

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

DECEMBER 13, 2007

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, December 13, 2007, at 5:30 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; Alan Rimer; and William R. Stott.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Stuart Carson; Patrick Davis; Greg Feller; Ed Holland; Alexandra Jones; Andrea Orbich; Kevin Ray; 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; Margaret Henderson, UNC School of Government; Amanda Lieth; Alex Lieth, student at Cedar Ridge High School; Beth Velliquette, Chapel Hill Herald; and Narasimhan Raghanon, OWASA customer.

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

MOTIONS ACTED UPON

1. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the "Resolution a Construction Contract for the Meeting of the Waters Interceptor and Reclaimed Water Pipeline Project." (Resolution so titled attached hereto and made a part of these minutes. Motion made by Mac Clarke, seconded by Alan Rimer, and carried by unanimous vote.)

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the "Resolution Awarding a Construction Contract for the Reclaimed Water Pumping and Storage Facility." (Resolution so titled attached hereto and made a part of these minutes. Motion made by Alan Rimer, seconded by Mac Clarke, and carried by unanimous vote.)

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the "Resolution Awarding a Construction Contract for the Morgan Creek Interceptor Reach 4 Project." (Resolution so titled attached hereto and made a part of these minutes. Motion made by Gene Pease, seconded by Alan Rimer, and carried by unanimous vote.)

4. Gordon Merklein made a motion to amend the public hearing schedule from January 10, 2008 to January 24, 2008 (if needed) on potential rate increases to offset revenue loss from

conservation if the drought continues; the motion was seconded by Gene Pease and unanimously approved.

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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.

BOARD WORK SESSION

Randy Kabrick said that the location of the OWASA Board of Directors' Work Session for the purpose of a Board retreat has changed to the OWASA Boardroom and will follow the Board meeting this evening.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC

Mr. Narasimhan Raghanon, a new resident to Chapel Hill, petitioned the Board for a reduction of sewer use charges of his water bill because he was unaware that the sewer use charge was based on water use.

Ed Kerwin stated that staff could not grant this request because the same charge is applied to all customers.

Robert Epting said that it was unfortunate that the realtors who sold him the house did not inform him of the charges that would be applied.

The Board agreed that Mr. Raghanon's petition could not be granted.

ITEM THREE: PETITIONS AND REQUESTS FROM THE BOARD

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

ITEM FOUR: PETITIONS AND REQUESTS FROM THE STAFF

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

ITEM FIVE: RESOLUTION AWARDING A CONSTRUCTION CONTRACT FOR THE MEETING OF THE WATERS INTERCEPTOR AND RECLAIMED WATER PIPELINE PROJECT

Gene Pease inquired if OWASA had received the reimbursement agreement with the University and if there will be any working capital cash flow that would impact OWASA financially.

Ed Kerwin said that OWASA staff received a draft agreement today, and that the final agreement will be ready soon.

Kevin Ray said it should not create a financial imposition.

Braxton Foushee and Fred Battle requested that minority business participation in construction contracts be expanded to include firms other than hauling contractors.

Mac Clarke made a motion to approve the resolution; the motion was seconded by Alan Rimer and unanimously approved. Please see Motion No. 1 above.

ITEM SIX: RESOLUTION AWARDING A CONSTRUCTION CONTRACT FOR THE RECLAIMED WATER PUMPING AND STORAGE FACILITY

Alan Rimer made a motion to approve the resolution; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 2 above.

ITEM SEVEN: RESOLUTION AWARDING A CONSTRUCTION CONTRACT FOR THE MORGAN CREEK INTERCEPTOR REACH 4 PROJECT

Mac Clarke noted that the contract amount was much less than what the consultant projected and that a better explanation should be provided by staff. Mr. Clarke also referenced a New York Times article on manhole covers that New York purchases from India that described a disturbing work environment for Indian workers. While OWASA cannot do anything about this poor practice in India as it pertains to this contract, staff could check out the procurement of raw materials and seek language in OWASA's bid documents that proper standards are established wherever the raw material is purchased.

Alan Rimer suggested that one of the Board's committees look at different issues as it pertains to minority contractors, environmental, safety, information and education and then provide a report to the Board with recommendations on how to address these issues.

Gene Pease made a motion to approve the resolution; the motion was seconded by Alan Rimer and unanimously approved. Please see Motion No. 3 above.

ITEM EIGHT: VERBAL REPORT ABOUT THE BUDGET AND FINANCIAL PLANNING COMMITTEE MEETING HELD ON DECEMBER 6, 2007 TO DISCUSS ESTIMATED DROUGHT RELATED REVENUE DEFICITS, SPENDING REDUCTION OPPORTUNITIES, AND POTENTIAL REVISIONS TO ORANGE WATER AND SEWER

AUTHORITY'S WATER AND SEWER COMMODITY CHARGES IN THE
FORM OF A REVENUE RATE RECOVERY ADJUSTMENT

Gordon Merklein updated the Board on the Budget and Financial Planning Committee meeting. He said that OWASA may have a potential loss in water sale revenues this fiscal year; however an excess in revenues from the first four months as well as savings in the Operations and Maintenance (O&M) Budget will help to offset this loss. He also indicated that additional costs may be incurred if the drought continues; including building a temporary reclaimed water system to UNC and the purchase of water from other utilities. The Budget Committee agreed to meet again on January 3, 2008 at 5:30 PM in the OWASA Boardroom to continue this discussion.

