

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
APRIL 21, 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, April 21, 1999. Chairman Selby presided with the following members present: Blackburn, Bryson, Field, Pace, Sobol, Spell and Venable. Those members absent were: Aceto, Graham and Kelly.

Others present were: W. H. Mull, General Manager, William Clarke, MSD Attorney, Gary McGill and Danny Bridges of McGill Associates, Virginia Liles with the League of Women Voters, Tom Hartye, Jim Fatland, John Kiviniemi, Stan Boyd, Wayne Watkins, Bill Connor, Sharon Walk and Sondra Honeycutt, MSD.

2. Approval of Minutes of the March 17, 1999 Meeting:

With regard to Item 6., paragraph 4, line 8, Mr. Venable requested that the minutes reflect that he did not vote against Mr. Spell's motion because he felt the General Manager should not be a professional engineer, but that the requirement should not be in the Bond Order. Following a discussion regarding the correct wording, Mr. Clarke recommended that the minutes be changed to read "Mr. Aceto, Ms. Graham and Mr. Veneable each stated that while they agreed that the General Manager should be a Registered Engineer in the State of North Carolina, they did not feel that this requirement should be in the Bond Order". With no further discussion, Mr. Pace moved that the Board approve the minutes as amended. Ms. Bryson seconded the motion. Voice vote was unanimous in favor of the motion.

3. Consolidated Motion Agenda:

a. Consideration of Developer Constructed Sewer Systems:

1. Cardinal Park Subdivision:

Mr. Mull reported that the project is located off of Shannon Drive and included installation of approximately 238 linear feet of 8" sanitary sewer pipe at an approximate cost of \$5,000.00. He further reported that staff recommends acceptance of the developer constructed sewer system and that all MSD requirements have been met.

2. Fox Glen Woods:

Mr. Mull reported that the project is located off US 25 on White Oak Road in Skyland and included installation of approximately 665 linear feet of 8" sanitary sewer pipe at an approximate cost of \$21,000.00. He further reported that staff recommends acceptance of the developer constructed sewer system and that all MSD requirements have been met.

3. Harvey Huntley Extension:

Mr. Mull reported that the project is located off of Avondale Road in Reynolds and included installation of approximately 170 linear feet of 8" sanitary sewer pipe at an approximate cost of \$15,000.00. He further reported that staff recommends acceptance of the developer constructed sewer system and that all MSD requirements have been met.

Mr. Sobol noted the difference in cost per linear foot among the three projects.

b. Consideration of Compensation Chart - East Kenilworth Lake:

Mr. Mull reported that the Right of Way Committee recommends approval of the Compensation Chart based on 1998 tax values.

c. Consideration of Compensation Chart - Woodland Road, MSR:

Mr. Mull reported that the Right of Way Committee recommends approval of the Compensation Chart based on 1998 tax values.

d. Consideration of Condemnations - North Swannanoa Interceptor, Phase 11, Section 2B CIP Project:

Regarding Parcels 1,2,3,4,5 and 6, Mr. Mull reported that the Right of Way Committee recommends appraisal of damages for the taking and if not accepted, proceed with condemnation. Staff is continuing negotiations toward possible resolution, however, the District must move forward with an appraisal in order not to delay construction.

Regarding Parcel 7, Mr. Mull reported that the Right of Way Committee recommends that the engineer redesign one section of proposed sewer at west end of property to avoid storage trailers. If not accepted, proceed with appraisal of damages for the taking and if not accepted, proceed with condemnation. Staff is continuing negotiations toward possible resolution, however, the District must move forward with an appraisal in order not to delay construction.

e. Consideration of Monthly Investment Report:

Mr. Mull reported that staff recommends that the Board approve the Monthly Investment Report for the period ended February 28, 1999.

f. Rating Agency Reports:

Mr. Mull reported that Moody's upgraded MSD's rating from A to A1 and Standard & Poor's rating was A+. He further reported that these ratings should enable the District to receive a lower interest rate on MSD's revenue bonds. He presented copies of the rating agency reports for the Board's information.

g. GFOA Excellence in Financial Reporting:

Mr. Mull reported that for the fourth consecutive year the District received the "Excellence in Financial Reporting" award from the Government Finance Officers Association, which is the highest form of recognition in governmental accounting and financial reporting. He further reported that during staff's recent trip to New York, the rating agencies expressed the value of this award.

With no discussion, Mr. Spell moved that the Board approve the Consolidated Motion Agenda items as presented. Ms. Field seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays.

