



ORANGE WATER AND SEWER AUTHORITY

Quality Service Since 1977

AGENDA

MEETING OF THE OWASA BOARD OF DIRECTORS

THURSDAY, JANUARY 26, 2006, 7:00 P.M.

CHAPEL HILL TOWN HALL

In compliance with the "Americans with Disabilities Act," interpreter services are available with five days prior notice. If you need this assistance, please call the Clerk to the Board at 537-4217.

7:00 PM

Announcements

1. Announcements by the Chair
 - A. Any Board member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time.
2. Announcements by Board Members
 - A. Ad Hoc Community Outreach Committee will meet on Wednesday, February 8, 2006, at 8:30 AM in the OWASA Boardroom to discuss the planning of the 2006 Community Outreach Meeting (Mark Marcoplos)
3. Announcements by Staff
 - A. Government Finance Officers Association recognizes OWASA for its Distinguished Budget Presentation (Kevin Ray)
 - B. Natural Resources Technical Systems Committee will meet on Thursday, February 9, 2006 at 5:30 PM in the OWASA Boardroom to discuss Biosolids Management (Ed Kerwin)
 - C. Community Meeting on January 31, 2006 at 7:00 PM in the OWASA Community Room with neighbors of Mason Farm Wastewater Treatment Plant to discuss upcoming odor assessment study (John Greene)

7:05 PM

Petitions and Requests

1. Public
2. Board
3. Staff

CONSENT AGENDA

Information and Reports

7:10 PM

1. Merit Pay Distribution Report (Gwen Burston)
2. Vision Care Plan Report (Gwen Burston)
3. Semi-Annual Contractor and Consultant Performance Report (Imtiaz Ahmad)

Minutes (Andrea Orbich)

4. Approval of Minutes for the November 10, 2005 Meeting of the Board of Directors
5. Approval of Minutes for the January 12, 2006 Closed Session of the Board of Directors for the Purpose of Discussing Pending Litigation

Action

6. Resolution Authorizing the Award of Long-Term Disability Insurance to Standard Insurance Company (Gwen Burston)

REGULAR AGENDA

Discussion

- | | |
|---------|---|
| 7:15 PM | 7. Response to Chapel Hill Town Council's Request for a Briefing about the Effects of Increased Development Density on OWASA's Ability to Meet Water Supply and Wastewater Treatment Demands (Ed Holland) |
| 7:45 PM | 8. Response to a Petition from Mark Marcoplos Regarding OWASA's Responsibility to its Neighbors during a Regional Drought (Ed Holland) |
| 8:15 PM | 9. A. Annual Report on Recreation at University Lake and Cane Creek (John Greene)
B. Staff Report on Possible Revised Hours of Recreation at University Lake and Cane Creek Reservoir (John Greene) |
| 8:30 PM | 10. Status Report on Executive Director's Work Plan (Ed Kerwin) |

CLOSED SESSIONS

- | | |
|---------|--|
| 8:40 PM | 11. Following the meeting of the Board of Directors the Board will convene in Closed Session for the Purpose of Discussing Land Acquisition (Ed Holland) |
| | 12. For the Purpose of Discussing a Personnel Matter (Penny Rich) |

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Gwen Burston

DATE: January 18, 2006

SUBJECT: Merit Pay Distribution Report

All permanent OWASA employees receive a formal performance appraisal every six months (6 month interim review in April and annual review in October). These performance appraisals provide the opportunity to recognize and document employee achievements; facilitates constructive communication between the employee and their supervisor; identify opportunities for improvements; and the October annual performance appraisal serves as the basis for awarding salary increase based on merit. In 2005 the OWASA Board of Directors approved a 3.5 percent merit pool increase for employees. The actual average employee merit increase effective November 2005 was 3.5 percent.

The average annual performance appraisal rating for all employees in October 2005 was 3.63 on a 1.00 – 5.00 scale. The distribution of annual performance appraisals rating and the resulting merit pay increases are summarized in the table below.

Numerical Rating	Job Performance Category	Percent Merit Increase	No. of Employees
1.00-1.99	Substantially Below Expectations	0	0
2.00-2.74	Below Expectations	0	0
2.75-2.99	Meets Expectations	1.31	1
3.00-3.24	Meets Expectations	3.06	9
3.25-3.49	Meets Expectations	3.28	18
3.50-3.74	Meets Expectations	3.50	59
3.75-3.99	Meets Expectations	3.72	37
4.00-4.24	Exceeds Expectations	3.94	7
4.25-4.99	Exceeds Expectations	N/A	0



Gwen Burston
Director of Human Resources

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Gwen Burston

DATE: January 18, 2006

SUBJECT: Vision Care Plan Report

In January 1993 the Board of Directors approved addition of vision care benefits to our health insurance plans. This benefit was added following a survey of employees that showed 55% of our work force wore prescription glasses. Since our health insurance provider offered this benefit, vision care was incorporated into the existing medical plans. Blue Cross/Blue Shield (BCBS) subsequently advised us that they would no longer cover vision care as of January 1, 1996.

The Board of Directors approved an in-house vision care plan effective January 1, 1996. In addition to OWASA funding, employees contribute to the plan through monthly premiums as follows: Individual: No Cost; Parent/Child: \$2.00; Employee/Spouse: \$4.00; Family Coverage: \$7.00.

Vision care plan cost for the past two years:

	<u>2004</u>	<u>2005</u>
<i>OWASA Costs</i>	\$40,029.94	\$44,223.87
<i>Employee Premiums</i>	\$4,971.00	\$4,647.50
<i>Claims Paid</i>	(183) \$45,000.94	(191) \$48,871.37

Employees continue to regularly use and value this benefit. The plan allows employees to spend up to \$405 per year on eye glasses, contact lenses and eye exams.

Employees receive a discount when they seek vision care services from providers associated with BCBS. The discount results in a savings for OWASA and the employee, thus we do require employees to use BCBS providers whenever possible. BCBS has a large network of providers, so employees and their dependents rarely have to go outside of the BCBS network for services.



Gwen Burston
Director of Human Resources

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: F. Stuart Carson, P.E.

DATE: January 20, 2005

SUBJECT: Semi-Annual Contractor and Consultant Performance Report

It is OWASA policy to assess contractor performance and responsiveness during and following construction of a project. OWASA also evaluates consultant performance on projects. The resulting evaluations of performance would ultimately be included as factors to consider when evaluating future proposals from contractors and consultants desiring to perform work for OWASA.

Beginning with this report, interim performance evaluations for projects that are considered larger in scope or longer in duration than most projects undertaken by OWASA will be included. The inclusion of interim performance evaluations will be project dependent. This report also includes evaluations of a project that was terminated prior to completion.

The projects from the past 6-month period (since July 2005) included in this report are:

- Water Treatment Plant Upgrade and Expansion (terminated)
- Morgan Creek Interceptor Aerial Crossing (complete)
- Meeting of the Waters Interceptor Replacement / Rehabilitation (interim)
- North Forest Hills Pump Station Phase Out (complete)
- Mason Farm WWTP 14.5 MHD Upgrade and Expansion (interim)
- Reclaimed Water Treatment, Pumping, and Storage (interim)
- Reclaimed Water Transmission System (interim)

The attached table summarizes the evaluation results for these projects. The corresponding evaluation forms are available upon request. Please let me know if you need additional information.

F. Stuart Carson, P.E.
Engineering Manager – Capital Improvements Program

Attachments

ATTACHMENT 1

**SUMMARY OF CONSULTANT AND CONTRACTOR RATINGS
Projects Completed July – December 2005**

Project	Consultant/Contractor	Overall Rating	Comments
CIP 272-03 Jones Ferry Road WTP Upflow Clarifiers, Backwash Clarifiers, and Generator Improvements (Phase 4)	Hazen and Sawyer (Consultant)	Good	This is a performance evaluation for the study, design, bid, construction administration, and inspection services phases of this project. (Note: This project was terminated prior to completion.) In general, the scope of work, milestones, and schedule were well-written and well-defined. They provided a very clear and understandable study report and make a good presentation. The consultant had a good understanding of the site and did a good job documenting its condition, clear plans and specifications were developed, they did a good job coordinating with NCDENR, and did an excellent job organizing and conducting meetings during the design phase. They did a good job preparing for the conference and with all other aspects associated with the project bid services phase. The consultant did a good job trying to resolve issues with a difficult contractor, documenting contract delays, and trying to expedite the project completion during construction administration phase. Thorough field observations were done and good communication with OWASA and the contractor was maintained during the course of this project.
	Crain and Denbo, Inc. (Contractor)	Unsatisfactory	This is a performance evaluation for the construction phase of this project. The contractor was terminated for cause prior to completion of the work. They provided inadequate management and supervision and were contentious throughout dispute resolution efforts. They did a poor job managing their subcontractors and provided poor supervision for their employees. The contractor did a very poor job with project documentation responsibilities. Quality of work completed prior to termination was fair. The superintendent was competent, but did not have the authority to act in a proactive way. The contract was terminated

SUMMARY OF CONSULTANT AND CONTRACTOR RATINGS (Continued)

Project	Consultant/Contractor	Overall Rating	Comments
			because the contractor failed to complete bypass pumping and associated work. The equipment used was inadequate and not maintained properly. This contractor is not recommended for any future work for OWASA.
CIP 276-04 Morgan Creek Interceptor: Aerial Sewer Crossing Repair	Billings and Garrett, Inc. (Contractor)	Good	This is a performance evaluation for the construction phase of this project. While the project documentation provided by the contractor was only fair, they did a good job with the construction. They adhered to the schedule, handled a pump around event well, and their subcontractor suggested a different pile cap design that speed up construction. (Note: This design was completed by OWASA staff, not by an outside consultant.)
CIP 276-33 Meeting of the Waters Interceptor Sewer Improvements	Brown and Caldwell (Consultant)	Good	This is an interim performance evaluation for the study and partial preliminary design phase of this project. The consultant met their commitments even though they did not have complete control of the schedule due to scope changes and a high degree of community involvement. They were very proactive in preparing for, and responding to, community meetings. They were very responsive to OWASA's needs for a tree survey and meeting presentation exhibits.
CIP 277-17 North Forest Hills Pump Station Phase- Out	Earth Tech of the Carolinas (Consultant)	Good	This is a performance evaluation for the study, design, bid, construction administration, and inspection services phases of this project. In general, the scope of work, milestones, and schedule were well-written and well-defined. The consultant did a good job meeting the study phase project scope. The site was well investigated, good plans were developed, and good coordination and communication with OWASA and other agencies was provided during the design phase. They did a good job of estimating project costs for the bid services phase of the project. The consultant did a

