

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

NOVEMBER 8, 2007

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, November 8, 2007, at 7:00 P.M., in OWASA's Community Room.

Directors present: Randolph M. Kabrick, P.E., Chair; Gordon Merklein, Vice Chair; Braxton Foushee, Secretary; Fred Battle; Michael A. (Mac) Clarke; Marge Anders Limbert; Gene Pease; and Alan Rimer. Directors absent: William R. Stott.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Stuart Carson; Patrick Davis; Greg Feller; Damon Forney; Ed Holland; Andrea Orbich; Kevin Ray; Paula Thomas; and Robert Epting, Esq., Epting and Hackney.

Others present: Ben Poulson, Associate Director of Energy Services and Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina at Chapel Hill; Sara Peach, UNC Student; Beth Velliquette, reporter, Chapel Hill Herald; and Colin Warren-Hicks, reporter, Daily Tar Heel.

There being a quorum present, Chair Randy Kabrick called the meeting to order.

MOTIONS ACTED UPON

1. Gordon Merklein made a motion that the Board hold a public hearing on January 10, 2008 (if needed) to consider potential rate increases to offset revenue loss from conservation if the drought continues and to discuss reduction in OWASA Operations and Maintenance costs. The motion was seconded by Braxton Foushee and unanimously approved.

2. Marge Anders Limbert made a motion to schedule a vote on Mr. Clarke's petition to move the election of officers from the fourth Thursday of September to the fourth Thursday in June of each year for the Board's January 10, 2008 meeting; the motion was seconded by Gene Pease and unanimously approved.

3. Alan Rimer made a motion to approve the Minutes of the September 27, 2007 Board Meeting; the motion was seconded by Braxton Foushee and unanimously approved.

4. Alan Rimer made a motion to approve the Minutes of the October 18, 2007 Special Meeting of the Board; the motion was seconded by Braxton Foushee and unanimously approved.

ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Randy Kabrick 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.

MASON FARM WWTP DEDICATION CEREMONY

Ed Kerwin said that a successful Mason Farm Wastewater Treatment Plant (WWTP) Dedication ceremony was held today with local elected officials in attendance and with the Honorable Joe Hackney, Speaker of the House of Representatives, as the guest speaker.

COMMITTEE MEETINGS

Gene Pease said the Ad Hoc Planning Committee will meet on Friday, November 9, 2007, at 3:00 PM in the OWASA Boardroom to prepare a scope of work for the Board's planning retreats in December 2007 and January 2008.

DECEMBER 13, 2007 BOARD MEETING

Randy Kabrick said the December 13, 2007 Board meeting will begin at 5:30 P.M. and then the Board will convene in a work session for the purpose of a Board Retreat facilitated by Margaret Henderson, of the School of Government. Mr. Kabrick also noted that Board Members will receive an exercise in advance for the retreat and requested full participation from all Board Members.

EMAILING CORRESPONDENCE AND RELATED ITEMS

Randy Kabrick said that in an effort to save resources, a memorandum is provided from Andrea Orbich proposing to email Board calendars; Board and staff contact information; Standing Committee updates; newspaper articles; and public meeting notices rather than providing paper copies. If any Board Member wishes to continue to receive paper copies, please notify Andrea Orbich.

HOLIDAY PARTY

Randy Kabrick announced the annual holiday party will be held on December 8, 2007 at 7:00 P.M. in the Sheraton Hotel in Chapel Hill.

BUDGET AND FINANCIAL PLANNING COMMITTEE

Gordon Merklein said that the Budget and Financial Planning Committee meet prior to the Board meeting and reviewed the potential budget impacts of the drought, which could be significant. The Committee reviewed alternatives to offset this revenue impact and will meet to discuss same on December 6, 2007. A follow-up report to the full Board is planned for December 13, 2007, and specific rate proposals will be developed after further analysis of cost reduction options and revenue factors.

