

ORANGE WATER AND SEWER AUTHORITY

PUBLIC HEARINGS AND MEETING OF THE BOARD OF DIRECTORS

MAY 25, 2006

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, May 25, 2006, at 7:00 P.M., at Chapel Hill Town Hall.

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

Others present: Ed Kerwin, Imtiaz Ahmad, Patrick Davis, Greg Feller, John Greene, Ed Holland, Andrea Orbich, and Kevin Ray of the OWASA staff; Robert Epting, Esquire, Epting and Hackney; Ray DuBose, Director for Energy Services and Meg Holton, Water, Wastewater, and Stormwater Manager, UNC; Mr. Pearson Stewart; Dr. Daniel A. Okun; Mike Okun; and Penny White.

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

MOTIONS ACTED UPON

1. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "A Resolution Honoring the Distinguished Public Service and Expertise of Dr. Daniel A. Okun." (Resolution so titled attached hereto and made a part of these minutes. Motion by Milton Heath, it was seconded by Laura Sandvik, and carried by unanimous vote.)

2. Penny Rich moved to close the Public Hearing on the Operations and Maintenance and Capital Improvements Program Budgets. The motion was seconded by Laura Sandvik, and carried by unanimous vote.

3. Laura Sandvik moved to close the Public Hearing on the rates, fees and charges. The Motion was seconded by Penny Rich, and carried by unanimous vote.

4. Randy Kabrick moved to adopt the minutes of the April 13, 2006, Meeting of the Board of Directors. The motion was seconded by Gordon Merklein, and carried by unanimous vote.

5. Randy Kabrick moved to adopt the minutes of the April 27, 2006, Meeting of the Board of Directors. The motion was seconded by Gordon Merklein, and carried by unanimous vote.

6. Randy Kabrick moved to adopt the minutes of the May 11, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition. The motion was seconded by Gordon Merklein, and carried by unanimous vote.

7. Penny Rich moved that the Board convene in a Closed Session for the purpose of discussing land acquisition and to discuss a personnel matter, seconded by Mark Marcoplos, and carried by unanimous vote.

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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. There were none.

RESOLUTION OF APPRECIATION

Mac Clarke read aloud a resolution of appreciation honoring the distinguished public service of Dr. Daniel A. Okun.

Mr. Clarke, Milton Heath, Ed Kerwin and Patrick Davis all expressed their appreciation to Dr. Okun. Dr. Okun thanked OWASA for taking this action.

Milton Heath moved to adopt the resolution honoring the distinguished public service and expertise of Dr. Daniel A. Okun. The Motion was seconded by Laura Sandvik, and carried by unanimous vote. Please see Motion No. 1 above.

MR. J. WADE DEGRAFFENREIDT

Mac Clarke said Mr. J. Wade Degraffenreidt, a former Board member from 1980 until 1985, passed away on Sunday, May 21, 2006.

CLOSED SESSION

Mac Clarke said following the Board of Directors meeting the Board will convene in a Closed Session for the purpose of discussing property acquisition with the possibility of returning to open session. Time permitting the Board will return to Closed Session for the purpose of discussing a personnel matter.

BUDGET AND FINANCIAL PLANNING COMMITTEE MEETING

Milton Heath updated the Board on the Budget and Financial Planning Committee meeting held on Wednesday, May 24, 2006, and reminded the Board of the upcoming Board Work Session on the Rate Study on Thursday, June 15, 2006, at 7:00 P.M. in the OWASA Community Room.

COMMITTEE MEETING

Penny Rich announced a Human Resources (HR) Committee meeting on Thursday, June 8, 2006 at 5:30 P.M. in the OWASA Boardroom to discuss alternative employee compensation strategies.

WATER SUPPLY ADVISORY UPDATE

Ed Holland updated the Board on the current drought and water supply and demand conditions. He reported that University Lake and the Cane Creek Reservoir were slightly above 91% full, but daily streamflows to the lakes from January to date had been only 60% of their level during the same period of 2002, the severe drought year. Mr. Holland recommended that the Water Supply Advisory adopted on April 27th should remain in effect because of the potential of a water shortage in 2007 if current drought conditions continue.

RECREATION HOURS AT UNIVERSITY LAKE

Greg Feller said that on a trial basis University Lake will be open from dawn to dusk for the months of May, June, July and August 2006.

ITEM TWO: PETITIONS AND REQUESTS FROM PUBLIC, BOARD, AND STAFF

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

ITEM THREE: PUBLIC HEARING ON DRAFT OPERATIONS AND MAINTENANCE AND CAPITAL IMPROVEMENTS PROGRAM BUDGETS

Mac Clarke opened the Public Hearing on the proposed Operations and Maintenance (O&M) and Capital Improvements Program (CIP) Budgets.

