

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT**  
**MAY 5, 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, May 5, 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, MSD Attorney, Danny Bridges of McGill Associates, Virginia Liles with the League of Women Voters, Tom Hartye, Jim Fatland, Stan Boyd, John Kiviniemi, Sharon Walk and Sondra Honeycutt, MSD.

**2. Approval of Minutes of the April 21, 1999 Meeting:**

Ms. Graham suggested that the word "between" on page one, paragraph 7, be changed to read "among". With no further discussion, Ms. Graham moved that the Board approve the minutes as amended. Ms. Field seconded the motion. Voice vote was unanimous in favor of the motion.

**3. Consideration of 1999-2000 Preliminary Budgets and Rates:**

Mr. Mull presented a Resolution adopting the Preliminary Budget and Sewer Use Charges for FY 1999-2000. He stated that in accordance with the District's Bond Order, the Preliminary Budget must be approved thirty (30) days prior to final adoption, and that the Resolution sets the date for a Public Hearing on said Budgets and Sewer Use Charges. He further stated that the budget reflects a proposed 4% rate increase in domestic and industrial user fees and noted references made by the rating agencies (Standard & Poor's and Moody's Investors Service) regarding reasons for the increase. Mr. Blackburn reported that the Finance Committee recommends that the Board adopt the Preliminary Budget for FY 1999-2000 as presented by staff. Mr. Selby asked whether the line item for Maintenance Equipment is included in the Budget. Mr. Fatland stated that the expenditures that were inappropriately charged to other line items are now consolidated under one. A discussion was held regarding whether the Budget and Sewer Use Charges should be voted on separately. Mr. Blackburn stated that the Finance Committee's recommendation was made with the understanding that a 4% rate increase was included. Mr. Pace stated that the Finance Committee's recommendation was to include a rate increase up to 4%. Ms. Graham agreed. Mr. Selby called for a motion to adopt the Preliminary O&M Budget for FY 1999-2000 as submitted by staff, with a separate motion to adopt the Sewer Use Charges. Mr. Blackburn moved and Ms. Bryson seconded the motion.

Ms. Field asked what the District is spending money on that exceeds what is taken in without a rate increase. Mr. Mull stated that increases in Salaries and Wages of \$411,778 and Materials, Supplies and Services of \$110,275 are the largest increases. Ms. Field stated that she would like to see a balanced budget based on projected revenues. She further stated that she has no problem with approving a rate increase with good reason, but 20% over a 5-year period is substantial. A lengthy discussion followed regarding the Budget Analysis for FY95 through FY99, which includes Budgeted vs. Actual, Revenue, O&M Fund Budgets, Annual Debt Service, General Fund Contributions, Construction Expenditures, Actual Engineering Force Accounts and Debt Coverage.

With regard to setting rates, Mr. Clarke stated that Revenues must be 1.2 times the current expenses, which is a requirement of the Bond Order. Mr. Mull stated that the District has consistently budgeted a 1.7 Debt Coverage based on projections and recommendation of the bond rating agencies. Mr. Clarke reminded the Board that during discussions regarding a new bond issue, the Board expressed concern about the need for available cash on hand. As a result, the Board directed staff to look at a scenario that would be approved by the Board and the Local Government Commission. He stated that the scenario involved determining the amount of bonds to be cash defeased and a rate that would pay for both the new bonds and continue to raise a certain amount of money on a pay-as-you-go basis for CIP projects.

Mr. Selby stated that the motion is to adopt the O&M Budget, not the Sewer Use Charges. Ms. Field stated that she was not comfortable voting on the O&M Budget without knowing what is included. Mr. Selby gave a brief history on how the budget was set in the past and stated that he is confident that the O&M budget is sound. Ms. Field questioned the District's ability to spend the pay-as-you-go budget in one year. A discussion followed regarding the reasons for a rate increase; what would happen if there is no increase; whether increased revenue, resulting from growth, was considered, and how the District plans to inform ratepayers of an increase. With no further discussion, Mr. Aceto called for the question. As a matter of clarification, Mr. Mull stated that the motion should read "that the Board approve the Preliminary Budget for FY 1999-2000, which includes the Preliminary Operations & Maintenance Fund, Revenue Fund, Maintenance Reserve Fund, Bond Service Fund, Debt Service Reserve Fund, Series 1999 Revenue Bond Construction Fund for the General Fund, the Fleet Replacement Fund and the Wastewater Treatment Plant Equipment Replacement Fund." Roll call vote was as follows: 10 Ayes; 1 Nay (Ms. Field)