Gordon Merklein made a motion that the Board hold a public hearing on January 10, 2008 (if needed) to consider potential rate increases to offset revenue loss from conservation if the drought continues and to discuss reduction in OWASA Operations and Maintenance costs. The motion was seconded by Braxton Foushee and unanimously approved. (Please see Motion No. 1 above.)

OCTOBER 20, 2007 JOINT MEETING BETWEEN ORANGE COUNTY/CHATHAM COUNTY/CHAPEL HILL/CARRBORO/OWASA/UNC

Ed Kerwin said that no formal action was taken at the meeting. There was general discussion about the potential benefits of cooperative planning on a number of regional issues, including access to Jordan Lake water and watershed protection. Orange County Commissioner Barry Jacobs suggested that Orange County and OWASA staff work together to suggest what role the State may play to help facilitate (or fund) regional access to the Jordan Lake water supply. Chatham County Manager Charlie Horne said the County will need Jordan Lake water within 10 to 15 years.

DAMON FORNEY

John Greene introduced Damon Forney, OWASA's new Wastewater Treatment and Biosolids Recycling Manager.

ANIMAL WASTE HOLDING POND

Ed Holland said that the regional office of the NC Department of Environment and Natural Resources (DENR) contacted OWASA about a recent and ongoing discharge from an abandoned manure lagoon in the Tom's Creek headwaters upstream of the Cane Creek Reservoir. The spill was reported by US Fish & Wildlife staff while monitoring a wildlife easement that they have along Tom's Creek just downstream of the site. DENR water quality and land quality representatives will visit the site again with Orange County Soil and Water District and County erosion control representatives. OWASA staff will also attend.

While OWASA believes no water quality damage resulted from the initial release, staff will monitor water quality in Tom's Creek. Mr. Holland reported that progress has been made, but the situation is not yet resolved. Robert Epting and Mr. Holland have been in close contact

with the regulatory parties involved, as well as with the property owner's attorney, who has been cooperative.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC

Randy Kabrick asked for petitions and requests from the public. There were none.

ITEM THREE: PETITIONS AND REQUESTS FROM THE BOARD

Mac Clarke petitioned the Board to change the date for elections of officers from the fourth Thursday of September to the fourth Thursday in June of each year. Mr. Clarke said that he believes this modification will yield a more informed electorate.

Marge Anders Limbert made a motion to schedule a vote on Mr. Clarke's petition to move the election of officers from the fourth Thursday of September to the fourth Thursday in June of each year for the Board's January 10, 2008 meeting; the motion was seconded by Gene Pease and unanimously approved. (Please see Motion No. 2 above.)

Alan Rimer said that approximately a month ago he read an article in Christian Science Monitor regarding infrastructure with respect to water losses in water distribution systems. Mr. Rimer requested and received information on OWASA's water loss from staff and is petitioning staff to provide the same information to the full Board so that it becomes public knowledge.

Mr. Rimer said he received an e-mail from an OWASA customer with a suggestion that a committee be established on conservation awareness with representatives from the community. Mr. Rimer requested that staff look at the possibility of establishing a committee of Board Members and staff, to meet on a regular basis and receive feedback on conservation and then publish same.

Mr. Rimer also commented that he while is appreciative of all the OWASA mandatory water conservation signs on OWASA vehicles and in the community, they do not stand out. He requested that the next time signs are made that they be made with bright colors to stand out and get the attention of the public.

ITEM FOUR: PETITIONS AND REQUESTS FROM THE STAFF

Randy Kabrick asked for petitions and requests from the staff. There were none.

ITEM FIVE: QUARTERLY REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2007

The Board received this report as an information item.

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

The Board received this report as an information item.

ITEM SEVEN: MINUTES

Alan Rimer made a motion to approve the Minutes of the September 27, 2007 Board Meeting; the motion was seconded by Braxton Foushee and unanimously approved. (Please see Motion No. 3 above.)

Alan Rimer made a motion to approve the Minutes of the October 18, 2007 Special Meeting of the Board; the motion was seconded by Braxton Foushee and unanimously approved. (Please see Motion No. 4 above.)