SUMMARY OF CONSULTANT AND CONTRACTOR RATINGS (Continued)

			good job responding to field issues during construction administration and providing field observation. They have worked very hard assisting OWASA in resolving several customer related concerns.
	Billings and Garrett, Inc. (Contractor)	Good	This is a performance evaluation for the construction phase of this project. Management, supervision, and project documentation for this project was fair. In particular, the contractor’s project manager did not spend enough time on site on a day-to-day basis and their timeliness providing close-out documentation was poor. The overall quality of the work was fair, but the quality of their clean-up and site restoration efforts was poor. The contractor did a good job of prosecuting the work and their equipment was adequate for the work. Overall, they provided good customer service to OWASA, other agencies, and the public. There were several customer issues that arose during project construction and the contractor did a good job in responding to them. The contractor currently is working with its insurance company and a resident to resolve one outstanding issue.
CIP 278-06 Mason Farm Wastewater Treatment Plant Upgrade and Improvement	Brown and Caldwell (Consultant)	Good	This is a performance evaluation for the study, design, and bid services phases and an interim performance evaluation of the ongoing construction administration phase of this project. In general, the scope of work, milestones, and schedule were well-written and well-defined. The consultant did an excellent job during the study phase meeting the project scope. During the design phase, good topographic surveys were produced, the site was thoroughly investigated, the plans were very well developed, good coordination with other agencies was provided, and the consultant provided good support in obtaining UNC Rights of Entry permits. They did a good job of estimating project costs for the bid services phase of the project. Thus far during the construction administration phase of the project, the consultant has done an excellent job being proactive processing submittals and has done a good job with conducting field observations.
	Construction Dynamics Group (Consultant)	Good	This is a performance evaluation for the design management and bid services phases and an interim performance evaluation of the ongoing

SUMMARY OF CONSULTANT AND CONTRACTOR RATINGS (Continued)

			<p>construction administration and inspection services phases of this project. In general, the scope of work, milestones, and schedule were well-written and well-defined. The consultant did a good job during the study phase meeting the project scope. During the design phase, the consultant did a good job keeping the design consultant (Brown and Caldwell) on schedule. They did a good job of managing the bid services phase of the project. In particular, they did an excellent job developing and managing a pre-qualification process to evaluate the bidders. Thus far during the construction administration phase of the project, the consultant has done an excellent job being proactive processing submittals and has done a good job with conducting field observations. They also have been proactive in resolving issues and have done a good job communicating with the contractor and OWASA. Thus far during the construction inspection phase of the project, they have performed inspections very well, have actively aided in resolving field issues, and have communicated well.</p>
	<p>Pizzagalli Construction Company (Contractor)</p>	<p>Excellent</p>	<p>This is an interim performance evaluation for the construction phase of this project. The contractor has been extremely proactive in resolving potential disputes and has done a good job of field supervision and coordination with subcontractors and suppliers. They also have been proactive with submittals and have work hard to avoid any unexpected Change Orders. They have adhered to the plans and specifications. There have been some housekeeping concerns but, in general, they have done a good job. They have done an excellent job meeting or exceeding the overall schedule and are on schedule for final completion of the Early Completion Milestone. They do an excellent job selecting, using, and maintaining the appropriate equipment for the project. Overall, they are providing excellent customer service. Thus far, Value Engineering ideas proposed by the contractor have saved OWASA approximately \$37,000.</p>

SUMMARY OF CONSULTANT AND CONTRACTOR RATINGS (Continued)

<p>CIP 278-30 Reclaimed Water Treatment, Pumping and Storage Facilities</p>	<p>Hazen and Sawyer (Consultant)</p>	<p align="center">Good</p>	<p>This is an interim performance evaluation for the ongoing study phase of this project. The consultant developed a quality schedule and has kept it updated. They have presented clear and coherent information at progress meetings. They met their deadlines over which they had control. They were very helpful in our communications with UNC-CH. They have done an excellent job in the preparation and presentation of technical memoranda submitted to date.</p>
<p>CIP 278-31 Reclaimed Water Transmission System</p>	<p>Hazen and Sawyer (Consultant)</p>	<p align="center">Good</p>	<p>This is an interim performance evaluation for the ongoing study phase of this project. The consultant developed a quality schedule and has kept it updated. They have presented clear and coherent information at progress meetings. They met their deadlines over which they had control. They were very helpful in our communications with stakeholders regarding route selection and have cooperated well with other consultants. They have done an excellent job in the preparation and presentation of technical memoranda submitted to date.</p>

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

NOVEMBER 10, 2005

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, November 10, 2005, in OWASA's Community Room.

Directors present: Michael A. (Mac) Clarke, Chair; Penny Rich, Vice Chair; Randy Kabrick, P.E., Secretary; Terri Buckner; Milton S. Heath, Jr.; Marge Anders Limbert; Mark Marcoplos; and Laura Sandvik. Directors absent: and Judith K. Weseman.

Others present: Ed Kerwin, Imtiaz Ahmad, Jan Bryant-Berry, Stuart Carson, Mary Darr, Patrick Davis, Greg Feller, John Greene, Ed Holland, Andrea Orbich, Kevin Ray and Judy Weller, OWASA staff; Robert Epting, Esquire, Epting and Hackney; Meg Holton, Water, Wastewater, and Stormwater Manager, UNC; Alan Rimer, Black & Veatch; Frank Corr; and Gary Richmond.

There being a quorum present, Chair Mac Clarke called the meeting to order.

MOTIONS ACTED UPON

1. Penny Rich made a motion to adopt the minutes of the October 13, 2005, Closed Session of the Board of Directors for the purpose of conferring with Counsel and staff regarding a pending claim and potential claim which may lead to litigation. The motion was seconded by Terri Buckner, and carried by unanimous vote.

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Selecting the Best Qualified Consulting Firm and Authorizing the Executive Director to Negotiate a Contract for an Odor Assessment at OWASA's Mason Farm Wastewater Treatment Plant" (Resolution so titled attached hereto and made a part of these minutes. Motion by Milton Heath, it was seconded by Penny Rich, and carried by unanimous vote.)

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Selecting Burton & Associates as the Best-Qualified Firm for the Comprehensive Water, Sewer and Reclaimed Water Cost of Service and Rate Design Study" with an added statement that a written commitment addressing the Board's concern about conflict of interest from Burton & Associates will be incorporated into the resolution. (Resolution so titled attached hereto and made a part of these

minutes. Motion by Milton Heath, it was seconded by Randy Kabrick, and carried by a vote of seven to one, with Terri Buckner opposing.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Awarding Construction Contract for the Jones Ferry Road Water Treatment Plant Backwash Clarifier and Filter Improvement Project." (Resolution so titled attached hereto and made a part of these minutes. Motion by Laura Sandvik, it was seconded by Terri Buckner, and carried by unanimous vote.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution to Accept Additional Conservation Easement on a Parcel in Cane Creek Watershed." (Resolution so titled attached hereto and made a part of these minutes. Motion by Marge Anders Limbert, it was seconded by Milton Heath, and carried by unanimous vote.)

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution in Support of the Land For Tomorrow Open Space Preservation Partnership." (Resolution so titled attached hereto and made a part of these minutes. Motion by Milton Heath, it was seconded by Penny Rich, and carried by unanimous vote. It is noted that Marge Anders Limbert recused herself from discussion and action on this item.)

7. Penny Rich made a motion for the Board to go into a Closed Session for the purpose of instructing Counsel and staff regarding negotiations. It was seconded by Laura Sandvik, and carried by unanimous vote.

* * * * *

ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Mac Clarke said any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time.

Marge Anders Limbert said she would recuse herself from discussion of the agenda item titled Resolution in Support of the Land For Tomorrow Open Space Preservation Partnership. Ms. Limbert is the Outreach Coordinator for Land For Tomorrow.

PUBLIC FORUM

Ed Kerwin announced he and Mac Clarke would attend a public forum hosted by Chapel Hill Town Council, Chapel Hill Town Hall, on Monday, November 14, 2005, at

7:00 P.M. to report on OWASA's progress in eliminating off-site odor from the Mason Farm Wastewater Treatment Plant.

COMMITTEE MEETINGS

Ed Kerwin announced a Natural Resources/Technical Systems Committee meeting on Thursday, December 15, 2005 at 5:30 P.M. in the OWASA Boardroom to discuss action planning for the conservation goal and objectives.

JUDITH WELLER

Kevin Ray introduced the new Accounting Manager, Judith (Judy) Weller.

COMMUNITY MEETING

Ed Kerwin said that although staff and consultants had initially planned to present a report on the Meeting of the Water Sewer Replacement and Water Reuse Pipeline installation projects at the December 15, 2005, Board meeting, staff needs additional time to answer questions that citizens have raised. A community meeting will be held on Tuesday, December 13, 2005, at 7:00 P.M. in the Community Room with the stakeholders. Staff plans to make a report to the Board at the January 12, 2006 meeting.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC

Mac Clarke asked for petitions and requests from the public. There were none.

ITEM THREE: PETITIONS AND REQUESTS FROM THE BOARD

Mac Clarke asked for petitions and requests from the Board.

Terri Buckner petitioned the Board of Directors to take under advisement the request by Alan Rimer and her to add a pharmaceuticals disposal policy to the OWASA Sewer Use Ordinance.

The Board accepted the petition and referred it to staff for a report at a future meeting.

ITEM FOUR: PETITIONS AND REQUESTS FROM THE STAFF

Mac Clarke asked for petitions and requests from the staff. There were none.

ITEM FIVE: BIMONTHLY STATUS REPORT ON THE MASON FARM WASTEWATER TREATMENT PLANT UPGRADE AND EXPANSION PROJECT

The Board received the bimonthly status report on the Mason Farm Wastewater Treatment Plant (WWTP) upgrade and expansion project as an information item.

ITEM SIX: SEMIANNUAL STATUS REPORT FOR VARIOUS CAPITAL IMPROVEMENT PROJECTS INCLUDING THE QUARTERLY REPORT ON COMMUNICATION PLANS FOR CAPITAL PROJECTS

Mac Clarke asked Robert Epting if any communication was received from the Piney Mountain Homeowners Association.

Mr. Epting said no.

Imtiaz Ahmad said the Mason Farm Wastewater Treatment Plant (WWTP) improvement project reached a milestone today. The filters and ultra violet light (UV) disinfection system were now in limited service.

Terri Buckner complimented staff on the public communications work. She said she is proud to be associated with an organization which invests time wisely to inform and involve the public.

ITEM SEVEN: QUARTERLY REPORT ON EXTENSIONS AND CONNECTIONS

The Board received as an information item the quarterly report on extensions and connections to the water and wastewater systems.