4. Consideration of New Maintenance Building - WWTP:

Mr. Mull reported that in addition to review of historical data, the Planning Committee evaluated total parking needs of the new facility along with

incorporating a walk way across the creek; partial use of the chemical stabilization facility for an office/shop area; space needs vs. staffing. He presented preliminary construction cost estimates for both a 12,000 and 10,000 square foot building at a total cost of \$786,440.00 and 798,975.00 respectively. Ms. Field stated that the Planning Committee noted that the difference in cost between a 12,000 and 10,000 square foot building is not that great and that adding 2,000 square feet at a later date would be more expensive. Therefore, the Committee recommends proceeding with the design and construction of a new 12,000 sq. ft. WWTP Maintenance Building on Riverside Drive for Treatment Maintenance and Building Trades Division at an estimated project cost of \$716,490.00, with a 10% (\$70,000) contingency.

Mr. Selby asked if the Planning Committee discussed proceeding with the development of a learning center. Mr. Mull stated that if a new Maintenance Building is approved, a learning center utilizing the current facility will be considered at the next meeting of the Committee. Mr. Selby further questioned what would happen if a new building is not approved. Ms. Field stated that the original facility held eight employees and now holds twenty-three, making it impossible to complete work tasks efficiently. A lengthy discussion followed regarding whether the Committee considered other space options; how the current facility is being used; the need for centralized cross-training; the efficiency factor of a new facility and how it will affect re-organization. With no further discussion, Mr. Spell moved that staff make the same presentation it made to the Planning Committee at the next meeting of the Board. Mr. Venable seconded the motion. Voice vote was unanimous in favor of the motion.

5. Consideration of Annual Report - McGill Associates:

Mr. Mull presented a copy of McGill Associates Annual Report. Mr. Selby asked for an explanation on the excursion in the effluent standards that occurred in December, 1998. Mr. Kiviniemi reported that the District is required to monitor twice a week for the parameter Cyanide. He stated that in December an anomaly was logged, which was above the level in the Permit, and must be reported as an excursion. However, in follow-up and discussions with Mr. Max Haner of the North Carolina Department of Environment and Natural Resources, it was believed to be an analytical laboratory anomaly. He further stated that extensive sampling was done as well as follow-up with industrial customers as possible sources, and nothing turned up. Mr. Bridges reported that the only difference in this year's report is the excursion and reference to the bond issue. Mr. Spell requested that next years report include a comparison of infiltration/inflow (I&I) in order to show how District funds are helping out with system improvements. Mr. Selby questioned whether a format is used in the preparation of this report. Mr. Bridges stated that there is a format that they must comply with according to Article V, Section 504 of the Bond Order, setting forth it's findings as to whether the Sewerage Systems has been maintained in good repair, working order and condition. He further stated that documents related to insurance, capital improvements programs and budget must be reviewed. Mr. Pace suggested that the annual report reflect savings to the District in maintenance cost resulting from completed projects. Mr. Mull briefly addressed the issue of I&I and stated that perhaps wet and dry weather data, showing a decrease in flow, could be obtained in the Montreat area where rehabilitation is basically complete. Mr. Selby suggested that ARCADIS share preliminary monitoring information currently being done.

6. Committee Reports:

Right of Way Committee

Mr. Pace reported that the Right of Way Committee met March 31, 1999 to consider items previously discussed in the Consolidated Motion Agenda. He expressed a concern regarding comments made about the relationship between right of way agents and property owners and requested that future comments regarding this issue be forwarded to him directly.

Planning Committee

Ms. Field stated there was no further report. However, regarding the response to Mr. Westbrook's letter, Ms. Field requested that the Planning Committee have a chance to review the letter before it comes to the Board. Mr. Mull presented a draft copy of the letter for review. Ms. Field stated that the Committee decided that a reply to the letter should include factual information and if there are misconceptions in the community, it is the District's responsibility to educate. It was suggested that the letter could go to other CEO's or entities that may have the same concerns.

Finance Committee

Mr. Blackburn reported that the Finance Committee met April 8, 1999 to consider two issues, the Bond Order revisions and sale of the Thompson Street Property. He stated that the Committee recommends forwarding the Amended and Restated Bond Order, the Series Resolution and the Amended and Restated Series Resolution to the Board for approval.

