

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
FEBRUARY 17, 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, February 17, 1999. Chairman Selby presided with the following members present: Aceto, Blackburn, Bryson, Field, Graham, Kelly, Pace, Sobol, Spell and Venable.

Others present were: W. H. Mull, General Manager, William Clarke, District Attorney, Gary McGill of McGill Associates, Ginny Liles with the League of Women Voters, Tom Hartye, Jim Fatland, Stan Boyd, Ann LeMieux, and Sondra Honeycutt, MSD.

2. Approval of Minutes of the January 27, 1999 Meeting:

Mr. Pace moved that the Board approve the minutes of the January 27, 1999 meeting as presented. Ms. Bryson seconded the motion. Voice vote was unanimous in favor of the motion.

3. Consolidated Motion Agenda:

a. Consideration of Treasurer's Report for Period Ended December 31, 1998:

Staff recommends that the Board receive the Treasurer's Report for the period ended December 31, 1998.

b. Consideration of Developer Constructed Systems - Overlook Apartments, Offsite Sewer; Rosemont Subdivision; Mountainbrook Subdivision - Phases 1, 11, 111:

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

c. Consideration of Preventative Maintenance Line Cleaning - Major Rehabilitation (Basins #4, #12, #39, #57):

Mr. Mull presented additional information with regard to proposals received for preventative maintenance line cleaning. The following proposals for this project were opened February 11, 1999: Utility Services with a contract amount of \$619,925.00; Tri-State Utilities at \$623,464.00; ADS Environmental Services at \$745,700.00; McCullough Rehab at \$761,450.00; Compliance Enviro Systems at \$932,650.00 and Southeast Pipe Survey at \$1,094,520.00.

He reported that although the proposal of Utility Services of America, Inc. (USA) is the lowest proposal, they are behind schedule on cleaning and TV inspection work for basins #1, #7, #66 and #67, approved at the December, 1998 Board meeting. Therefore, staff recommends awarding the contract to Tri-State Services, Inc. in the amount of \$623,464.00, with a 15% contingency to be used for changes in the work by approval of the General Manager. He further reported that Mr. Clarke, District Attorney, advised that the Request for Proposals and applicable law allow the District to award the proposal to any of the companies responding to the Request for Proposals.

This item was pulled for further discussion.

d. Consideration of Bids for Landfill Gas Generator:

Mr. Mull presented a letter from Mr. Clarke regarding proposals for the Landfill Gas Generator, which stated that neither of the proposals from Carolina Engine Power Systems and Curtis Engine & Equipment has an actual signature although the company names are set forth on the proposals. Also, the bid bond accompanying the Carolina Engine Power Systems proposal has the "City of Asheville" listed as the obligee on the bond, which does not comply with the provisions of G.S. 143-129. As a result, the District recommends rejecting all proposals and readvertise. This item was pulled from the agenda for consideration.

e. Consideration of Bids for Standby Generator - Carrier Bridge Pump Station:

Mr. Mull presented a letter from Mr. Clarke regarding bids for the purchase of a Standby Generator for the Carrier Bridge Pump Station and reported that the following bids were received and opened January 26, 1999: Cummins Atlantic, Inc. with a total base bid of \$84,540.30; Carolina Tractor with a total base bid of \$85,919.00 and Palmer Electrical Contracting, Inc. with a total base bid of \$82,263.00. Mr. Clarke advised that all the proposals met the requirements set forth in the specifications and the District could award the bid to the lowest responsible bidder. He further reported that staff recommends that the District award the contract to the lowest responsible bidder, Palmer Electric in the amount of \$82,263.00.

Ms. Graham moved that the Board approve items a., b., and e. as presented. Mr. Spell seconded the motion. Roll call vote was as follows: 11 Ayes; 0 Nays.

Regarding item c. (preventative line maintenance cleaning) Mr. Sobol asked if this would be the final proposal for line cleaning and whether a comparison has been done on contracted versus in-house services. Mr. Mull stated this would be the final proposal for this year and presented a letter from ARCADIS Geraghty & Miller, Inc., which gives a production rate comparison. A discussion followed regarding why the contingency of 15% is higher and what it will be used for. Mr. Boyd stated that although the District has maps of the system, they are not always accurate, therefore, the contingency is used for additional line cleaning, location of manholes and root removal.

Mr. Sobol asked where ARCADIS obtained the comparison information, which shows a projected production by MSD at 673 linear feet per crew day, compared to the projected rate by an outside contractor of 1500 linear feet. Mr. Hartye stated that most of the contractors interviewed estimated from 1500 to 2000 linear feet per day and that the 673 figure by MSD per crew day was taken from System Services records. Ms. LeMeiux stated that the 673 figure is in response to service calls and requires traveling from one location to another, while the 1500 estimate by an outside contractor is based on cleaning from one basin and requires no traveling. A discussion followed regarding the difference in equipment used; the total amount of linear feet to be cleaned by Tri-State and the feasibility of purchasing more equipment for in-house use. Mr. Selby recommended that the Construction Committee re-evaluate the program as proposed by ARCADIS, with a recommendation to the Personnel Committee for staffing needs. With no further discussion, Mr. Kelly moved that the Board approve the recommendation of staff. Ms. Graham seconded the motion. Roll call vote was as follows: 11 Ayes; 0 Nays.