ITEM EIGHT: MINUTES

Penny Rich made a motion to adopt the minutes of the October 13, 2005, Closed Session of the Board of Directors for the purpose of conferring with Counsel and staff regarding a pending claim and potential claim which may lead to litigation. The motion was seconded by Terri Buckner, and carried by unanimous vote. See Motion No. 1 above.

ITEM NINE: VERBAL REPORT ON QUARTERLY FINANCIAL REPORT AND ANALYSIS

Kevin Ray gave the Board a summary of the written report on the quarterly financial report and analysis.

ITEM TEN: RESOLUTION SELECTING THE BEST QUALIFIED CONSULTING FIRM AND AUTHORIZING THE EXECUTIVE DIRECTOR TO NEGOTIATE A CONTRACT FOR AN ODOR ASSESSMENT AT OWASA'S MASON FARM WASTEWATER TREATMENT PLANT

Milton Heath asked why the firm selected is considered the best qualified.

Mary Darr said that Black & Veatch provided a comprehensive proposal that best addressed OWASA's needs.

Marge Anders Limbert asked how long the contract may last.

Ms. Darr said staff is not sure, and that the duration will depend on the scope of work to be prepared. The contract could be open-ended until OWASA reaches the goal of no off-site odors.

Milton Heath made a motion to adopt the Resolution Selecting the Best Qualified Consulting Firm and Authorizing the Executive Director to Negotiate a Contract for and Odor Assessment at OWASA's Mason Farm Wastewater Treatment Plant. It was seconded by Penny Rich, and carried by a unanimous vote. See Motion No. 2 above.

ITEM ELEVEN: RESOLUTION SELECTING BURTON & ASSOCIATES AS THE BEST QUALIFIED FIRM FOR THE COMPREHENSIVE WATER, SEWER AND RECLAIMED WATER COST OF SERVICE AND RATE DESIGN STUDY

Milton Heath requested additional comments/assurance from Burton & Associates to confirm that they would not respond to inquiries from the University regarding the rate study once they are under contract with OWASA.

Mac Clarke said it was important to OWASA that there is no appearance of a conflict of interest and asked that staff request from Burton & Associates a written commitment stating same.

Ed Kerwin said that he has talked with Burton & Associates regarding this matter, a draft has been received, and Burton & Associates agreed to provide such a statement.

Terri Buckner said she does not dispute that Burton & Associates is the best technically qualified firm for this study, but she expressed her concern that there will be the appearance of a conflict of interest because of Burton & Associates' previous reuse work with the University.

Milton Heath made a motion to adopt the resolution selecting Burton & Associates as the Best-Qualified Firm for the Comprehensive Water, Sewer and Reclaimed Water Cost of Service and Rate Design Study with an added statement that a written commitment addressing the Board's concern about conflict of interest from Burton & Associates will be incorporated into the resolution. It was seconded by Randy Kabrick, and carried by a vote of seven to one, with Terri Buckner opposing because she feels it is more important to avoid any public criticism due to the appearance of a conflict of interest. See Motion No. 3 above.

ITEM TWELVE: RESOLUTION AWARDING CONSTRUCTION CONTRACT FOR THE JONES FERRY ROAD WATER TREATMENT PLANT BACKWASH CLARIFIER AND FILTER IMPROVEMENTS PROJECT

Laura Sandvik made a motion to adopt the resolution awarding the construction contract for the Jones Ferry Road Water Treatment Plant Backwash Clarifier and Filter Improvement project. It was seconded by Terri Buckner, and carried by unanimous vote. See Motion No. 4 above.

ITEM THIRTEEN: RESOLUTION TO ACCEPT ADDITIONAL CONSERVATION EASEMENT ON A PARCEL IN CANE CREEK WATERSHED

The Board expressed their heartfelt appreciation to Drs. Bernadette Pelissier and G. Vann Bennett for their donation of a conservation easement on their land in the Cane Creek watershed. It was requested that a news release be sent to the media regarding this generous gift.

Marge Anders Limbert made a motion to adopt the resolution to accept the additional conservation easement on a parcel in the Cane Creek Watershed. It was seconded by Milton Heath, and carried by unanimous vote. See Motion No. 5 above.

ITEM FOURTEEN: RESOLUTION IN SUPPORT OF THE LAND FOR TOMORROW OPEN SPACE PRESERVATION PARTNERSHIP

Milton Heath made a motion to adopt the resolution in support of the Land For Tomorrow Open Space Preservation Partnership. It was seconded by Penny Rich, and carried by unanimous vote. See Motion No. 6 above.

(It is noted that Marge Anders Limbert recused herself from discussion on this item.)

ITEM FIFTEEN: DISCUSSION OF EXCESS CAPACITY CREDIT POLICY

The Board discussed John Greene's report on alternatives for a new policy on reimbursing developers for a portion of costs when water and sewer lines are installed at a size larger than needed for a new development. The Board agreed to discuss this item on December 15, 2005, pending receipt of comments from the Town of Chapel Hill after the Town Council's November 21, 2005 meeting.

Frank Corr, a resident of the Northwoods neighborhood in Chapel Hill, stated he had been initially concerned that the Town of Chapel Hill could assess his property for an over-size water main and about a possible pump station with tie-ins of 10-inch mains, but these points are no longer relevant.

Orange Water and Sewer Authority

November 10, 2005

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ITEM SIXTEEN: CLOSED SESSION

Penny Rich made a motion for the Board to go into a Closed Session for the purpose of instructing Counsel and staff regarding negotiations. It was seconded by Laura Sandvik, and carried by unanimous vote. See Motion No. 7 above.

There being no further business to come before the Board, the meeting was adjourned at 9:55 P.M.

Respectfully submitted,

- DRAFT -

Andrea Orbich
Executive Assistant

Encs.

NOTE: Audiotapes are available at OWASA for listening.

DRAFT

ORANGE WATER AND SEWER AUTHORITY

CLOSED SESSION OF THE BOARD OF DIRECTORS

January 12, 2006

The Board of Directors of Orange Water and Sewer Authority met in Closed Session on Thursday, January 12, 2006 following the regularly scheduled meeting of Board of Directors meeting in OWASA's Community Room.

Directors present: Michael A. (Mac) Clarke, Chair; Randolph M. Kabrick, P.E., Secretary; Terri Buckner; Milton Heath Jr.; Marge Anders Limbers; Gordon Merklein; and Laura Sandvik. Directors not present: Penny Rich, Vice Chair; and Mark Marcoplos.

Others present: Ed Kerwin, John Greene, Ed Holland, and Kevin Ray, Orange Water and Sewer Authority; and Robert Epting Esquire, Epting and Hackney.

ITEM ONE

The Board of Directors met in Closed Session for the purpose of conferring with Counsel and staff regarding potential litigation.

No official action was taken.

DRAFT

**Ed Kerwin
Executive Director**

ITEM 6

AGENDA ITEM

- RESOLUTION AUTHORIZING THE AWARD OF LONG-TERM DISABILITY INSURANCE TO STANDARD INSURANCE COMPANY

BACKGROUND

- Long-Term Disability (LTD) insurance has been continuously provided at no cost to OWASA employees since February 1977.
- LTD provides disabled employees a benefit equal to 60% of basic compensation with a minimum monthly benefit of \$200 and a maximum monthly payment of \$2,500. There is a three month waiting period required to become eligible for payments.
- Currently, UNUM provides LTD coverage for OWASA and they have met our expectations.
- Last year our Human Resources Committee requested that our broker for LTD and life insurance, George Williams, re-evaluate the market for LTD coverage.
- Mr. Williams recommended Standard Insurance Company for our LTD coverage. The change will result in a reduction in premiums and the company is financially stable with a high level of customer satisfaction.
- Standard has proposed to provide LTD coverage for \$.579 per \$100 of payroll. UNUM's current rate is \$0.68 per \$100 of payroll, and past trends suggest that UNUM will propose some level of increase for the coming year.
- The switch to Standard would represent a 15% decrease in the premium cost. Standard is willing to guarantee this rate for OWASA for two years.
- The Human Resources Committee discussed the Standard proposal at their January 5, 2006 meeting and recommended that OWASA move to accept Standard's proposal to become our new LTD insurance provider. Our current coverage will expire in February 2006.

ACTION NEEDED

- Resolution to award Long-Term Disability insurance contract to Standard Insurance Company.

STAFF RECOMMENDATION

- Award the Long-Term Disability insurance contract to Standard Insurance Company at the rate of \$0.579 per \$100 of payroll.

January 26, 2006

Memorandum

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Gwen Burston

DATE: January 18, 2006

SUBJECT: Recommendation to Award Long-Term Disability Insurance (LTD) to Standard Insurance Company

Long-term disability insurance has been continuously provided to OWASA employees since 1977. This coverage provides approximately 60% of the employee's basic salary to employees who are unable to work due to a physical or mental medical condition. All permanent OWASA employees are eligible for this program after satisfying a three month qualifying period.

Currently, UNUM provides LTD coverage for OWASA and they have met our expectations.

Last year our Human Resources Committee requested that our broker for LTD and life insurance, George Williams, re-evaluate the market for LTD coverage.

Mr. Williams recommended Standard Insurance Company for our LTD coverage. The change will result in a reduction in premiums and the company is financially stable with a high level of customer satisfaction.

Standard has proposed to provide LTD coverage for \$0.579 per \$100 of payroll. UNUM's current rate is \$0.68 per \$100 of payroll, and past trends suggest that UNUM will propose some level of increase for the coming year. The switch to Standard would represent a 15% decrease in the premium cost. Standard is willing to guarantee this rate for OWASA for two years.

The Human Resources Committee discussed the Standard proposal at their January 5, 2006 meeting and recommended that OWASA move to accept Standard's proposal to become our new LTD insurance provider. Our current coverage will expire in February 2006.

I recommend that we move our long-term disability insurance to Standard Insurance Company for a two year period, beginning February 1, 2006.



Gwen Burston
Director of Human Resources

**RESOLUTION AUTHORIZING AWARD OF LONG-TERM DISABILITY
INSURANCE TO STANDARD LIFE INSURANCE COMPANY**

WHEREAS, Long-Term Disability insurance coverage for the Orange Water and Sewer Authority will expire in February 2006; and

WHEREAS, George S. Williams, CPCU, re-evaluated the market for Long Term Disability insurance carriers; and

WHEREAS, Mr. Williams recommended Standard as a financially stable company with good customer satisfaction; and

WHEREAS, Standard Insurance Company has offered to provide coverage for two years at a savings of 15%; and

WHEREAS, the Human Resources Committee has recommended the move to Standard.

NOW, THEREFORE BE IT RESOLVED:

1. That the Board of Directors of the Orange Water and Sewer Authority initiate a contract with Standard Insurance Company through George S. Williams, CPCU, Durham, NC for Long-Term Disability insurance.