At the request of the Board, Mr. Clarke introduced and reviewed the Series Resolution dated April 21, 1999 for issuance of the Series 1999 Bonds; the Amended and Restated Resolution for the Series 1999 Bonds, the Amended and Restated Bond Order, and commitment to purchase Bond Insurance from Financial Security Assurance, Inc. (FSA). Mr. Clarke stated that at the request of the Finance Committee, he reviewed the Bond Order and two Series Resolutions and recommends that the District approve the documents. Regarding the Bond Insurance, Mr. Mull presented a copy of the results of the Bond Insurance Bids showing 19.5 Basis Points as the low bid compared to the last Bond Issue insured at 26 Basis Points. He stated that the District's improved Bond Rating and market conditions helped in getting a lower insurance premium. Also, Robinson-Humphrey indicated that the District would save \$420,774.00 by obtaining bond insurance with an improved rating. He further stated that staff recommends approval of the insurance bid submitted by FSA at a cost of \$119,320.47.

Following a brief discussion regarding Appendix A&B of the Resolutions, Mr. Blackburn moved that the Board adopt the Series Resolution, the Amended and Restated Series Resolution and Amended and Restated Bond Order as recommended by the Finance Committee. Mr. Pace seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays.

A discussion followed regarding the purpose of the Bond Insurance and the amount of savings to the District as a result of insured versus uninsured bonds. With no further discussion, Mr. Sobol moved that the Board approve the Bond Insurance bid of FSA in the amount of \$119,320.47. Ms. Field seconded the motion. Roll call vote was as follows: 8 Ayes; 0 Nays.

Mr. Clarke stated that the Bonds will be sold on April 28, 1999 and the closing will be May 24, 1999.

Regarding the sale of the Thompson Street Property, Mr. Blackburn reported that the Committee discussed changes to the brochure and bid process. He stated that offers must be sealed bids and submitted to the District no later than 2:00 p.m. on Friday, May 14, 1999, and that upon receipt and review of the offers, the District will negotiate a contract for sale of the Property, which must be approved by resolution of the District Board. Also, the District reserves the right to reject any and all offers and to re-advertise the property for sale. Mr. Selby asked how the information will be distributed. Mr. Blackburn stated that it will be mailed and advertised in the newspaper. Mr. Spell asked why Mr. Clarke recommended this process as opposed to an upset bid process. Mr. Clarke stated that he did not recommend any process, and that his original draft was an upset bid process as discussed by the Board at the December meeting. He further stated that the decision to change the process was the Finance Committee's clear recommendation. Ms. Field asked if there is any statutory requirement that the property be sold within a certain percentage of the appraised price. Mr. Clarke stated that there is no such requirement.

Mr. Mull expressed his appreciation to Peter Weed for his work on the brochure.

Mr. Venable asked when the current occupant of the Thompson Street building will vacate the property and if the District has an understanding with the tenant that the property will be left in the same condition as it was found. Mr. Mull stated that the occupants will be notified upon sale of the property and that the building will be cleaned.

Mr. Selby asked what the Finance Committee's schedule is for consideration of the Budget and Rates. Mr. Fatland reported that the Finance Committee will meet April 28, 1999 to make a recommendation on the proposed Budget and Rates to be presented at the May 5, 1999 meeting of the Board. Regarding the proposed rate changes, Mr. Mull stated that meetings will be held with industry to discuss how the rates are set, calculated, and the methodology used.

Personnel Committee

Mr. Sobol reported that the Personnel Committee met April 13, 1999 to hear a PowerPoint presentation by Marsha Kiser, Personnel Analyst, which addressed Supervisor/Management Training; Benefits, Employee Involvement, Social Events/Activities and Upcoming Programs. He further reported that the Committee discussed salary adjustments and made the following recommendations to the Finance Committee: (a.) Cost of Living of 1.5%, based on information from the Bureau of Labor Statistics; (b.) Merit - 3% Funding Cap Maximum and (c.) 401 (k) - 3.0% Matching Contribution. Mr. Venable expressed his appreciation to staff for providing comparative benefit information from other entities to help in determining whether the District is being competitive. A discussion following regarding the Merit pool and 401 (k) Matching Contribution. Mr. Fatland explained how the Merit pool is distributed.

Mr. Venable asked where the Committee stood on the issue of allowing management to give bonuses to employees who are at their top pay grade and not eligible for a cost of living or merit increase. Mr. Fatland stated that there are approximately 15 employees who fall into this category and suggested that they

be considered separately, limiting the maximum Merit pool to 2%. A brief discussion followed regarding the tax liability in giving bonuses.