3. Committee Reports:

Finance Committee:

Mr. Mull presented a revised 1999 Bond Schedule for review. He requested that a combined Finance Committee/Board meeting be scheduled to review a finance plan and Bond Order, and to adopt a Resolution for Local Government Commission Application and Cash Defeasance. Following a lengthy discussion, Mr. Blackburn scheduled the combined meeting for March 10, 1999 at 10:00 a.m.

Mr. Blackburn reported that the Finance Committee met February 8, 1999 to consider (2) proposed revenue bond financing scenarios. He further reported that although Scenario #2 was favored the Committee recommended that staff fine-tune the taxable amounts with adequate cash reserves. Mr. Fatland reported that staff is working on four (4) additional scenarios; one with zero cash defeasance, one with \$5 million, one with \$10 million and one with \$18 million. Mr. Aceto requested that the minutes of the Finance Committee be corrected to show that it did not approve Scenario 2 as implied, but rather further investigation of the scenario. A lengthy discussion followed regarding how long it will take to spend the cash reserves; reasons for defeasing the bonds; amendments to the Bond Order; the total amount in the General Reserve Fund; and the amount committed to construction projects.

Mr. Mull reported that in meeting with the Local Government Commission (LGC) they expressed concerns regarding the District's Quick Ratio, (unrestricted reserves vs. current liabilities) which they said should not go below \$5 million, and issuing taxable debt. Mr. Clarke stated that the LGC did not like the idea of issuing taxable debt and felt sure they would not approve it, but did suggest the idea of a \$5million cash defeance with \$25 million in new money.

Mr. Blackburn asked when the four scenarios would be available for review. Mr. Fatland stated that the scenarios would be distributed well in advance of the combined Finance Committee/Board meeting. Mr. Selby suggested that in addition to review of the scenarios, that the Finance Committee take time to discuss the need to amend the Bond Order. Ms. Graham requested that staff prepare a summary sheet of each scenario, along with a separate sheet showing the reasons for amending the Bond Order. Mr. Fatland stated that a summary matrix of all the options, with the quick ratio, the cash balance, the savings, along with details on each will be provided. At the request of Mr. Pace, a discussion was held regarding the difference between obligated and non-obligated funds. Mr. Blackburn suggested that staff provide an explanation for each of the 29 reasons why the Bond Order should be amended, as provided by Bond Council, and how much of the \$13 million is earmarked for construction.

Mr. Selby stated that at the conclusion of the Finance Committee meeting, the Board will convene to adopt a resolution that will be presented to the LGC.

Mr. Mull requested that the Planning Committee, scheduled for March 4, 1999, be rescheduled to Wednesday, March 3, 1999.

4. Unfinished Business:

Mr. Spell reported that at a recent planning conference, City Council directed the City Manager, Mr. Westbrook to write Mr. Mull with feedback on issues that were discussed. He stated that City Council was very upbeat and felt that progress has been made toward a better relationship with the District and that

the basis of the letter was to summarize what was discussed and to encourage an on-going dialogue. He further reported that the letter addressed the need for timely implementation of capital improvement projects; the District's "pay-as-you-go" financial philosophy; its "no sewer extension policy" and the policies and engineering standards.

Mr. Sobol stated that as a member of the Board he is willing to look at ways the District can keep sewer rates low, but the City needs to make suggestions on how this can be done. Regarding the issue of sewer extensions, he stated that the District needs to respond to the City by making them aware that most utilities have a water income side, with a depletion on the other side for sewer. A lengthy discussion followed regarding Mr. Westbrook's letter; the need for the City to make suggestions on ways to address these issues, particularly with regard to the District's policy on "no sewer extensions".

Mr. Selby reported that in a conversation with the County Manager, she stated that every municipality has asked what the District is doing. As a result, the County is looking at convening a meeting of the municipalities with the MSD on the agenda for a presentation. Mr. Spell requested that information from the Blue Ribbon Committee's discussions regarding sewer extensions and alternative methods of funding be provided to others, along with information on what funds are restricted and unrestricted. Mr. Selby suggested that the Planning Committee, prepare for the Board, a response to the issues referred to in Mr. Westbrook's letter. Ms. Field stated that Mr. Spell's report to the City Council and their response was fairly positive, mainly because Council was provided with information they didn't have. She further stated that although meetings have been held regarding the District's position on sewer extensions, the Board has never come to City Council to discuss this issue, and that what she is hearing is a lack of communication between the District Board and the Municipalities. Mr. Aceto suggested that the District should respond globally; addressing not only sewer extensions, but utility extensions in general and how they are financed.