2. That the coverage include a benefit of 60% of basic monthly compensation for eligible employees.

3. That the term of the above insurance coverage shall be for two years.

Adopted this 26th day of January 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, PE
Secretary

ITEM 7

AGENDA ITEM

- RESPONSE TO CHAPEL HILL TOWN COUNCIL'S REQUEST FOR A BRIEFING ABOUT THE EFFECTS OF INCREASED DEVELOPMENT DENSITY ON OWASA'S ABILITY TO MEET WATER SUPPLY AND WASTEWATER TREATMENT DEMANDS

PURPOSE

- To review the outline of a proposed response to the Chapel Hill Town Council.

BACKGROUND

- The Chapel Hill Town Council has requested that OWASA provide a briefing about the effects of potential increases in allowable development density on OWASA's ability to meet future water and wastewater treatment demands. OWASA's response has been calendared for the February 27, 2006 Council agenda.
- A proposed outline of the February 27 presentation is attached for Board review and comment.

ACTION NEEDED

- Review and discussion of attached outline.

STAFF RECOMMENDATION

- Staff requests that the Board provide guidance and feedback about the February 27, 2006 presentation.

January 26, 2006

MEMORANDUM

TO: Board of Directors
FROM: Ed Holland
THROUGH: Ed Kerwin
DATE: January 19, 2006
SUBJECT: Response to Chapel Hill Town Council's Request for a Briefing about the Effects of Increased Development Density on OWASA's Ability to Meet Water Supply and Wastewater Treatment Demands

Background

At its October 24, 2005 meeting, the Chapel Hill Town Council requested that OWASA provide a briefing about the effects of potential increases in allowable development density on OWASA's ability to meet future water and wastewater treatment demands. Copies of Councilmember Jim Ward's petition to Council and the Town Manager's request to OWASA are attached. Time has been allotted on the February 27, 2006 Chapel Hill Town Council agenda for OWASA's presentation.

Staff has drafted an outline (also attached) of proposed information and discussion points for February 27th. These are based in part on information from the Master Plan Update report of October 21, 2005; several hours of meeting time with staff of the Chapel Hill and Carrboro Planning Departments; and internal discussions among OWASA staff.

Recommendation

Staff requests that the Board review the draft outline and provide guidance and feedback about the February 27, 2006 presentation to the Chapel Hill Town Council.



Edward A. Holland, AICP
Planning Director

DRAFT #1

Proposed Outline of Presentation to Chapel Hill Town Council February 27, 2006

- 1. Note OWASA's responsibility under the original Purchase and Sale Agreements to meet the water and sewer needs of Carrboro, Chapel Hill, and the University. Appreciation for Town staff's ongoing assistance in helping develop demand projections that are consistent with Chapel Hill's land use plans and growth management policies.**
- 2. Review OWASA's supply and demand projections and plans for additional treatment capacity.**
 - Reservoir/quarry system
 - Water treatment plant
 - Wastewater treatment plant
- 3. Discuss basic assumptions and trends that underlie OWASA's demand forecasts.**
 - Specific UNC development plans where available (including water/sewer demands per unit)
 - Extrapolation of historic demands for non-UNC development
 - 20+ percent safety margin above local buildout estimates
 - Conservative assumptions about future conservation practices in renovations of existing buildings and in new construction
- 4. Summarize recent trends in water demands.**
 - Historically stable rate of new single family home construction
 - Water sales and reservoir withdrawals for the past six years below historically high levels observed in 1999
 - Relative water demands by major customer classes virtually unchanged
 - University has implemented many water-efficiency measures
 - Substantial reductions in peak demands at both the water and wastewater treatment plants
 - Process water recycling at drinking water filtration plant
 - Seasonal rates may be having some effect; further conservation pricing signals can be expected to result in further reductions in water use by some customers
- 5. Emerging trends in local development patterns indicate decreasing demands per unit for water and sewer services.**
 - Declining availability of raw land for new development
 - Trend toward smaller residential lot sizes
 - Increasing number of attached, townhouse and multifamily residential construction, plus

- more applications for mixed-use (residential/commercial) projects
 - Increasing use of water-efficient technologies (rainwater harvesting, irrigation controllers, submetering of water use in apartments, waterless urinals, etc.)
- 6. Water and sewer system is generally adequate to accommodate localized increases in allowable development density. Existing and future reservoir/quarry capacity can meet ultimate buildout demands, but the community will become more vulnerable to severe droughts between 2020 and early 2030s unless projected demands are reduced and/or new supply sources are developed.**
- 7. Trends discussed above – and the increasing interest in higher development density at targeted sites – provide valuable opportunities for Carrboro and Chapel Hill to collaborate with OWASA on integrating the Towns’ growth and development goals with OWASA’s water conservation and demand management objectives. Possibilities might include:**
- Drought tolerant/sustainable landscaping and/or irrigation system requirements for new development (reduced use of water, as well as fertilizers, pesticides, fuel, etc.)
 - Requirements for effective ultra-low flow plumbing fixtures in new development
 - Required retrofit of older plumbing fixtures upon resale of existing developed properties
 - Individual metering or sub-metering of new multi-family construction
 - Towns and OWASA as models for water use efficiency in existing and new public buildings (water use audits and targeted retrofits at existing facilities, such as public housing apartments)
 - Requirements to extend or connect to existing/planned reclaimed water system (eventual development of “dual distribution system”)
 - Other conservation management practices, as may be appropriate
- Concept: “No net increase” in utility demands. Development densities could be increased by 50 percent without imposing any additional water/sewer demands if the higher density projects use water 33 percent more efficiently than conventional development. This can be achieved through existing technologies.*
- 8. OWASA staff and Board of Directors look forward to working with the Towns and University in meeting our future needs through sustainable and affordable programs and practices. We appreciate the opportunities to be involved and informed of Chapel Hill’s efforts to develop and periodically update development projections that we use as a critical basis to plan our programs and projects.**

MEMORANDUM

TO: Mayor and Town Council

FROM: Jim Ward, Council Member

SUBJECT: Comprehensive Plan

DATE: October 24, 2005

Recently the Council briefly discussed the possibility of revisiting all or portions of the Comprehensive Plan, to consider in greater detail, areas within the Town's zoning jurisdiction, where additional density may be appropriate. The Council requested that the Manager prepare a report with options for the Council's consideration about how the Council might approach updating segments or all of the Comprehensive Plan.

As one of our considerations, I believe we need to understand the effects of denser development on demand for water supply and wastewater treatment. I believe the density changes considered by the Council to date (i.e., downtown economic development initiative and University Village) will not have a significant effect on either water supply or waste water treatment capacity. However, as we advance the broader issue of increased density within our urban services boundary, it is important that we schedule early and ongoing input from the Orange Water and Sewer Authority (OWASA) in order to ensure the adequacy of water and sewer services for the long term.

Therefore, I request that the Council seek a briefing from the Orange Water and Sewer Authority about projected capacities of water supply and waste water treatment systems and the assumptions upon which their projections are based, along with discussion of the potential effects of allowing greater density within the Town's zoning jurisdiction.



Town of Chapel Hill

November 8, 2005

Mr. Ed Kerwin
Executive Director
Orange Water and Sewer Authority
400 Jones Ferry Road
Carrboro, NC 27510

Dear Mr. Kerwin:

At its October 24, 2005 meeting, the Town Council requested that we communicate with you to request a briefing about the effects of increases in development density on the ability of the Orange Water and Sewer Authority to meet water supply and wastewater treatment demand. More specifically, the Council has considered certain development proposals that would increase development densities at specific sites, and has expressed interest in considering increases in development densities at other sites throughout Town, principally at the present locations of commercial development. The Council wishes to hear from OWASA about the potential impact of such actions before it makes further decisions.

I will be pleased to discuss the Council's interests as you desire. We hope that you would be able to prepare materials for the Council's consideration at a meeting in January or February, 2006. A brief presentation also would be useful.

Please let know your preferences so that we may agree on a specific schedule.

Sincerely,

W. Calvin Horton
Town Manager

ITEM 8

AGENDA ITEM

- RESPONSE TO A PETITION FROM MARK MARCOPLOS REGARDING OWASA'S RESPONSIBILITY TO ITS NEIGHBORS DURING A REGIONAL DROUGHT

PURPOSE

- Discussion of questions provided by Mark Marcoplos

BACKGROUND

- On December 15, 2005, the Board received a petition from Mark Marcoplos outlining a series of questions intended to begin a policy discussion about sharing water with neighboring communities during periods of drought.
- Staff has provided a list of informational items to support the Board's discussion.

ACTION NEEDED

- Board discussion, as desired.

STAFF RECOMMENDATION

- There is no staff recommendation on this item; however, staff will welcome any guidance or direction the Board may offer.

January 26, 2006

MEMORANDUM

TO: Board of Directors
FROM: Ed Holland
THROUGH: Ed Kerwin
DATE: January 19, 2006
SUBJECT: Response to a Petition from Mark Marcoplos Regarding OWASA's Responsibility to Its Neighbors During a Regional Drought

Background

On December 15, 2005, the Board received a petition from Mark Marcoplos outlining a series of questions intended to begin a policy discussion about sharing water with neighboring communities during periods of drought. A copy of the petition is attached to this memo.

Below is a list of informational items that may be helpful in the Board's discussion. No staff recommendations or next steps are proposed at this time, although we welcome any guidance and direction that the Board may offer.

Information

- Our region's finished water systems are becoming increasingly interconnected. OWASA's water distribution system is directly connected and can send or receive different amounts of treated drinking water to and from the Durham, Hillsborough, and Chatham County systems. Durham, in turn, is connected directly to the Hillsborough, Chatham County, and Cary water systems. Hillsborough is connected to the Orange-Alamance Water System which serves portions of west-central Orange County and limited parts of Alamance County. Chatham County's Jordan Lake-fed water system is connected to Pittsboro's water system.
- Since the late-1960s, the Carrboro-Chapel Hill community has benefited greatly from water supply assistance provided by our neighbors during times of extended droughts or other water supply emergencies. OWASA has purchased treated drinking water in 19 years of our less than 30 years of operation. Since 1977, we have purchased nearly 1.1 billion gallons of water from Hillsborough and Durham and have provided nearly 100 million gallons in return. During the extreme drought of 1986, OWASA obtained water from Butner through the Durham system.
- OWASA maintains purchase/sale agreements with Durham and Hillsborough for water transfers during times of special need. These agreements specify the price of water under those conditions, but do not specify any terms or conditions under which such transfers may or may not occur other than "as needed" and "when sufficient water is available." No written

agreement is in place between OWASA and Chatham County.