Ed Kerwin made a presentation on the draft Final Budget for Fiscal Year (FY) 2006-2007 and highlighted the following elements of the proposed budget:

- In 2003, OWASA proposed and the three local governments adopted year-round water conservation ordinances and are currently in a Water Use Advisory;

- OWASA continues to recycle water at the water treatment plant which extends our water supply;
- In April 2005 the Board adopted the Water Conservation Goal “ *to make the highest and best use of our local water resources*”; and
- In March 2006 signed a contract for implementation of a reclaimed water system with the University.

Regarding aging infrastructure, Mr. Kerwin said OWASA is investing money to renew and replace OWASA’s infrastructure before it fails and becomes a problem, \$223 million is earmarked for this purpose over the next 15 years. The center-piece project is \$50 million at the Mason Farm Wastewater Treatment Plant (WWTP) to improve effluent quality, plant reliability and eliminate odors.

Imtiaz Ahmad presented OWASA’s CIP for Fiscal Years 2007-2021. Mr. Ahmad stated that the CIP is based on the assumptions from the Master Plan which was completed in 2000.

The following are figures from the capital improvements plan presentation:

- Projected costs for 2007-2011 (5 years): \$77.2 million
- Projected costs for 2007-2021 (15 years): \$223 million

Allocations of CIP Budget: FY 2007-2011

Growth:	29%	Regulatory Requirements:	4%
Renewal and Replacement:	42%	System Enhancement:	26%

Water Distribution and Wastewater Collection System for FY 2007-2011

- Distribution System Renewal or Replacement: \$13.8 million
4.3 miles in FY 2007 and 17.8 miles during FY 2007-2011
- Collection System Renewal or Replacement: \$30.8 million
6.3 miles in FY 2007 and 20.8 miles during FY 2007-2011

Upgrade and Expansion of the Mason Farm WWTP

Projected Cost: \$50 million

[Construction began in May 2004 and is expected to be completed in July 2007; November 2005 milestones completed include reliability improvements, additional standby power (generator installation), and odor control improvements for the digesters.]

Other Important Features of the WWTP Project:

- Completed improved effluent quality discharged to Morgan Creek (filters & UV disinfection);
- Completed effluent quality to meet State’s standards for reuse; and
- Increase capacity from 12 to 14.5 million gallons per day (MGD) is on schedule to be completed in July 2007.

Kevin Ray discussed the proposed O&M Budget and Rates for FY 2006-2007. Mr. Ray said that the proposed operating appropriation reflects an 8.7% increase over FY 06’s appropriation.

<u>2006-2007 Budget Summary</u>	(millions)
Total Revenue:	\$32.5
Operating Expenses:	(\$17.3)
Debt Service:	(\$9.5)
Available for CIP:	\$5.7
Capital Outlay:	\$27.8

Sources of Revenue: \$32.5 million

Availability and Plan Review Fees:	8%
Grants and Assessments:	6%
Interest Income:	3%
Other Revenue:	3%
Sewer Revenue:	33%
Water Revenue:	47%

How \$1 of FY 2006 revenue is spent

Capital Spending (\$3.8 million)	\$0.18
Debt Service (\$9.5 million)	\$0.29
Net Operating Expenditures (\$17.3 million)	\$0.53

Operating and Maintenance Expenditures: \$17.3 million

Chemicals:	10%
Insurance:	1%
Maintenance:	12%
Materials & Supplies:	3%
Other:	3%
Professional Services:	5%
Fringe Benefits:	16%
Salaries & Wages:	39%
Utilities:	11%
Water Purchases:	0%

Mr. Clarke asked for comments from the public. There were none.

Mr. Clarke asked for comments from the Board.

Milton Heath thanked Mark Marcoplos and other members of the Board who pushed for conservation. OWASA is in better shape because of these efforts. Mr. Heath also stated he was impressed to see the results of OWASA's continual consistency in its financial stability.

Penny Rich moved to close the Public Hearing on the O&M and CIP Budgets. The Motion was seconded by Laura Sandvik, and carried by unanimous vote. See Motion No. 2.

ITEM FOUR: PUBLIC HEARING ON PROPOSED ADJUSTMENTS TO RATES, FEES AND CHARGES

Mac Clarke opened the Public Hearing on the proposed adjustments to the rates, fees, and charges.

Kevin Ray said that the proposed budget includes a 6.0% adjustment for most water rates and 6.25% for most sewer rates that will become effective on October 1, 2006 and are driven by the 15-year CIP needs.

Mr. Ray said a residential customer who uses an average of 6,000 gallons per month, the monthly water and sewer bill would increase \$3.68 or from \$59.88 to \$63.56.

Monthly Bills for Region J Area Utilities

Mr. Ray displayed a graph comparing the combined water and sewer bills for a typical single family residential customer in about thirty different communities in the Triangle region and OWASA is ranked about in the middle.

Mr. Clarke asked for comments from the public.

Ray DuBose, the University of North Carolina at Chapel Hill's Director of Energy Services, discussed the University's water conservation achievements in recent years and encouraged prudence in controlling costs while maintaining service quality and adequate capacity of the utility systems. There were no other comments by citizens.