CIP Committee

Mr. Sobol reported that the CIP Committee met April 14, 1999 to hear a PowerPoint presentation given by Mr. Hartye. The presentation addressed projects completed in the previous year; Phase 11, Section 1B of the North Swannanoa Interceptor; work to be completed and to be done with the Major Rehabilitation program; miscellaneous/private sewer rehabilitation projects to be constructed in the upcoming fiscal year; new Consolidated Office Building; the hypochlorite facility; bar screen replacement; the trash rake at the flume and hydro turbine; and a new maintenance building at the waste water treatment plant. Mr. Hartye then presented a video showing problems found during line cleaning and TV work.

Mr. Sobol reviewed the proposed CIP Budget spreadsheet for FY 1999-2000 and beyond totaling \$24,177,076, which was unanimously approved by the Committee. He further reported that the Committee discussed the District's Y2K preparedness with regard to standby power generation and the need to conduct a study on the possibility of retrofitting generator(s) at the plant for propane or landfill gas. Staff was directed to conduct an evaluation of the generators to determine the best option and report back to the Committee at the July meeting.

In other business, Mr. Sobol reported that the Committee recommended utilizing bonds and pay as you go for funding projects and a rate increase of 4% each year for five years as needed. He further reported that following a presentation by Mr. Hartye and Mr. McGill regarding the possibility of beginning construction on Sections 2 and 3 of the North Swannanoa, Phase II project simultaneously, the Committee recommended that McGill Associates perform an engineering analysis based on construction of both sections concurrently and bring a report back to the Committee in July. Also, the Committee heard comments from Mr. Richardson regarding problems associated with 4" sewer lines in Black Mountain. Mr. Sobol stated that the CIP Committee will meet in October to discuss what will be done in the future and how funds will be spent. Ms. Field stated that the Planning and CIP Committees' should work together on these issues.

7. Unfinished Business:

Mr. Spell asked when the facility/interceptor tours will be scheduled. Mr. Mull stated that a schedule will be made available at the next meeting of the Board. He asked whether a resolution should be drafted recognizing Mr. Stevens for his service to the District Board as General Counsel. It was suggested that a formal reception honoring Mr. Stevens be scheduled.

With regard to meeting notifications, Mr. Spell suggested that staff consider sending Board members a pre-notice by fax or e-mail prior to mailing.

8. Old Business:

a. Consideration of Response to Letter from Jim Westbrook - Manager - City of Asheville:

This item was deferred to the Planning Committee for consideration.

b. Letter to Avery's Creek:

Mr. Venable asked if the District has received a response to the letter addressed to Avery's Creek Sanitary Water & Sewer District and if there is a time limit. Mr. Selby stated that no response has been received and that the time limit is July 1.

9. New Business:

a. Approval of Bond Order Resolutions:

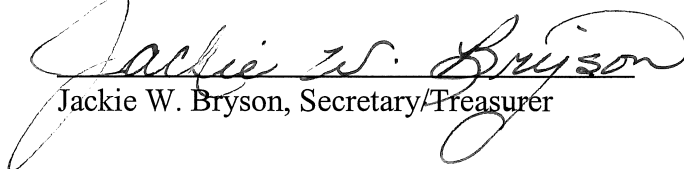
Previously addressed in the Finance Committee report.

Mr. Selby read a letter he received from Robert M. High, Deputy Treasurer with the State of North Carolina Department of State Treasurer congratulating the District on the recent bond rating upgrade and recognizing Mr. Mull and Mr. Fatland for their work in accomplishing this recognition for the District.

Mr. Spell noted that the GFOA award recently received by the District is no small accomplishment and speaks well for staff. Mr. Selby suggested that a press release be issued announcing receipt of this award.

10. Adjournment

With no further business, Mr. Spell moved for adjournment. Mr. Venable seconded the motion. Voice vote was unanimous in favor of the motion.


Jackie W. Bryson, Secretary/Treasurer

RESOLUTION

RESOLUTION APPROVING THE ACQUISITION OF THE SEWERAGE SYSTEM FACILITIES OF CARDINAL PARK SUBDIVISION

WHEREAS, the Metropolitan Sewerage District ("District") has been asked to acquire the sewerage system facilities constructed to serve the Cardinal Park Subdivision located off Shannon Drive, Asheville, North Carolina, and more particularly described on a plat bearing an initial date of January 9, 1999, prepared by Kenneth O. Pankow, RLS and recorded in the Office of the Register of Deeds for Buncombe County, in Plat Book 72 at Page 117;

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 Cardinal Park Subdivision are not subject to any lien or other encumbrance which is materially adverse;

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

WHEREAS, CA-CS, Inc. 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 CA-CS, Inc. 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.