- The *Water and Sewer Management, Planning and Boundary Agreement*, which OWASA entered in 2002 with Carrboro, Chapel Hill, Orange County, and Hillsborough, provides for “emergency water transfers” among utility providers, but such transfers cannot be continued for more than 90 days without approval of local elected officials.
- Substantial differences in policies, terminology, and conservation programs among Triangle area communities make an “apples to apples” comparison among these jurisdictions very difficult.
- Significant physical and hydrologic differences exist among the different local water systems. Even if all systems received the same amount of rainfall at the same time, the responses of individual reservoirs vary substantially due to differing relationships between upstream drainage area, reservoir storage volume, local water supply withdrawals, water releases to generate hydropower, and regulatory requirements for minimum flows downstream of certain dams.
- OWASA’s reservoirs provide a good example of these differences. Because of the Cane Creek Reservoir’s large storage capacity (more than 6 times greater than University Lake) and relatively small drainage area (which is the virtually the same size as the University Lake watershed), Cane Creek takes much longer to refill than University Lake. Similarly, Cane Creek takes much longer to empty.
- Differences such as these may partially account for the relatively low risk that OWASA experienced during this past summer compared to Raleigh and perhaps Durham. We don’t, however, have enough information about either of those systems to make more definite comparisons.
- Our water supply management model is based on existing and simulated historical flow records for our local water supply watersheds. At this time, that information is considered the best available. We can run the model to perform “what if” evaluations, such as reduced inflows to the reservoirs or increased withdrawals to reflect potential water transfers to neighboring jurisdictions.
- Other communities may benefit from water supply modeling tools to support their decision-making.
- A special Urban Water Consortium study currently underway is looking at configurations through which water might be shared among OWASA, Durham, and Cary in ways that could optimize availability and risk among all three parties. If feasible, and if implemented, such an integrated arrangement would apply throughout a full range of supply and demand conditions – not solely during droughts. Scenarios are being developed through the year 2030. Preliminary results of this work will be available within the next several months.

Regional Water Sharing

January 19, 2000

Page 3

- The combination of locally adopted conservation ordinances in OWASA's service area, the Board's Goal and Objectives for Water Conservation and Demand Management, and OWASA's reservoir and risk modeling tools are among the most sophisticated local water resource programs in the Southeast. Staff believes that these tools provide a solid basis from which to consider a range of policy and risk management options.

A handwritten signature in black ink, appearing to read "Ed Holland", written over a horizontal line.

Edward A. Holland, AICP
Planning Director

Attachment

Discussion of OWASA's Responsibility to Its Neighbors During a Regional Drought

Submitted by: Mark Marcoplos

December 15, 2005

In the aftermath of the drought of 2001-2002, OWASA Board & Staff made the wise decision to review lessons learned and to revamp our emergency conservation measures in order to be ready the next time they were needed. That process was a big step forward. I believe that the current drought affecting the greater region raises important issues and offers us an opportunity to further evolve our overall approach to drought emergencies.

During the 2001-02 drought, OWASA was on the verge of purchasing water from the Durham system when the "miracle rain", as Ed Holland aptly dubbed it, occurred in October of 2002. That rain could have missed us, just as we have received rainfall that has not benefited our neighbors during this current drought when we appear to be in the best position with our water supply.

I have discussed this issue in a meeting with Ed Kerwin and Ed Holland and on the phone with Mac. They agreed that it was a topic worthy of Board discussion. At the very least, our discussions and possible actions will provide guidance and useful perspectives that the Staff can reference when they are engaged in discussions with neighboring utilities on this subject. This issue is predominantly a philosophical and policy oriented one which does not require much initial staff preparation time.

In order to provide a basis for the discussion, here is a list of a few of the questions and aspects of this complicated issue that we may consider discussing:

- What responsibilities do we have to help neighboring systems, both within and outside of our current emergency inter-connect agreements?
- When it is clear that the region is experiencing a drought, yet our system is relatively unaffected, would we consider some conservation measures in order to better help neighboring systems?
- How should we approach the sensitive issue of differing policies in other jurisdictions which may cause them to experience an emergency sooner? In other words, should we bail out a community that has less responsible growth policies in regard to water use and less effective conservation policies?
- When systems surrounding us in the region are experiencing droughts, yet our models tell us that we are not, should we re-evaluate our modeling process to confirm its accuracy? Should the model be adjusted to account for regional drought situations?
- What are some possible fair ways that we could help our neighbors without causing our ratepayers to pay a penalty for a situation that quite possibly was brought on by policies that we don't espouse?

As you can see, this discussion can take many shapes and initially may raise more questions than answers. However, I believe that these are important issues that we will need to deal with in the future and we will be much better prepared to respond properly if we have these discussions now. I hope this issue can be scheduled for the next Board meeting.

ITEM 9

AGENDA ITEM

- **A. ANNUAL REPORT ON RECREATION AT UNIVERSITY LAKE AND CANE CREEK RESERVOIR**
- **B. STAFF REPORT ON POSSIBLE REVISED HOURS OF RECREATION AT UNIVERSITY LAKE AND CANE CREEK RESERVOIR**

PURPOSE

- To provide the Board information on patron usage, fees, revenues and expenses for the operation of recreation activities, during the 2005 lake season, at University Lake and the Cane Creek Reservoir.
- To provide information to the Board on the possibility of extending the operating hours at University Lake and/or Cane Creek to dawn to dusk during certain months during the 2006 lake recreation season.

BACKGROUND

- Staff traditionally provides the Board an annual report on the recreation activities at University Lake and Cane Creek Reservoir at the close of the lake season. Staff's report for the 2005 season shows a decline in visitation and revenues which increases the cost of operating recreation activities at the two reservoirs.
- On May 9, 2005, Mr. Robert Reda of Wolf's Trail requested that OWASA consider the possibility of offering night fishing at the Cane Creek and University Lake Reservoirs.
- The Board received staff's report on night fishing and requested that staff provide additional information on the impact of operating recreational activities at Cane Creek and University Lake from dawn to dusk.
- On August 25, 2005, staff provided additional information to the Board concerning potential operating cost. The Board requested that staff continue their review on the ability to offer extended operating hours and to provide a recommendation in conjunction with the annual report on recreation at the lakes.

ACTION NEEDED

- Continued discussion by the Board and direction to the staff on further actions.

January 26, 2006

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Douglas Terry

DATE: January 17, 2006

SUBJECT: Annual Report on Recreation at University Lake and Cane Creek Reservoir

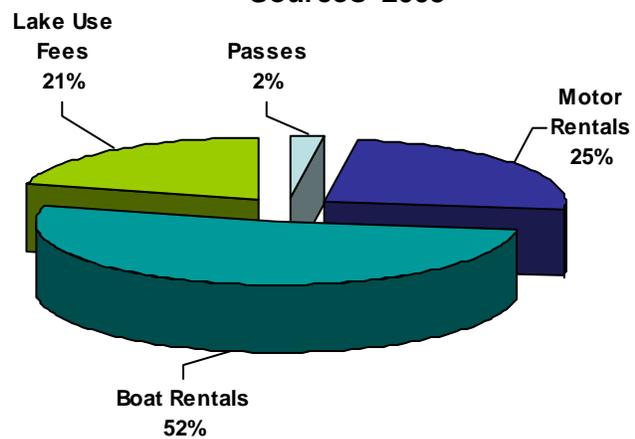
The OWASA recreation facilities at Cane Creek and University Lake opened for the 2005 season on March 26, 2005. Continuing the custom from previous years, opening day of the season was proclaimed “Lightning Brown Day at the Lakes” by action of the OWASA Board of Directors in honor of Mr. Lightning Brown, a former member of the Board of Directors and a well known community activist. In honor of Mr. Brown, lake use and boat use fees are traditionally waived for visitors.

Public participation declined slightly from the 2004 season, welcoming a total of 235 visitors to the two lakes. A total of 107 boats were signed out and \$962 in fees were waived. Exhibit A provides a summary of the operating hours and the 2005 schedule of rates and fees which were revised in October 2003. After no adjustment in rates for the 2004 lake season, the Board recently adjusted the lake fees by approximately 8% for the 2006 season.

Revenues

Revenues generated at University Lake totaled \$28,990, a 9% decrease over revenues collected during the 2004 season. Usage of the facilities during the 2005 season totaled 5,546 visitors, a 13% decrease over the 6,399 visitors during the 2004 season. Revenues generated per visitor during 2005 totaled \$5.22 as compared to \$4.92 for the 2004 season. The increase is likely due to a 1.3% increase in the number of out

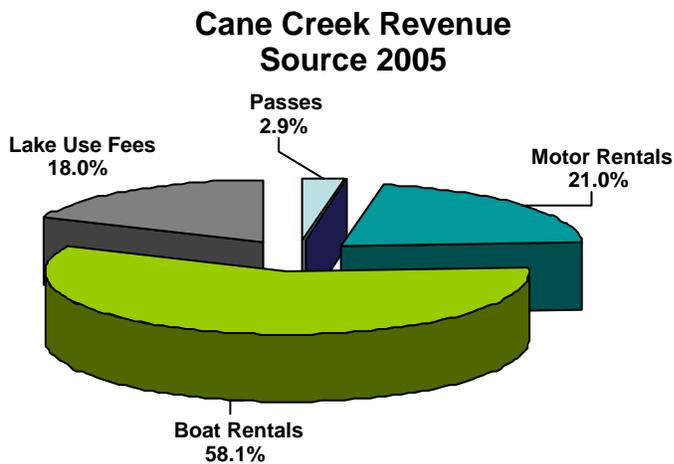
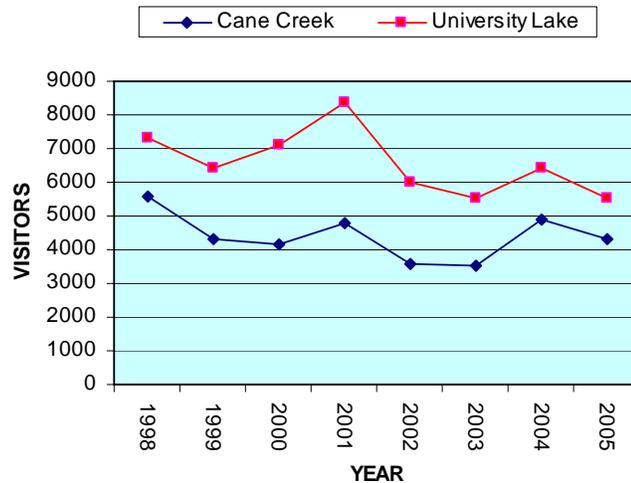
University Lake Revenue Sources 2005



of county visitors who pay a higher fee for use of the facilities.