ITEM EIGHT: WATER SUPPLY AND DEMAND UPDATE

The Board received this report as an information item.

ITEM NINE: RECOMMENDED REVISIONS OF OWASA'S WATER CONSERVATION STANDARDS AND RELATED ORDINANCES ADOPTED BY THE TOWNS OF CHAPEL HILL AND CARRBORO AND ORANGE COUNTY

The Board and staff discussed a possible change in the OWASA Conservation Standards that would tighten the irrigation limits in OWASA's water conservation standards and local water conservation ordinances.

After Board discussion, it was decided to delay consideration of the proposed amendment to the OWASA water conservation standards. The Board decided that public comments should be requested before taking action. The OWASA Board directed staff to:

1. Make full and effective use of our public information office, and urge local governments' cooperation, to strongly discourage all outdoor use of OWASA supplied potable water, with notice to the public that continued widespread use of potable water outdoors will likely make it necessary for OWASA and the local governments to formally prohibit such use.
2. Continue our proactive work to educate and encourage our customers about how they can conserve water (especially indoors since spray irrigation is already prohibited under the Stage Two Shortage).
3. Continue aggressively to enforce Stage Two Water Restrictions and to continue working cooperatively with the local Police Departments.
4. Develop a schedule for formal hearings in which the OWASA Board will solicit and consider feedback from customers and local governments regarding this

suggestion to improve our water conservation standards for use in local governments' ordinances by early next year.

5. Communicate to our local governments and the community about the important work OWASA is doing, in collaboration with local government staffs, to develop other, comprehensive, long-term water conservation recommendations.

ITEM TEN: DISCUSSION OF DRAFT REPORT ON COLLABORATIVE WATER CONSERVATION STRATEGIES FOR JOINT CONSIDERATION BY CARRBORO, CHAPEL HILL AND ORANGE COUNTY AND PROPOSED RECOMMENDATIONS FROM THE BOARD

Patrick Davis summarized for the Board the core recommendations of the draft report on conservation strategies that have been developed with input from the local government planning and inspections staffs.

The Board directed that the Chair send a written request asking the chief elected officials to refer the draft report to their respective staff and direct their staff to continue working with OWASA staff to promptly develop a set of consensus recommendations for local consideration. The Board also requested that the Board's Natural Resources and Technical Systems Committee consider the report and related draft recommendations, and provide the Committee's recommendations for consideration by the full Board at a future meeting.

ITEM ELEVEN: UPDATE ON EFFORTS TO IMPLEMENT AN INTERIM RECLAIMED BULK FILL WATER OPERATION

Patrick Davis announced that OWASA has received an operating permit from the State that allows OWASA to provide bulk fill reclaimed water service to customers at the Mason Farm Wastewater Treatment Plant.

The Board concurred with staff's recommendation that, for at least the next several months during the ongoing drought, OWASA should not charge for this service. This approach will also help to establish a market for OWASA's reclaimed water. The Board and staff will revisit the question of what to charge for this service once we have an understanding of the level of effort and cost of this service.

ITEM TWELVE: DISCUSSION OF BOARD COMMITTEE ASSIGNMENTS

Randy Kabrick said that after receiving feedback from Board Members, he made the following assignments:

Budget And Financial Planning

Gordon Merklein, Chair

Mac Clarke

Gene Pease

Human Resources Committee

Marge Anders Limbert, Chair

Fred Battle

Braxton Foushee

Natural Resources/Technical Systems Committee

Alan Rimer, Chair

Marge Anders Limbert

William Stott

Ad Hoc Art Committee

Gordon Merklein, Chair

Alan Rimer

William Stott

Ad Hoc Community Outreach Committee

Fred Battle, Chair

Mac Clarke

Gordon Merklein

Ad Hoc Planning Committee

Gene Pease, Chair

Marge Anders Limbert

Alan Rimer

Ad Hoc Property Committee

Marge Anders Limbert, Chair

Braxton Foushee

William Stott

There being no further business to come before the Board, the meeting was adjourned at 9:15 P.M.