further to report.

Right of Way Committee

Mr. Pace stated that he had nothing further to report, but requested that Mr. Selby appoint Ms. Bryson to serve on the Right of Way Committee to assure that the Committee had the necessary quorum to vote. Mr. Selby appointed Ms. Bryson to serve.

5. Unfinished Business:

None

6. Old Business:

None

7. New Business:

Mr. Selby presented a proposed list of Facility Tours for MSD Board Members and stated that one tour a month will be given starting in February. The tours include the Treatment and Hydroelectric Plants, New Maintenance Facility and CP&L Building, Carrier Bridge Pump Station, North Swannanoa Interceptor, Miscellaneous Sewer Rehabilitation projects, and Cleaning/TV-ing and/or Flow Monitoring location. It was agreed that the tours be held in the afternoon with proper notice given.

In other new business, Mr. Spell announced that City Council will hold their annual retreat January 19-21. He stated that the lead topic of discussion will be the MSD and that he will present a report on the following three issues: the District's pay-as-you-go financial philosophy; in lieu of fund balance discussion, and the sewer extension policy. Mr. Selby asked whether Mr. Mull should be present to answer questions. Mr. Spell reported that the retreat format is primarily staff and Council in an opportunity for information exchange and if additional information is needed, Mr. Mull could meet with Council in a scheduled work session. Mr. Aceto stated that there is some significant local history pertaining to what happened in the City of Asheville as a result of accumulated fund balances in an attempt to defease bonds in the past. Mr. Blackburn referenced a speech given by Mr. Weldon Weir with the City of Asheville on the history of indebtedness of the City of Asheville since 1936, and requested that a copy of this speech be provided to members of the Board.

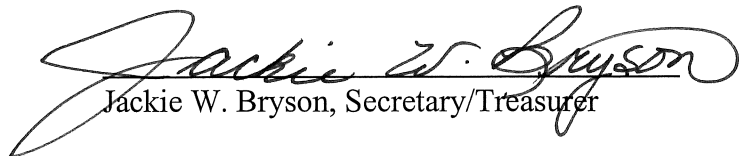
Ms. Bryson expressed her appreciation to Peter Weed for development of the District's standard press releases, which recently appeared in the Asheville Citizen-Times.

A brief discussion was held regarding the District's Board Member Appreciation Dinner tentatively scheduled for March 11, 1999.

Mr. Mull expressed his congratulations to Mr. Fatland for his recent appointment to the Board of the North Carolina Capital Management Trust.

8. Adjournment:

With no further business, Mr. Pace moved for adjournmet at 2:55 p.m. Mr. Aceto seconded the motion. Voice vote was unanimous in favor of the motion.


Jackie W. Bryson, Secretary/Treasurer

MSD Metropolitan Sewerage District of Buncombe County, North Carolina

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John S. Stevens, General Counsel



Edmund R. Selby, Chairman
C. Michael Sobol, Vice-Chairman
Jackie W. Bryson, Secretary/Treasurer
Steven T. Aceto
Brady Blackburn
Barbara A. Field
Elizabeth C. Graham
E. Glenn Kelly
Ben Pace
S. Douglas Spell
W. Donald Venable

Reimbursement Resolution (Non-Conduit Governmental Bonds)

Resolution of the District Board of Metropolitan Sewerage District of Buncombe County, North Carolina declaring its intention to reimburse itself from the proceeds of one or more tax-exempt financing(s) for certain expenditures made and/or to be made in connection with the acquisition, construction and/or equipping of certain capital improvements

Whereas, Metropolitan Sewerage District of Buncombe County, North Carolina (the "Issuer") is a political subdivision organized and existing under the laws of the State of North Carolina; and

Whereas, the Issuer has paid, beginning December 21, 1998 and will pay, on and after the date hereof, certain expenditures (the "Expenditures") in connection with the acquisition, design and construction of the North Swannanoa Interceptor, Phase II, Section 1-B (the "Project").

Whereas, the District Board of the Issuer (the "Board") has determined that those monies previously paid after December 21, 1998 be advanced on or after the date hereof to pay the Expenditures and are available only for a temporary period and it is necessary to reimburse the Issuer for the Expenditures from the proceeds of one or more issues of tax-exempt bonds (the "Bonds").

Now, Therefore, Be It Resolved As Follows:

Section 1. The Board hereby declares the Issuer's intent to reimburse the Issuer with the proceeds of the Bonds for the Expenditures with respect to the Project made on and after December 21, 1998, which date is no more than sixty (60) days prior to the date of the adoption of this Resolution. The Issuer reasonably expects on the date hereof that it will reimburse the Expenditures with the proceeds of the Bonds.

RESOLUTION

RESOLUTION APPROVING THE ACQUISITION OF THE SEWERAGE SYSTEM FACILITIES OF ROCKWOOD HILLS SUBDIVISION (AKA HUNTERS TRACE PHASE 2)

WHEREAS, the Metropolitan Sewerage District ("District") has been asked to acquire the sewerage system facilities constructed to serve the Rockwood Hills Subdivision located off New Rockwood Road, Buncombe County, North Carolina, and more particularly described on a plat bearing an initial date of December 16, 1996 and last revised on September 16, 1997, prepared by Wallace S. McAbee and recorded in the Office of the Register of Deeds for Buncombe County, in Plat Book 68 at Page 32;

WHEREAS, the District Board is bound by certain covenants in its Bond Order and cannot acquire additional sewerage system facilities unless such provisions are satisfied;

WHEREAS, the District Board has determined that the sewerage system facilities serving the Rockwood Hills Subdivision are not subject to any lien or other encumbrance which is materially adverse;

WHEREAS, the District Board has determined the acquisition of the Rockwood Hills Subdivision sewerage system and the responsibility to operate and maintain it will preserve and maintain the public health and welfare within the District;

WHEREAS, Eugene Myers Burkholder, Husband and Betty L. Burkholder, Revocable Living Trust under Agreement dated July 13, 1995 have tendered appropriate instruments transferring complete ownership of the system to the District and delegating to the District the responsibility for operation and maintenance;

WHEREAS, the appropriate instruments have been prepared and executed by Eugene Myers Burkholder, Husband and Betty L. Burkholder, Revocable Living Trust under Agreement dated July 13, 1995 and have been duly recorded;

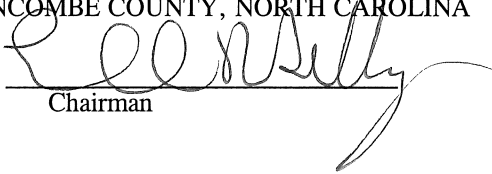
WHEREAS, the District has determined that it has reasonable access to and over related public rights of way and easements necessary to operate and maintain the system;

WHEREAS, the District Board has determined that adequate funding will be available for the acquisition and for the operation and maintenance of the system and that the District Board will have the authority to determine the need and priority for the operation and maintenance, improvement and reconstruction of the additional sewerage system facilities.

BE IT NOW HEREBY RESOLVED: The District Board of the Metropolitan Sewerage District hereby accepts the Rockwood Hills Subdivision sewerage system together with all easements therefor, said sewerage system being more particularly described on a plat map dated December 16, 1996 and revised on September 16, 1997, prepared by Wallace S. McAbee, recorded in Plat Book 68 at Page 32 of the Buncombe County Registry.

This the 27th day of January, 1999.

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA

By: 
Chairman

ATTEST:


Secretary