Mr. Aceto moved that the Board table discussion regarding the rates until the next meeting of the Board. Ms. Graham seconded the motion. Mr. Blackburn stated that since the Budget is based on a 4% rate increase, how would it change if there were no increase next year. Mr. Fatland stated that if there is no rate increase today, the Budget is balanced to meet the Bond Order requirements. He further stated that what's driving the rate increase is the 3% O&M growth out several years; the \$6.2 million pay-as-you go figure; two (2) bond issues (1999 and 2002); the 1.7 debt coverage and looking at construction projects over the next 5 years. Ms. Graham seconded the motion. Mr. Sobol stated that the reason he wants a rate increase now is because he will be pushing for completion of Phase III of the North Swannanoa Inceptor Sewer on the original schedule adopted by the MSD at consolidation. Mr. Spell suggested that the motion be amended to include that staff be instructed to outline some public relations communications that will go out as a part of any adopted rate increase that would help to identify the reasons and benefits to the ratepayer. Following a brief discussion, the motion was defeated by a show of hands.

Mr. Sobol moved that the Board adopt the recommendation of the Finance Committee to approve a 4% rate increase effective July 1, 1999. Mr. Aceto seconded the motion. A discussion followed regarding the need for small rate increases now and the need to monitor the rate increase and make adjustments as necessary. Mr. Selby requested that the minutes reflect the willingness of the Board to evaluate the total revenues and to weigh that against the projected 4% rate increase for next year. Mr. Venable stated that he does not plan to vote for a rate increase at this time. He explained that he feels that it would be better to let engineering prove they can spend the money, and if they can, then vote on a rate increase. Ms. Field asked if the District has increased its rate of CIP spending and

is it at the level that is being put into the pay-as-you-go. Mr. Selby stated that the contribution for this year was \$4.5 million, the District put in \$6.2 million and spent \$10.6 million. Ms. Graham noted that last year the District only spent 50% of what was budgeted, but is now spending up to 75%, which is a considerable increase. Mr. Spell added that during the past year the Board thought there would be a problem with revenues because of mandatory water conservation, however, there was a 3% growth in revenue, which is relevant information in considering a forecast. Mr. Mull stated that even if revenues come in above what is being looked at, he does not recommend reducing the rate in October until the Board has a chance to look at what impact it has on the 5-year plan. With no further discussion, roll call vote was as follows: 10 Ayes; 1 Nay (Mr. Venable).

Mr. Spell suggested that the District should do some public relations regarding the rate increase, either through a water bill insert or newspaper article. A brief discussion followed.

**4. Consolidated Motion Agenda:**

**a. Consideration of Monthly Investment Report:**

Presented as information only.

**b. GFOA Distinguished Budget Award:**

Presented as information only.

**c. Consideration of Bids for Hydro Trash Rake:**

Mr. Mull reported that since only one bid was received staff will re-advertise.

**d. Progress Report on WWTP:**

This item was pulled for a presentation by Mr. Kiviniemi.

With no discussion, Ms. Field moved that the Board approve items a.b.and c. of the Consolidated Motion Agenda. Mr. Spell seconded the motion. Voice vote was unanimous in favor of the motion.

With regard to item d., Mr. Kiviniemi gave a progress report on the organizational, operational and cost saving accomplishments of the various sections of the Wastewater Treatment Division. He also reported on the Goals and Objectives for 1999-2000 and Performance Measures, which he created to track the workload, efficiency and effectiveness of the Treatment Plant. As a matter of information he presented Biosolids Production information showing the amount of solids processed daily and charts showing the average monthly flow (1993-1998-MGD), and quality of the effluent for CBOD and TSS. Mr. Kiviniemi expressed his appreciation to staff for their hard work during the past 16 months. A discussion followed regarding permit requirements for CBOD and TSS; ash disposal; how costs savings are reflected in the budget; whether rain events have an impact on the quality of flows, and how staff arrived at the biosolid figures.

Mr. Selby recognized the combined efforts of the Administrative, Engineering, System Services and Wastewater Treatment staff for their work and dedication in the preparation of the Budget, which received the "Distinguished Budget Presentation Award" from the Government Finance Officers Association

(GFOA). A discussion followed regarding the need to award staff in some way for work above and beyond what is expected. Mr. Spell suggested that the Personnel Committee consider a financial award in recognition of employees who excel in their particular field.