Gordon Merklein made a motion to amend the public hearing schedule from January 10, 2008 to January 24, 2008 (if needed) on potential rate increases to offset revenue loss from conservation if the drought continues; the motion was seconded by Gene Pease and unanimously approved. Please see Motion No. 4 above.

The Board will further discuss this subject at the January 10th Board meeting.

ITEM NINE: WORK SESSION

The Board convened in a Work Session for the purpose of a Board retreat facilitated by Margaret Henderson and Lydian Altman-Sauer of the School of Government, University of North Carolina at Chapel Hill.

There being no further business to come before the Board, the meeting was adjourned at 9:00 P.M.

Enclosures

**RESOLUTION AWARDING A CONSTRUCTION CONTRACT
FOR THE MEETING OF THE WATERS INTERCEPTOR
AND RECLAIMED WATER PIPELINE PROJECT**

WHEREAS, there is a need for the replacement of the Meeting of the Waters Interceptor; and

WHEREAS, the University of North Carolina at Chapel Hill (UNC) and the Orange Water and Sewer Authority entered into a contract for design, construction, and operation of a reclaimed water system on April 10, 2006; and

WHEREAS, the Meeting of the Waters Interceptor and the Reclaimed Water Pipeline share a similar route and can be constructed concurrently to reduce construction costs and disruption; and

WHEREAS, plans and specifications for the construction of this project have been prepared by Brown and Caldwell and Hazen & Sawyer; and

WHEREAS, advertisement for bids was published in the News and Observer of Raleigh on October 21, 2007, and three bids were received and publicly opened read aloud on November 29, 2007; and

WHEREAS, UNC is obligated to reimburse OWASA for the construction cost of the reclaimed water system, and UNC approved the construction cost, plus a contingency allowance, for the Reclaimed Water Pipeline portion of the project on December 7, 2007; and

WHEREAS, on June 14, 2007 the Board approved a resolution authorizing funds for Capital Improvement Projects, including funds for this project;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Orange Water and Sewer Authority Board of Directors awards the construction contract to Park Construction Corporation, the low bidder for the Meeting of the Waters Interceptor and Reclaimed Water Pipeline Project, in accordance with the approved plans and specifications, in the amount of \$7,879,113.13 for the base bid, subject to such change orders as may apply.
2. That the Executive Director be, and hereby is, authorized to execute said contract, subject to prior approval of legal counsel, and to approve and execute change orders and such documents as may be required in connection with the construction contract.
3. That the Executive Director be, and hereby is, directed to furnish copies of said contract to the appropriate State and Federal regulatory agencies for required approval.

Adopted this 13th day of December 2007.

**RESOLUTION AWARDING A CONSTRUCTION CONTRACT
FOR THE RECLAIMED WATER PUMPING AND STORAGE FACILITIES**

WHEREAS, the University of North Carolina at Chapel Hill (UNC) and the Orange Water and Sewer Authority entered into a contract for design, construction, and operation of a reclaimed water system on April 10, 2006;

WHEREAS, plans and specifications for the construction of this project have been prepared by Hazen & Sawyer; and

WHEREAS, advertisement for bids was published in the News and Observer of Raleigh on October 21, 2007, and eight bids were received and publicly opened and read aloud on November 29, 2007; and

WHEREAS, UNC is obligated to reimburse OWASA for the construction cost of the reclaimed water system, it approved the construction cost, plus a contingency allowance, for the reclaimed water facilities project and selected a bid alternative (600,000 gallon storage tank) on December 7, 2007; and

WHEREAS, on June 14, 2007 the Board approved a resolution authorizing funds for Capital Improvement Projects, including funds for this project;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Orange Water and Sewer Authority Board of Directors awards the construction contract to Haren Construction Company, the low bidder for the Reclaimed Water Pipeline Pumping and Storage Facilities 600,000 gallon storage tank bid alternative, in accordance with the approved plans and specifications, in the amount of \$3,919,000.00, subject to such change orders as may apply.

2. That the Executive Director be, and hereby is, authorized to execute said contract, subject to prior approval of legal counsel, and to approve and execute change orders and such documents as may be required in connection with the construction contract.

3. That the Executive Director be, and hereby is, directed to furnish copies of said contract to the appropriate State and Federal regulatory agencies for required approval.

Adopted this 13th day of December 2007.

**RESOLUTION AWARDING A CONSTRUCTION CONTRACT
FOR THE MORGAN CREEK INTERCEPTOR – REACH 4 PROJECT**

WHEREAS, there is a need for the replacement of the Morgan Creek Interceptor – Reach 4; and

WHEREAS, plans and specifications for the construction of this project have been prepared by Brown and Caldwell; and

WHEREAS, advertisement for bids was published in the News and Observer on October 7, 2007, and ten bids were received on November 6, 2007; and

WHEREAS, on June 14, 2007 the Board approved a resolution authorizing funds for Capital Improvement Projects, including funds for this project;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Orange Water and Sewer Authority Board of Directors awards the construction contract to J.F. Wilkerson Contracting Co., the low bidder for the Morgan Creek Interceptor – Reach 4 Project, in accordance with the approved plans and specifications, in the amount of \$667,191.00 for the base bid, subject to such change orders as may apply.

2. That the Executive Director be, and hereby is, authorized to execute said contract, subject to prior approval of legal counsel, and to approve and execute change orders and such documents as may be required in connection with the construction contract.

3. That the Executive Director be, and hereby is, directed to furnish copies of said contract to the appropriate State and Federal regulatory agencies for required approval.

Adopted this 13th day of December 2007.