Revenues collected at Cane Creek totaled \$28,496, an 18% decrease over the \$34,708 in revenues collected during the 2004 season. The lake hosted a total of 4,438 visitors during the 2005 season which is 10% below the number of visitors during the 2004 season. There is a definitive pattern of declining usage since the 1998 season, with the exception of the 2001 and 2004 seasons. The October 2003 fee increase offset some of the lost revenues but overall attendance is declining at both lakes which ultimately increases the cost of operating the facilities.

Visitors to Cane Creek and University Lake



During the 2005 season staff began collecting records on the number of visitors during each day the lakes were open to the public. The OWASA Board of Directors also asked the staff to investigate extending lake use hours from sunrise to sunset. Records indicate that about 13% of the total lake usage occurred on a Friday at Cane Creek. Likewise, at University Lake about 12% of the total lake usage occurred on a Friday.

Demographics

A total of 9,984 visitors used one of the two recreation facilities during the 2005 season equating to a 13% decrease over the 2004 season. Of those visiting the lakes during this past year 9,895 hailed from 44 of the 100 counties in North Carolina, 85 resided in states other than North Carolina, and 4 were citizens of other countries.

The vast majority of visitors to both lakes during the 2005 season resided in Orange County although demographics varied widely between the two facilities. University Lake

hosted 4,735 visitors from Orange County, which accounted for about 85 percent of the total lake users. Cane Creek hosted 2,027 visitors from Orange County which is about 46 percent of the total visitors. Exhibit B provides a summary of county demographics for both facilities during the 2005 season.

Season Passes

Four categories of lake use passes were offered to the public during the 2005 summer season. The categories included: single person-boat only (\$60), single person-boat and motor (\$120), group-boat only (\$120), and group-boat and motor (\$180). The single person pass is issued to one person while the group pass is issued in the names of up to three persons and is honored for any group of users so long as one of the issued persons accompanies the group.

A total of 19 passes were sold during the 2005 season; a modest improvement over the 14 passes sold in 2004. Revenues generated from the sale of the 2005 season passes totaled \$1,440. Ten of the 19 passes sold were the single person-boat only type, about one third more than sold in the previous year. Each of the 19 passes sold during the 2005 season were used an average of 12 times, an increase from the 10 times each pass was used during the 2004 season. Exhibit C provides a distribution of pass uses during the 2005 season, the average number of uses during the seven year period from 1998 to 2005, and pass revenues by type for the 2005 season.

Private Boats and Electric Motors

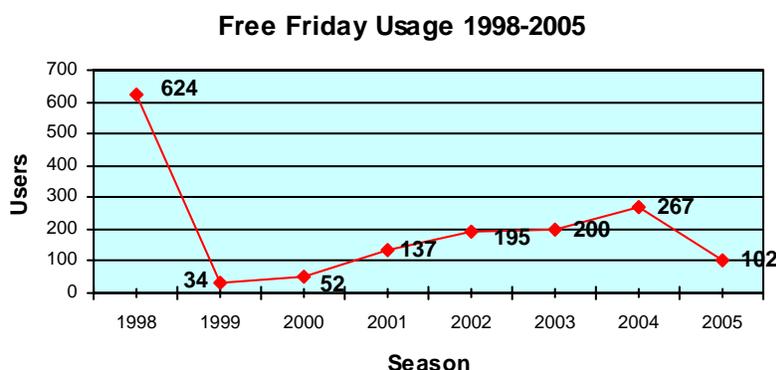
OWASA has continued a policy approved by the Board of Directors during the 1995-96 season which allows private boats and motors to be used on both lakes under strict guidelines. Inspection stations were established and operated by lakes staff to examine the boats and or motors for aquatic weeds prior to launch. The program has worked well although some additional staff time is required to perform the inspections. For instance, lakes staff at University Lake inspects approximately 5 private boats and 7 electric motors each week whereas Cane Creek staff inspects approximately 13 private boats and 34 private motors each week. The cost to launch a private boat is about the same as renting an OWASA boat which offsets the expense of the inspections. OWASA also has a policy allowing persons with physical limitations to launch a “non-standard” private boat and motor onto Cane Creek. The person must provide a letter from a licensed physician showing cause as to why the special equipment is needed. No applications were received during the 2005 season.

Free Fridays

The OWASA Board of Directors authorized a program entitled Free Fridays at the Lakes during the 1998 summer season as a means of promoting customer awareness of the recreation opportunities available in the area. The 2005 season program, which included each Friday from July 15th to August 19th, was aimed at OWASA water customers and provided customers free access to either of the lakes and the use of a boat on those selected Fridays during the summer season. Presentation of a current water bill or proof of Orange County residency by renters is the only requirement needed to use the facilities.

The Free Friday program was overwhelmingly successful during its first season in 1998. A total of 624 OWASA customers took advantage of one of the six Fridays. The 1999 season proved to be a disappointment after only 34 customers took advantage of the program.

The 2000 season showed some improvement hosting 52 visitors but still disappointing nonetheless considering the success of the 1998 season. The 2001 season posted a 260 percent increase in Free Friday participation hosting 137 visitors although the number of Fridays was increased from 6 to 8. To increase customer usage the program was extended to include each Friday in June during the 2002 season. The lakes hosted 195 visitors during the 2002 season, 200 visitors during the 2003 season, and 267 visitors during the 2004 season. The 2005 season was disappointing with only 102 visitors and 43 free boats used. A total of \$409 in fees were waived during the six free Friday events.



Expenses versus Revenues

Exhibit D provides an overview of revenues collected from 1998 through the 2005 lake seasons. It also provides a summary of total expenses incurred to operate the two recreation facilities. The lakes' staff completes a work allocation report each day. The report charges all work time to one of five categories which includes: maintenance, recreation activities, security, grounds, and office/other. A portion of each of the five categories is allocated to the cost to operate the two lakes as public recreation facilities. Exhibit E provides a comparison of the total annual expenses incurred to operate the lakes for raw water supply and recreation purposes. From past experience we know that the cost of providing recreation is about 48 percent of the total cost of operating the lakes. Utilizing these numbers, one is able to calculate the difference and determine the funds required to offset the difference between revenues generated and expenses incurred.

As shown in Exhibit E, expenses exceed revenues by \$88,365 in 2005. The ratio of the cost of providing services to revenues generated is also worth noting. The ratio was 2.54, indicating that expenses totaled \$2.54 for every \$1.00 in revenues generated. This is somewhat higher than the ratio during the 2004 season which was \$2.12. Staff will continue to investigate ways to reduce the cost of providing public recreation at the two lakes. Past efforts have included the purchase of more durable equipment, as evidenced by the decline in annual amortization costs, some optimization of operating schedules to better reflect customer usage patterns and limiting the use of part time summer help. Labor remains the largest expense in the operation of both lakes, but there is some impetus toward a more self-service type of operation. The major problem with this type of lake operation is the balance of user safety and security against the cost of additional labor.

I am available to address any questions the Board might have concerning this report or the lake operation.

Douglas Terry
Manager of Water Supply and Treatment

Attachments

Exhibit A

Lake Hours of Operation

	University Lake	Cane Creek
Monday	6:30am to 6:00pm	Closed
Tuesday	Closed	Closed
Wednesday	Closed	Closed
Thursday	Closed	6:30am to 6:00pm
Friday	6:30am to 6:00pm	6:30am to 6:00pm
Saturday	6:30am to 6:00pm	6:30am to 6:00pm
Sunday	6:30am to 6:00pm	1:00pm to 6:00pm

* Closing hours subject to change slightly with sunset times and weather conditions.

Rates and Fees

		Previous Fees (2005 Season)	Current Fees (2006 Season)
Boat Rental	Orange County Residents	\$ 6.00	\$ 6.50
	Non-county Residents	\$ 10.00	\$ 11.00
Motor Rental	Orange County Residents	\$ 12.00	\$ 12.75
	Non-county Residents	\$ 17.00	\$ 18.00
Lake Use Fees	Orange County Residents	\$ 2.50	\$ 2.75
	Non-county Residents	\$ 4.00	\$ 4.25
	Senior - Child	\$ 1.00	\$ 1.25
Pontoon Boat	All Visitors	\$ 5.00	\$ 5.50
Lake Use Passes	Single Person -- boat only	\$ 60.00	\$ 65.00
	Single Person -- boat and motor	\$ 120.00	\$ 130.00
	Group -- boat only	\$ 120.00	\$ 130.00
	Group -- boat and motor	\$ 180.00	\$ 195.00

* User fees were increased in October 2005

Exhibit B

Demographics Lake Use by County During 2005 (in descending order)

University Lake

County	Number of Visitors	Percent of Total
Orange	4735	85.38
Durham	366	6.60
Wake	133	2.40
Chatham	98	1.77
Alamance	62	1.12
Out of State	43	0.78
Guilford	25	0.45
Mecklenburg	13	0.23
Cumberland	11	0.20
Forsythe	11	0.20
Robeson	10	0.18
Martin	4	0.07
Caswell	3	0.05
Hoke	3	0.05
Lee	3	0.05
Rockingham	2	0.04
Out of Country	2	0.04
Ashe	2	0.04
Carteret	2	0.04
Columbus	2	0.04
Halifax	2	0.04
Harnett	2	0.04
Haywood	2	0.04
Montgomery	2	0.04
Person	2	0.04
Pitt	2	0.04
Scotland	1	0.02
Stokes	1	0.02
Surry	1	0.02
Wilson	1	0.02
Total	5546	100.0

Cane Creek

County	Number of Visitors	Percent of Total
Orange	2027	45.67
Guilford	674	15.19
Alamance	560	12.62
Robeson	344	7.75
Scotland	173	3.90
Durham	153	3.45
Chatham	87	1.96
Hoke	87	1.96
Wake	58	1.31
Randolph	56	1.26
Out of State	42	0.95
Rockingham	38	0.86
Mecklenburg	30	0.68
Cumberland	17	0.38
Moore	13	0.29
Columbus	11	0.25
Forsythe	9	0.20
Davidson	8	0.18
Granville	8	0.18
Person	7	0.16
Bladen	7	0.16
Harnett	6	0.14
Caswell	5	0.11
Sampson	4	0.09
Gaston	3	0.07
Johnson	3	0.07
Out of Country	2	0.05
Rowan	2	0.05
Franklin	2	0.05
Ashe	1	0.02
Haywood	1	0.02
Total	4438	100.0