**5. Committee Reports:**

Finance Committee:

No further report.

Planning Committee:

Mr. Aceto reported that the Planning Committee met April 29, 1999 to hear a report from Mr. Jack Simmons of Infinergy Services, LLC, who was retained by Arcadis to assist in work associated with the energy audit. Mr. Simmons reported on MSD's power supply and backup power needs, which resulted in the following recommendations: 1). Utilizing maximum output of the hydro plant because of the high rates being paid MSD for power, 2). To use the engine generators to the extent practicable to continue to meet contract requirements for Landfill Gas and facilitate hydro power sales to CP&L; 3). Attempt to re-negotiate the Landfill Gas contract to a lower price, or minimize the amount of Landfill Gas purchase required; 4). Contract with CP&L to install 2 MW backup diesel generators for protection against power outages and IPS withdrawals. Mr. Aceto further reported that the Committee recommends approval of the consultant's recommendations. On behalf of the Committee, Mr. Aceto moved that the Board approve the recommendations, subject to the requirements of the public bid laws. Mr. Pace seconded the motion. Mr. Sobol stated that the backup generators will address any potential problems with Y2-k. With no further discussion, voice vote was unanimous in favor of the motion.

Mr. Aceto reported that the Committee reviewed the response letter to Mr. Westbrook and agreed to send the letter to the Board for consideration and approval with some minor changes/additions. He stated that it was the sense of the Board that this is an appropriate letter. Mr. Spell asked for an opportunity to review a couple of points of the letter. He stated that the reference to computer "glitches" on page 2, paragraph 3, seems to be referring to the Water Authority situation. Also, he questioned the relevance of addressing the 5% and 2.5% funds the City and County receives, on page 3, paragraph 4, since there is no indication of what the funds are being used for. Regarding the statement, in paragraph 1, page 4, that "We are not aware of any sewer service provider in North Carolina", Mr. Spell stated that Mr. Westbrook was referring to both "water and sewer service providers". Regarding paragraph 3, page 4, where reference is made to moratoriums, Mr. Spell suggested that the dates of the moratoriums be included. Lastly, with regard to the reference made on page five, paragraph 2 about arranging an informal meeting, Mr. Spell suggested a Council Work Session instead. Mr. Pace moved that the Board forward the letter with attachments to Mr. Westbrook as recommended by the Planning Committee. Mr. Sobol seconded the motion. With regard to meeting during a Council Work Session, Mr. Mull stated that he would prefer to meet with Council Members and the City Manager in a less formal setting. Mr. Selby asked whether the letter properly addressed Council's belief that sewer extensions in other cities and counties in the state are provided by the sewer service provider. If not, the MSD needs to make sure an informal discussion on the issue be held. Mr. Clarke suggested that the response state that "sewer extensions for the most part are not funded by sewer rates." Mr. Spell stated that as a part of his presentation to Council at the Retreat, he reported on some suggestions offered by the Blue Ribbon Committee on sewer

extensions and funding options, which merit further review. With no further discussion, voice vote was unanimous in favor of the motion.

In other business, Mr. Aceto reported that the Committee held a discussion regarding 6" Sewer Standards and the need to discuss incentives to developers to install public sewers instead of private sewers. He further reported that the presentation on Ash Disposal was tabled until the next meeting of the Committee.

**6. Unfinished Business:**

**a. Consideration of New Maintenance Building WWTP:**

Mr. Aceto presented a summary of staff's report regarding the new maintenance building and conversion of the existing facility to a Learning Center. On behalf of the Planning Committee, Mr. Aceto moved to approve staff's recommendation to proceed with the design and construction of a new 12,000 square foot Maintenance Facility. Mr. Pace seconded the motion. A discussion followed regarding the possibility of other new facilities in the future, and whether the day to day operation of the proposed facility will have any affect on the budget. With no further discussion, Mr. Kelly moved to table the motion until the next meeting of the Board. Mr. Sobol seconded the motion. Voice vote was in favor of the motion. Mr. Pace voted against the motion.