Ms. Field stated that City Council recognized MSD's leadership role on the issue of affordable housing and that in the future, the MSD should make a concentrated effort to share with the community the positive things it has done. Regarding the District's policy on "no sewer extensions", City Council is asking that the District reconsider its position on this issue, since the policy seems to allow for no flexibility, especially with regard to economic development incentives. In an effort to improve communications between the MSD and the Municipalities, Mr. Sobol suggested that the Board direct the General Manager to make a presentation about MSD to all the municipalities, and that a packet of information be provided to all new municipal members. Mr. Spell stated that this should be done on an annual basis.

In a related matter, Mr. Selby presented a newspaper article regarding Henderson County's effort to unify its sewer system. Also, a copy of a report by the Land of Sky Regional Council regarding requests to the State by the municipalities for water, sewer and gas bonds.

Mr. Pace gave a brief report on the Land of Sky Regional Council's clean water test projects. Mr. Pace represents the MSD as a member of the French Broad River Voluntary Buffer Partnership.

5. Unfinished Business:

None

6. Old Business:

▪ **Consideration of Reimbursement Resolution for North Swannanoa Interceptor, Phase II - Section 1,B:**

Mr. Mull presented a revised Reimbursement Resolution for the North Swannanoa Interceptor Phase II, Section 1B project for review. Mr. Aceto asked for a clarification on the purpose of the resolution. Mr. Clarke stated that if the District issues new bonds, it can reimburse itself for expenditures made and/or to be made for certain capital improvement projects within a three-year period. A discussion followed regarding the amount of bonds to be issued for the project, and whether projects can be substituted. Mr. Mull reported that the resolution says the District can spend \$9,000,000 in bonds for the North Swannanoa Interceptor project for expenditures occurring after December 21, 1998. With no further discussion, Mr. Pace moved that the Board approve the Reimbursement Resolution as presented. Mr. Sobol seconded the motion. Voice vote was unanimous in favor of the motion.

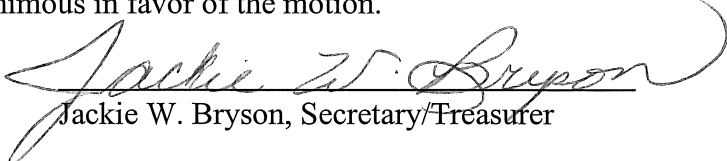
7. New Business:

▪ **Consideration of Resolutions for Larry Casper and Joe Joyner:**

Mr. Mull presented Resolutions of Appreciation for Larry Casper and Joe Joyner for their service on the District Board. With no discussion, Ms. Bryson moved that the Board approve the resolutions as presented. Mr. Aceto seconded the motion. Voice vote was unanimous in favor of the motion.

8. Adjournment:

At 3:45 p.m., Mr. Pace moved for adjournment. Ms. Graham seconded the motion. Voice vote was unanimous in favor of the motion.


Jackie W. Bryson, Secretary/Treasurer

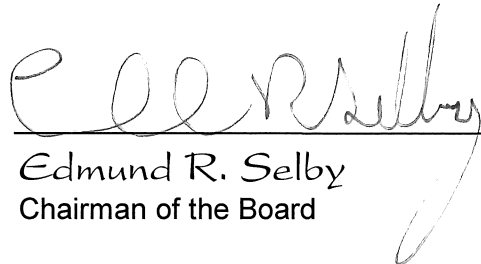
Section 2. Each Expenditure, was and will be either (a) of a type properly chargeable to capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Bonds, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the Issuer so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the Issuer.

Section 3. The maximum principal amount of the Bonds expected to be issued for the Project is \$9,000,000.

Section 4. The Issuer will make a reimbursement allocation, which is a written allocation by the Issuer that evidences the Issuer's use of proceeds of the Bonds to reimburse an Expenditure, no later than eighteen (18) months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event no more than three (3) years after the date on which the Expenditure is paid. The Issuer recognizes that exceptions are available for certain "preliminary expenditures", costs of issuance, certain de minimus amounts, expenditures by "small issuers" (based on the year of issuance and not the year of expenditure) and expenditures for construction projects of at least five (5) years.

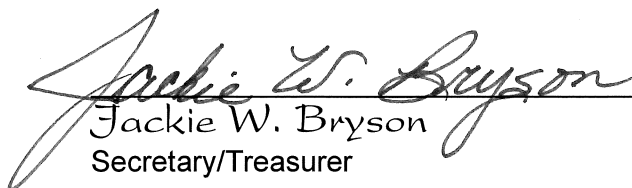
Section 5. This resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED THIS 17th **day of** February , 19 99



Edmund R. Selby
Chairman of the Board

Attested to:



Jackie W. Bryson
Secretary/Treasurer