Mr. Clarke said he appreciated the comments from Ray DuBose on the reuse system and that incurring some cost now will help keep rates down in the future without going to expensive sources of water supply.

Mark Marcoplos said the University was a great model for others in the community to follow.

Laura Sandvik moved to close the Public Hearing on the rates, fees and charges. The Motion was seconded by Penny Rich, and carried by unanimous vote. See Motion No. 3.

ITEM FIVE: MINUTES

Randy Kabrick moved to adopt the minutes of the April 13, 2006, Meeting of the Board of Directors. The motion was seconded by Gordon Merklein, and carried by unanimous vote. Please see Motion No. 4 above.

Randy Kabrick moved to adopt the minutes of the April 27, 2006, Meeting of the Board of Directors. The motion was seconded by Gordon Merklein, and carried by unanimous vote. Please see Motion No. 5 above.

Randy Kabrick moved to adopt the minutes of the May 11, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition. Please see Motion No. 6 above.

ITEM SIX: SEMIANNUAL STATUS REPORT FOR VARIOUS CAPITAL IMPROVEMENT PROJECTS, INCLUDING THE SEMIANNUAL REPORT ON COMMUNICATIONS PLANS FOR CAPITAL PROJECTS

The Board received a presentation from Stuart Carson on the status of current construction projects including water and sewer main renovations and replacements and the Mason Farm Wastewater Treatment Plant.

ITEM SEVEN: CLOSED SESSION

Penny Rich moved that the Board convene in a Closed Session for the purpose of discussing land acquisition and to discuss a personnel matter, seconded by Mark Marcoplos, and carried by unanimous vote. Please see Motion No. 7 above.

There being no further business to come before the Board, the meeting was adjourned at 8:10 P.M.

A RESOLUTION HONORING THE DISTINGUISHED PUBLIC
SERVICE AND EXPERTISE OF DR. DANIEL A. OKUN

WHEREAS, Dr. Daniel A. Okun is an internationally acclaimed champion of the principle of selecting drinking water sources of the highest and best quality available and protecting these resources through vigorous and proactive public management; and

WHEREAS, Dr. Okun led a University-sponsored project in the 1960s which identified Cane Creek in southwestern Orange County as the preferred site of the Carrboro-Chapel Hill community's primary water supply source, and which resulted in the construction of the Cane Creek Reservoir and Dam in 1989, thus providing a very high quality water source with a capacity of three billion gallons for our community; and

WHEREAS, Dr. Okun gave extensive expert testimony during the legal proceedings for the Cane Creek Reservoir project, and his support and assistance were invaluable to the success of the project; and

WHEREAS, the governing boards of the Town of Carrboro, Town of Chapel Hill, Orange County and OWASA have followed Dr. Okun's principles of source water protection in adopting some of the most progressive watershed protection ordinances in the United States to ensure the long-term viability of the University Lake – Cane Creek Reservoir – Stone Quarry supply system; and

WHEREAS, Dr. Okun's longstanding leadership regarding the use of reclaimed water for non-drinking purposes has greatly encouraged and supported the work of OWASA and the University to plan and implement a reclaimed water system which will reduce our vulnerability to future droughts by reusing highly treated wastewater rather than drinking water for certain non-potable purposes on the University campus, and which will reduce the community's water supply costs for decades into the future; and Dr. Okun is also a strong advocate for dual water systems, which are designed with adequate capacity to use reclaimed water for fire protection and enable drinking water systems to separately provide high quality drinking water for human consumption and other essential purposes; and

WHEREAS, Dr. Okun served as an outstanding member of the faculty of the University of North Carolina at Chapel Hill from 1952 to 1982, including 18 years as the Chair of the Department of Environmental Sciences and Engineering in the School of Public Health; and in 1999 the University created the Daniel A. Okun Distinguished Professorship of Environmental Engineering; and the University has also bestowed upon Dr. Okun the title of Kenan Professor, Emeritus; and

WHEREAS, Dr. Okun's consultancy career has included service to local, State and Federal agencies in the United States, and internationally to the World Bank, the World Health Organization, and the U.S. Agency for International Development and in more than 80 countries around the world; and Dr. Okun has received numerous State, national and international awards, including the Eddy Award, the Fuller Award, the first Freese Award of the American Society of Civil Engineers, the Abel Wolman Award of Excellence from the American Water Works Association, the Fair Award of the American Academy of Environmental Engineers, the Billard Research Award of the New York Academy of

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Sciences, the Boyd Award of the Association of Metropolitan Water Agencies, and the Friendship Medal of the Institute of Water and Environmental Management in Great Britain;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Orange Water and Sewer Authority:

1. That the Board does hereby formally recognize, honor and praise the extensive public service, expertise and wisdom of Dr. Daniel A. Okun for his many achievements and his outstanding service to OWASA, our community, the State of North Carolina, our nation and the world.