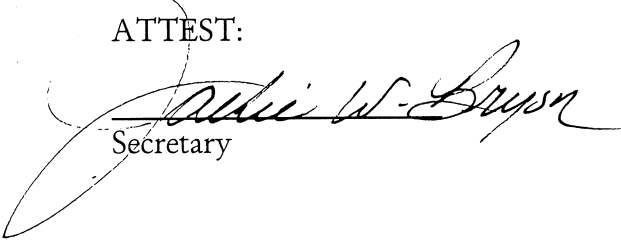
BE IT NOW HEREBY RESOLVED: The District Board of the Metropolitan Sewerage District hereby accepts the Cardinal Park Subdivision sewerage system together with all easements therefor, said sewerage system being more particularly described on a plat map dated January 9, 1999, prepared by Kenneth O. Pankow, RLS and recorded in Plat Book 72 at Page 117 of the Buncombe County Registry.

This the 21st day of April, 1999.

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA

By: 
Chairman

ATTEST:


Secretary

RESOLUTION

RESOLUTION APPROVING THE ACQUISITION OF THE SEWERAGE SYSTEM FACILITIES OF FOX GLEN WOODS

WHEREAS, the Metropolitan Sewerage District ("District") has been asked to acquire the sewerage system facilities constructed to serve the Fox Glen Woods Subdivision located off White Oak Road Extension, Buncombe County, North Carolina, and more particularly described on a plat bearing an initial date of November 4, 1996, prepared by Stephen T. Paul, RLS and recorded in the Office of the Register of Deeds for Buncombe County, in Plat Book 66 at Page 83;

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 Fox Glen Woods Subdivision are not subject to any lien or other encumbrance which is materially adverse;

WHEREAS, the District Board has determined that acquisition of the Fox Glen Woods sewerage system and the responsibility to operate and maintain it will preserve and maintain the public health and welfare within the District;

WHEREAS, J. Bob Sams and wife, Christine S. Sams and Shirley A. Willis, single 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 J. Bob Sams and wife, Christine S. Sams and Shirley A. Willis, single 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 Fox Glen Woods sewerage system together with all easements therefor, said sewerage system being more particularly described on a plat map dated November 4, 1996, prepared by Stephen T. Paul, RLS and recorded in Plat Book 66 at Page 83 of the Buncombe County Registry.

This the 21st day of April, 1999.

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA

By: 
Chairman

ATTEST:


Secretary

RESOLUTION

RESOLUTION APPROVING THE ACQUISITION OF THE SEWERAGE SYSTEM FACILITIES SERVING THE HARVEY HUNTLEY DEVELOPMENT

WHEREAS, the Metropolitan Sewerage District ("District") has been asked to acquire the sewerage system extension within Avondale Road constructed to serve the Harvey Huntley development located in Buncombe County, North Carolina, and more particularly described on an as-built drawing dated March 1998 and sealed on April 1, 1998, prepared by Gary Dean Davis, P. E., said as-built drawing on file in the offices of the Metropolitan Sewerage District;

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 Harvey Huntley development are not subject to any lien or other encumbrance which is materially adverse;

WHEREAS, the District Board has determined that acquisition of the Harvey Huntley sewerage system extension within Avondale Road and the responsibility to operate and maintain it will preserve and maintain the public health and welfare within the District;

WHEREAS, Laron Huntley, unmarried has 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 Laron Huntley, unmarried 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 Harvey Huntley sewerage system extension within Avondale Road together with all easements therefor, said sewerage system being more particularly described on an as-built drawing dated March 1998 and sealed on April 1, 1998, prepared by Gary Dean Davis, P. E., said as-built drawing on file in the offices of the Metropolitan Sewerage District;

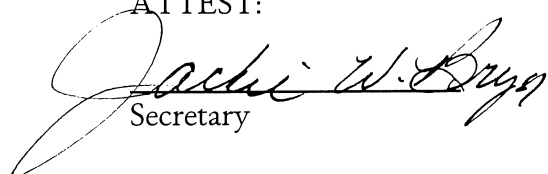
This the 21st day of April, 1999.

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA

By: 

Chairman

ATTEST:


Secretary