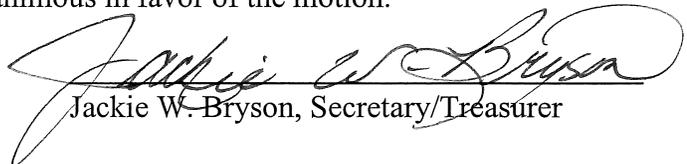
**7. Old Business:**

Mr. Mull announced that the Public Hearing on the Budgets and Sewer Use Charges will be held at the regular meeting of the Board on Wednesday, June 9, 1999 at 2:00 p.m. Mr. Selby suggested that the issue of legal services be placed on the June agenda for discussion.

Mr. Mull presented a schedule of facility tours for review. The Board decided to tour the Plant and Hydro facilities on May 19, 1999 at 10:30 a.m., with a tour of the Maintenance and CP&L building in July.

**8. Adjournment:**

At 4:35 p.m., Mr. Pace moved for adjournment. Mr. Venable seconded the motion. Voice vote was unanimous in favor of the motion.

  
Jackie W. Bryson, Secretary/Treasurer

**RESOLUTION ADOPTING PRELIMINARY BUDGETS  
FOR THE  
METROPOLITAN SEWERAGE DISTRICT  
OF BUNCOMBE COUNTY, NORTH CAROLINA  
FOR THE FISCAL YEAR JULY 1, 1999 THRU JUNE 30, 2000**

**WHEREAS**, the Board of Directors has reviewed the Operations and Maintenance, Bond, Reserves, and Construction Expenditures of the District and the sources of revenue and allocations (uses) of expenditures for the 1999-2000 fiscal year; and

**WHEREAS**, the District will have a Reserve for Encumbrances at June 30, 1999, which in accordance with generally accepted accounting principles should be reflected in the 1999-2000 Budget Resolution.

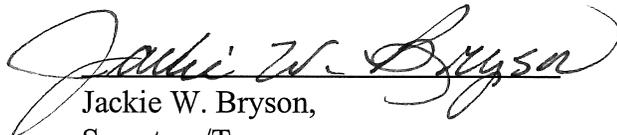
**NOW, THEREFORE, BE IT RESOLVED:**

1. That pursuant to the provisions of North Carolina G.S. 159-13 the attached budgets are hereby adopted as the Preliminary Budgets of the Metropolitan Sewerage District of Buncombe County, North Carolina for the fiscal year July 1, 1999 through June 30, 2000; and
2. That the Board of the Metropolitan Sewerage District of Buncombe County does hereby approve an increase in the Budgets to the amount necessary to reflect the amount of the Reserve for Encumbrances at June 30, 1999.
2. That this resolution shall be entered in the minutes of the District and within five (5) days after its adoption, copies thereof are ordered to be filed with the Finance and Budget Officer and Secretary of the Board as required by G.S. 159-13 (d).
4. That a date for a public hearing on said Budgets and Sewer Use Charges to be held 2:00 p.m., June 9, 1999, in the Boardroom of the MSD Administration Building located at N.C. Highway 251 North at Woodfin, North Carolina. The Preliminary Budgets shall remain available for public inspection in the office of the District until adopted by the Board.

Adopted this 5<sup>th</sup> day of May, 1999.

  
\_\_\_\_\_  
Edmund R. Selby, Chairman  
Metropolitan Sewerage District of  
Buncombe County, North Carolina

Attest:

  
\_\_\_\_\_  
Jackie W. Bryson,  
Secretary/Treasurer

**FISCAL YEAR 2000  
PRELIMINARY BUDGETS  
For the  
METROPOLITAN SEWERGE DISTRICT  
OF  
BUNCOMBE COUNTY, North Carolina**

Operation and Maintenance Budget (See Note Below)	\$10,229,038
Construction:	
1999 Series Revenue Bonds	\$16,412,373
General Fund Appropriation	7,764,703
	\$24,177,076
Bond Service Funds	\$5,051,906
Maintenance Reserve Fund (6% of O & M Fund)	\$613,742

Note: Includes contributions to the following funds:

Building Trades Internal Service Fund	\$657,453
MIS Internal Service Fund	\$283,083
Fleet Internal Service Fund	\$530,843
Worker's Compensation Insurance Fund	\$129,100
General Liability Insurance Fund	\$282,300
Fleet Replacement Fund	\$358,000
Self-Funded Employee Medical	\$540,000

# MSD Metropolitan Sewerage District of Buncombe County, North Carolina

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P.O. Box 8969, Asheville, N.C. 28814  
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John S. Stevens, General Counsel