Exhibit C

Number of and Distribution of Pass Uses

Number of Pass Uses During the 2005 Season	University Lake Number of Pass holders	Cane Creek Number of Pass holders	Number of Passholders Uses at Both Lakes
1 to 4 uses	7	13	20
5 to 9 uses	6	1	7
10 to 14 uses	1	1	2
15 to 19 uses	0	1	1
20 to 24 uses	2	0	2
25 to 29 uses	1	1	1
30 to 36 uses	1	0	1

Average Number of Times each Pass was Used	1998	1999	2000	2001	2002	2003	2004	2005
	10.6	13.1	7.2	6.8	8.1	7.9	9.5	11.8

Number of Lake Use Passes Sold by Category During 2005

	University Lake		Cane Creek		Total
	No.	Revenues	No.	Revenues	Revenues
Single boat only	7	\$420.00	3	\$180.00	\$600.00
Single boat / motor	0	\$ 0	2	\$240.00	\$240.00
Group boat only	2	\$240.00	2	\$240.00	\$480.00
Group boat / motor	2	\$360.00	1	\$180.00	\$540.00
Totals		\$1,020.00		\$840.00	\$1,860.00

Exhibit D

Total Revenues from Lakes Operations

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Boat Rentals	\$ 29,661	\$ 33,674	\$ 28,105	\$ 29,105	\$ 33,159	\$ 23,928	\$ 26,771	\$ 36,868	\$ 31,599
Lake Use Fees	\$ 9,973	\$ 1,740	\$ 9,563	\$ 9,508	\$ 11,430	\$ 8,377	\$ 8,327	\$ 12,594	\$ 11,007
Electric Motor Rentals	\$ 11,992	\$ 14,262	\$ 11,700	\$ 12,928	\$ 14,776	\$ 12,166	\$ 11,455	\$ 5,199	\$ 13,021
Lakes Use Passes	\$ 3,725	\$ 3,000	\$ 2,350	\$ 2,500	\$ 2,500	\$ 2,000	\$ 750	\$ 1,440	\$ 1,860
Paddle & Pontoon Boat	\$ 1,075	\$ 765	\$ 762	\$ 4	\$ -	\$ 5	\$ 59	\$ -	\$ -
Sundries	\$ 504	\$ 477	\$ 390	\$ 410	\$ 142	\$ 348	\$ 195	\$ 98	\$ -
TOTALS:	\$54,933	\$ 63,918	\$ 50,871	\$54,455	\$62,007	\$46,824	\$47,557	\$ 66,199	\$ 57,487

Exhibit E

Annual Expenses for Lakes Operations

	Total Lakes Operating Costs for 2005	Recreation Expenses for 2005
Full Time Employee Salaries	\$ 143,633	\$ 68,944
Fringe Benefits	\$ 45,963	\$ 22,026
Parttime Employee Salaries	\$ 30,858	\$ 30,858
Utilities	\$ 13,050	\$ 6,264
Materials and Supplies	\$ 14,200	\$ 6,816
Maintenance of Facilities	\$ 8,125	\$ 3,900
Annual Amortization of equipment	\$ 6,000	\$ 6,000
Miscellaneous Expenses	\$ 2,175	\$ 1,044
Totals	\$264,004	\$145,852
Deficit Funded From the General Fund Revenues		\$88,365
Cost Ratio -- Operating Cost / Revenues		\$2.54

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: John Greene

DATE: January 19, 2006

SUBJECT: Report on Possible Revised Hours of Recreation at University Lake and Cane Creek Reservoir

BACKGROUND

At the July 14, 2005 Board meeting staff presented information to the Board in response to a petition by Mr. Robert Reda. Mr. Reda requested that OWASA consider the possibility of offering night fishing at the Cane Creek and University Lake Reservoirs with certain restrictions such as an ending hour of 11:00 PM, only renting to persons 21+ years old, and requiring a catch and release policy.

Following discussion of the petition, the Board requested that staff evaluate and provide additional detail on the possibility of operating the recreation areas from dawn to dusk. Staff developed a follow-up report on August 25, 2005 providing information on operating cost, State and local approvals and staffing requirements to operate the lake on an expanded schedule. The Board discussed the information provided by staff and requested that a proposal for operation be developed in conjunction with the annual report to the Board on recreation at University Lake and Cane Creek. The following summary provides further detail on operating one or both recreation facilities on an expanded schedule.

DISCUSSION

Visitation

The current lake recreation season extends from approximately mid March to mid November. Cane Creek is open to the public Thursday through Sunday and University Lake is open Friday through Monday. Both reservoirs operating hours are from 6:30 AM to 6:00 PM. The only exception to the times noted is that Cane Creek Reservoir does not open until 1:00 PM on Sunday. The number of visitors using the recreation facilities at the Cane Creek Reservoir and University Lake depends largely on the weather conditions during the period the facilities operate. For the 2004 and 2005 lake seasons, the number of days with measured precipitation was about equal. In an attempt to determine visitor demand on the recreation facilities, staff

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began collecting data in 2004 on the number of visitors for each day the facilities were open to the public. The tables below summarize the number of visitors by facility, month and day of the week for the 2004 and 2005 lake seasons.

Cane Creek

Month	Thursday		Friday		Saturday		Sunday *	
	2004	2005	2004	2005	2004	2005	2004	2005
March	0	78	0	0	116	168	18	0
April	187	158	136	110	460	201	101	83
May	171	210	185	101	452	360	129	252
June	139	163	107	74	242	286	111	112
July	192	99	182	79	346	245	60	81
August	92	80	113	74	214	184	118	86
September	71	68	65	58	182	207	138	64
October	67	56	72	65	187	173	84	95
November	15	6	11	28	40	86	18	22
TOTAL	934	918	871	589	2239	1910	777	795
AVG. VISITORS PER DAY	29	28	26	18	66	56	23	23

* Note: Cane Creek does not open until 1:00 PM on Sunday.

University Lake

Month	Friday		Saturday		Sunday		Monday	
	2004	2005	2004	2005	2004	2005	2004	2005
March	0	0	156	67	70	17	24	2
April	111	84	411	201	270	267	47	131
May	91	84	384	312	341	531	141	214
June	91	90	234	278	419	325	76	68
July	210	117	254	299	277	297	148	129
August	219	144	357	244	313	199	94	66
September	100	62	244	260	459	243	58	141
October	50	35	227	143	320	241	40	34
November	6	35	9	81	47	91	103	4
TOTAL	878	651	2276	1885	2516	2211	731	789
AVG. VISITORS PER DAY	27	20	67	55	74	65	22	24

It is interesting to note that visitation at the Cane Creek Reservoir is about the same each operating day except for Saturday where the usage more than doubles. It is likely that visitation is not as high on Sunday because the facility does not open until 1:00 PM as per a

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1993 agreement with the Cane Creek community. It is further noted that in 2004 only 38% of the visitors using the Cane Creek Reservoir reside within Orange County. The 2005 Annual Lakes Report indicates that the percentage of Orange County residents visiting the Cane Creek Reservoir has increased slightly to 45%.

University Lake experiences the highest visitation on the weekend. On Friday and Monday visitation to University Lake is approximately the same level as the weekdays at Cane Creek. In contrast to Cane Creek, 89% of the 2004 visitors and 85% of the 2005 visitors to University Lake reside within Orange County.

Additional Operating Hours:

Staff was previously asked to review the possibility of operating the recreation activities at Cane Creek and University Lake from dawn to dusk. The table below summarizes the changes in opening and closing hours that would have to be implemented in order to remain open from dawn to dusk.

MONTH	DAWN	DUSK	HOURS OF OPERATION
March	6:30 AM	6:00 PM	11.5
April	5:45 AM	6:50 PM	13.0
May	5:15 AM	7:15 PM	14.0
June	5:00 AM	7:30 PM	14.5
July	5:15 AM	7:45 PM	14.5
August	5:40 AM	7:00 PM	13.3
September	6:00 AM	6:30 PM	12.5
October	6:30 AM	5:45 PM	11.2
November	6:30 AM	5:15 PM	11.0

* All times are expressed as Eastern Standard Time (EST)

Based on the above operation hours there would be approximately 448 additional hours of operation to be covered by staff.

Additional Operating Hours										
	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	TOTAL
Cane Creek	0	26	36	39	57	26	16	0	0	200
University Lake	0	30	45	48	57	31	17	0	0	228
TOTAL:										448

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Staffing

The lakes are currently staffed by four full time employees supplemented with four part time summer employees. It is estimated that the additional hours of operation could be covered through hiring additional part time summer employee. The estimated cost for labor, utilities, and maintenance would be approximately \$15.00 per hour per facility to cover the additional operating hours noted.

For the 2005 lake season, recreation related expenses at the two reservoirs exceed revenues by \$88,535 (revenue \$57,487, expenses \$145,852). This loss amounts to an expense of \$2.54 for every \$1.00 generated in revenues. It is unclear how popular the expanded morning and evening hours may be with the public so it is difficult to provide detailed information on expected revenues for the 2006 season. It is unlikely that the revenue generated from lake use and boat rental fees during the expanded hours would offset the expense associated with the operation.

Approvals

As was noted in the previous material provided to the Board, University Lake and Cane Creek operating guidelines are detailed in the *OWASA Regulations Governing In-Lake Activities and Use of University Lake and Cane Creek Reservoir* which was approved by the Commission of Health Services in 1992 and last revised in 1999. The 1992 OWASA In-Lake Activities and Use policy states:

“The facility will be open only during daylight hours. Schedules for days and hours that the facility is open to the public will be prepared by the General Manager of Operations subject to approval by the Executive Director.”

Since the policy approved by the Commission stated only that the facility would be open during the daylight hours and left the hours of operation to be determined by OWASA staff, approval of the Commission would not be required to operate lake activities between dawn and dusk.

OPTIONS

Providing staff coverage during the expanded hours of operation at University Lake and Cane Creek could be accomplished through hiring additional part time staff. From attendance records maintained by staff it is readily apparent that Saturday and Sunday receive the greatest number of patrons especially at University Lake.

Option #1: Since it is not possible to predict the popularity of the early morning and evening operating hours, staff proposes that a trial dawn to dusk program be implemented at University Lake during the months of May through August for the 2006 lake season. This

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trial program could be accomplished with: a) no additional staffing if University Lake was closed on Mondays and open from dawn to dusk on Fridays, Saturdays and Sundays; or b) with one additional part time staff person if the Board desires to keep University Lake open from Friday through Monday with dawn to dusk operating hours during the months of May through August.

Option #2: An alternate option for providing the dawn to dusk operation at both the Cane Creek and University Lake facilities could be implemented Friday through Sunday with no additional staffing. This option would have Cane Creek closed on Thursdays and University Lake closed on Mondays. OWASA staff could also approach the Cane Creek community to determine their level of acceptance to change if Cane Creek Reservoir's operating schedule were modified on Sundays to provide dawn to dusk operating hours instead of the 1:00 PM to dusk hours.

Implementing the trial program at University Lake (Option #1) would reach the greatest number of lake visitors residing within Orange County and provide staff the ability to determine the demand for the expanded operating hours. If the program proves to be successful it could possibly be expanded to include Cane Creek or additional days or months at University Lake.

Staff will be available at the meeting to provide additional detail or address any questions of the Board.

John W. Greene, P.E.
General Manager of Operations

AGENDA ITEM

◆ STATUS REPORT ON EXECUTIVE DIRECTOR'S WORK PLAN

PURPOSE

- ◆ To provide a six-month status report on the Work Plan for the Executive Director.

BACKGROUND

- ◆ In accordance with the Board of Directors' Executive Director's Performance Review Guidelines, the Executive Director's Work Plan is developed and approved annually which establishes the goals and objectives that need special attention.

STAFF RECOMMENDATION

- ◆ Staff recommends that the Board review the status report and provide direction to the Executive Director as necessary.

January 26, 2006

SEMIANNUAL UPDATE ON EXECUTIVE DIRECTOR'S WORK PLAN
JUNE 2005 THROUGH JANUARY 2006
ED KERWIN

1. LEADERSHIP AND MANAGEMENT

- A. Continue to work closely with the Personnel/Administrative Committee in considering additional improvements for various employee compensation and incentive programs. *Due*
Ongoing

This work has been delayed while staff and the Human Resources (HR) Committee evaluated health insurance options in the fall of 2005. The HR Committee is scheduled to meet on February 23, 2006, to continue our work evaluating alternative employee compensation strategies.

- B. Begin development of a Succession Plan for key OWASA staff (retain knowledge and develop new leaders). *Ongoing*

Little work has been complete on this task because of more pressing matters. However, I'm pleased to report that OWASA was selected as a participating utility partner in an American Water Works Association Research Foundation research project entitled "Strategies to Help Drinking Water Utilities Ensure Effective Retention of Knowledge." Additional information about OWASA's role in this research project will be provided.

- C. Continue the in-house Supervisory Training Program for all OWASA supervisors and professional staff. *Ongoing*

Training on hiring practices and customer service were provided.

2. QUALITY WATER AND WASTEWATER SERVICES

- A. Successfully start up and operate the new treatment processes (filtration, UV disinfection) at the Mason Farm Wastewater Treatment Plant (WWTP). Ensure all staff has been trained. *Due*
Dec 2005

Completed November 2005. Start-up and staff training has taken place for all Early Completion Milestone items, including Filters, UV Disinfection System, Generator, Switchgear and new cover systems for digesters. By end of January all plant flow is expected to be treated by the new Filter Complex. Additional staff training will be provided.

- B. Operate the new digesters and gas handling system so as to eliminate off-site objectionable odors. *Nov 2005*

New cover system for digesters was installed by November 2005. However, existing gas management system piping has been discovered to be prone to blockages and difficult to clean. As a result, a new pipe system will be installed by the summer of 2006.

Due

- C. Implement Class A biosolids management program and obtain private landowner participation in the Class A program, in accordance with the Class A permit.

Implementation of a Class A has been delayed to accommodate the construction of improvements to the WWTP digesters. We now project that it may be the summer of 2006 before program implementation can begin. This issue will be discussed at the February 9, 2006 NRTS Committee meeting.

- D. Prepare draft long-term Biosolids Management Plan for consideration during the development of the FY 2007 budget and 15-Year Capital Improvements Program. April 2006

Staff continues to work on this major task and will provide the NRTS Committee with an update on this project at their February 9, 2006, meeting.

- E. Complete the "first pass" through the water distribution system with the new Unidirectional Flushing Program. May 2006

The unidirectional flushing program continues with the completion of 454 of the total 1,510 required flushing sequences. The majority of the flushing will occur in the spring. Winter weather conditions limit the amount of flushing that can occur due to the potential freezing of the flushing water on paved surfaces.

- F. Complete the implementation of a Supervisory Control and Data Acquisition (SCADA) system for all wastewater pumping stations. May 2006

Four additional pump stations were added to the SCADA in January 2006. The remaining three stations will be in operation by May 2006.

- G. Obtain the "Director's Certification of Recognition Award" from the Partnership for Safe Water by June 2005 and continue to implement improvements identified in the Self Assessment Report. June 2005

Complete. OWASA received the Directors Certification of Recognition Award from the Partnership for Safe Water in June, 2005. Improvements identified in the Self Assessment Report, which are scheduled over several years, continue to be implemented at the water treatment plant.

- H. Continue to work with the State and the Jordan Lake stakeholders in the development of an appropriate nutrient control strategy for Jordan Lake. Ongoing

Staff has continued to attend meetings and to provide input to the proposed Jordan Lake nutrient strategy. Draft rules are expected to be released for public comment early in 2006. Staff will work with the Board in developing comments for the public hearing record.

- I. Seek revision of OWASA's 404 Permit from the Corps of Engineers to prohibit hunting on the Cane Creek Reservoir. Due
TBD

Proposed revisions have been approved by the Board of Directors and submitted to the Corps. We are awaiting formal response.

3. CUSTOMER SERVICE

- A. Develop and implement performance measurement parameters for the organization to ensure high quality customer service is being consistently provided. Due
May 2006

Although initially intended to assist in the day to day management of the Customer Service Department due to the current manager's part-time status, we have engaged the services of a consultant to provide observations on current practices and procedures and to make recommendations for sustainable improvements in the services we provide to our customers. Implementation of various suggestions has begun and the resulting development of performance measurement parameters is anticipated to coincide with the annual identification of goals and performance measurements during the annual departmental budget process.

4. CAPITAL PLANNING AND IMPROVEMENTS

- A. Proactively manage the construction of improvements for the Mason Farm WWTP to keep the project on schedule and budget, and to minimize impacts to the operating plant and its neighbors. Achieve timely completion (November 2005) of all early project milestones (filters, UV disinfection, digesters). Due
Ongoing

All early completion milestones were met on time. The overall project remains on schedule and within budget.

- B. Working closely with the Board of Directors and General Counsel, successfully complete negotiations with the University and the community for the development of a water reuse system. July 2005

Based on recent discussions with the University, we are very close to successfully negotiating the proposed terms and conditions for the reuse system contract.

- C. Complete Preliminary Engineering Report for the water reuse system by October 2005 and begin final system design considering community input. Oct 2005

This effort was delayed, awaiting the University's final reuse water demand projections.

- D. Develop Draft Management Plan for OWASA-owned lands in the Cane Creek watershed: work closely with Board of Directors and NRTS Committee to establish management objectives and priorities for OWASA land; compile GIS-based inventory of special land attributes; establish preliminary recommendations for selected tracts and parcels. Due
May 2006

This item received a low ranking when the NRTS Committee discussed priorities for the current year (please see NRTS meeting summary of 10/27/05). Neither staff nor Committee have devoted any time so far this year. The full Board may want to re-assess the importance of this task for the current year.

- E. Complete planning level study to define the scope and timing of finished water pumping and storage improvements needed in the 740-foot pressure zone. May 2006

This effort is currently in progress and we expect completion by the target date.

5. FISCAL MANAGEMENT

- A. Working closely with the Board's Budget and Financial Planning Committee, develop the timing and scope of work for the next Rate Study and proceed with study following Board approval. Due
TBD

The firm of Burton & Associates has been selected through a competitive process to assist in the Rate Study. The draft scope of work for the Rate Study was presented to the Budget and Financial Planning Committee on January 18, 2006. The Committee approved the submission of the scope to the full Board of Directors at the February 9, 2006 Board of Directors meeting.

6. COMMUNITY RELATIONS

- A. Continue to increase the level of information provided to the community regarding water conservation opportunities and the upcoming rate study (financial issues). Due
Ongoing

Conservation information enhancement is under discussion with NRTS as part of overall conservation plan. Staff to lead public information/participation process for rate study per Budget Committee discussion of January 18, 2006.

- B. Develop a plan to inform the community about the new water reclamation and reuse program. Jan 2006

Due

We will provide a draft communications plan for consideration by the Board at the same time we provide the final draft reuse system contract.

- C. Working closely with the WWTP neighbors, perform an assessment of the effectiveness of the odor improvements at the plant and provide the Chapel Hill Town Council a report on same. Nov 2005

Complete. The annual report to the Town of Chapel Hill was completed January 17, 2005. We have a community meeting scheduled on January 31, 2006 with WWTP neighbors, odor consultant, and OWASA to discuss the upcoming odor study. After the community meeting, we will begin developing a scope of service for the odor study.

- D. Plan and hold the next Community Outreach meeting. Spring 2006

Board of Directors began discussion of planning the outreach meeting later this year. Board Members Randy Kabrick, Mark Marcoplos and Gordon Merklein volunteered to serve on the Community Outreach Committee to make recommendations to the full Board. Staff will research options for the meeting date and location with the opportunity to televise on local cable systems. The Committee's first meeting will be on February 8, 2006.

7. BOARD COMMUNICATIONS

- A. Continue seeking ways to further enhance communication among the staff, the Executive Director and the Board of Directors. Due
Ongoing

Staff is continuing to work to improve quality and level of formal and informal communication with the Board, e.g., through e-mails about items of interest.

8. ENVIRONMENTAL RESPONSIBILITY/SUSTAINABILITY

- A. Working closely with the Natural Resources/Technical Systems Committee, begin development of a proposed phased approach to achieve OWASA's newly adopted long-term water conservation goal. Due
Ongoing

The NRTS Committee and staff discussed the timetable and general approach at meetings on December 15, 2005 and January 12, 2006. Staff will continue work on the development of the long-term plan during the remainder of FY 2006 and FY 2007.

- B. Operate the new digester gas handling system at the WWTP to save energy and minimize the amount of methane gas that is "flared off." Jan 2006

Operation of the boilers and methane engine is being impacted by the problems discovered with the gas piping. (See item 2B.)

Due

- C. Develop a draft Environmentally-Preferred Products Purchasing Program. *April 2006*

Staff has compiled examples of similar programs implemented in other communities and has identified products and services that could be included in such a program. Sustainability initiatives and policy issues are the scheduled topic of discussion for the NRTS Committee's April 13, 2006 meeting.

CLOSED SESSION

**Following the Meeting of the Board of Directors, the Board
will Convene in a Closed Session for the Purpose of Discussing
Land Acquisition**

(Ed Holland)

January 26, 2006

CLOSED SESSION

**Following the Meeting of the Board of Directors,
the Board will Convene in a Closed Session for the
Purpose of Discussing a Personnel Matter**

(Penny Rich)

January 26, 2006