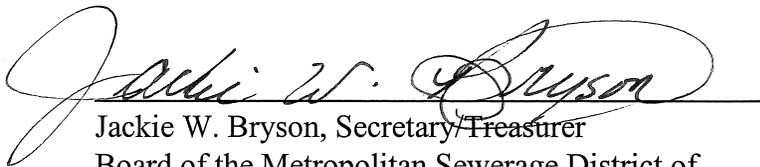


Edmund R. Selby, Chairman  
C. Michael Sobol, Vice-Chairman  
Jackie W. Bryson, Secretary/Treasurer  
Steven T. Aceto  
Brady Blackburn  
Barbara A. Field  
Elizabeth C. Graham  
E. Glenn Kelly  
Ben Pace  
S. Douglas Spell  
W. Donald Venable

## CERTIFICATION

I, Jackie W. Bryson, Secretary/Treasurer to the Board of the Metropolitan Sewerage District of Buncombe County, North Carolina, do hereby certify that the attached is a true and correct copy of the Resolution adopting the Preliminary Budgets and Sewer Use Charges for Fiscal Year 1999-2000.

This the 5<sup>th</sup> day of May, 1999.



Jackie W. Bryson, Secretary/Treasurer  
Board of the Metropolitan Sewerage District of  
Buncombe County, North Carolina

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT**  
**MAY 19, 1999**

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

A special meeting of the Board of the Metropolitan Sewerage District was held in the Boardroom of MSD's Administration Building at 1:00 p.m., Wednesday, May 19, 1999. Chairman Selby presided with the following members present: Aceto, Blackburn, Bryson, Field, Kelly, Pace, Sobol, Spell and Venable. Ms. Graham was absent.

Others present were: W. H. Mull, General Manager, William Clarke, MSD Attorney, Tom Hartye, John Kiviniemi and Sondra Honeycutt, MSD.

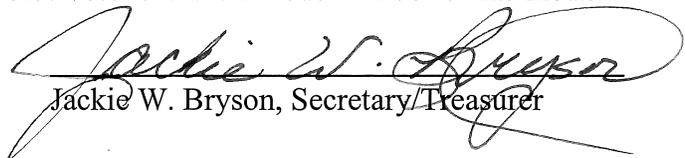
**2. Consideration of Bid for a 2 MW Diesel Generator at Treatment Plant:**

Mr. Mull reported that at the May 5, 1999 meeting of the Board, staff was authorized to proceed with the procurement of a 2 MW Diesel Generator. He further reported that one (1) bid was received and opened May 14, 1999 from CP&L in the amount of \$617,071.00. As a matter of information, Mr. Clarke reported that CP&L attached a Master Services Agreement to the bid proposal, which otherwise met the requirements of the specifications. He further reported that in a conversation with CP&L some suggested changes were made to the Contract, and with these changes, he recommends approval. Mr. Mull stated that the project is budgeted in the CIP and will be financed by the 1999 Series Revenue Bond Issue at an estimated cost of \$750,000.00.

A discussion followed regarding installation; why there was only one bid; whether the specifications were generic in nature, and if there is a contingency. Mr. Clarke stated that the specifications were very generic and CP&L is providing a turnkey installation of a 2400 volt, 2MW Caterpillar Generator and an Automatic Transfer Switch. Mr. Mull stated that if the bid is approved, it will be installed and in operation by the end of November. Ms. Field moved that the Board award the bid to CP&L in the amount of \$619,071.00, subject to negotiation of a satisfactory contract between CP&L and the District. Mr. Pace seconded the motion. Mr. Venable asked for an explanation of the Maintenance Agreement. Mr. Mull stated that the District has the option of entering into an Operational Agreement with CP&L, whereby if the unit is not functioning on any day in which CP&L pulls their Interruptible Power Supply (IPS) rate, and is over the 75-days a year to do that, CP&L would not charge a penalty day. He further stated that the District will operate the generator for a year or so, then evaluate the need to enter into an Operational Agreement. With no further discussion, roll call vote was as follows: 9 Ayes; 0 Nays. Mr. Spell was absent during the vote.

**3. Adjournment:**

With no further business, Mr. Aceto moved for adjournment at 1:10 p.m. Mr. Pace seconded the motion. Voice vote was unanimous in favor of the motion.

  
Jackie W. Bryson, Secretary/Treasurer