

ORANGE WATER AND SEWER AUTHORITY
ANNUAL MEETING OF THE BOARD OF DIRECTORS

SEPTEMBER 25, 2008

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met for their annual meeting on Thursday, September 25, 2008, at 7:00 P.M., at the Chapel Hill Town Hall.

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

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Alexandra Jones; Stuart Carson; Patrick Davis; Greg Feller; Ed Holland; Heidi Lamay; 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; and Eddie Burke, Cherry, Bekaert & Holland, LLP.

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

MOTIONS ACTED UPON

1. Mac Clarke made a motion to adopt the Minutes of the June 26, 2008 Board meeting; the motion was seconded by William Stott and unanimously approved.
2. Mac Clarke made a motion to adopt the Minutes of the July 10, 2008 Board meeting; the motion was seconded by William Stott and unanimously approved.
3. Mac Clarke made a motion to adopt the Minutes of the September 11, 2008 Board of Directors Closed Session for the purpose of discussing a personnel issue; the motion was seconded by William Stott and unanimously approved.
4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution of Appreciation for Marge Anders Limbert, Former Member of the Board of Directors of Orange Water and Sewer Authority." (Resolution so titled attached hereto and made a part of these minutes. Motion by Mac Clarke, second by William Stott, and unanimously approved.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Reappointing Robert Epting as General Counsel to the Orange Water and Sewer Authority." (Resolution so titled attached hereto and made a part of these minutes. Motion by Braxton Foushee, second by Fred Battle, and unanimously approved.)

6. Braxton Foushee made a motion that the Board convene in a closed session for the purpose of discussing a human resource matter; the motion was seconded by Fred Battle and unanimously approved.

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ITEM ONE: OATH OF OFFICE

Andrea Orbich administered the Oath of Office to Orange County appointee, Ms. Joyce C. Preslar.

ITEM TWO: 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.

ANNOUNCEMENTS BY THE CHAIR

The Natural Resources/Technical Systems Committee will meet on Monday, September 29, 2008 at 8:00 AM in the OWASA Boardroom to discuss the next draft of Conservation Standards and Water Supply Plan Update.

The Community Outreach Committee will meet on Tuesday, September 30, 2008 at 7:30 AM in the OWASA Boardroom to discuss Committee priorities and goals.

Mr. Riley Wilson, former Board Member (Chapel Hill Appointee), passed away on Saturday, September 13, 2008. Mr. Wilson served on the OWASA Board from July 1989 until June 1995.

ANNOUNCEMENTS BY BOARD MEMBERS

Gordon Merklein, Chair of the Finance Committee, said that the Committee met tonight before the Board meeting to set plans and goals for the Finance Committee. The plans to meet again on October 23, 2008 at 6:30 PM and in early November to move forward with budget and finance preparations for the next fiscal year.

ANNOUNCEMENTS BY STAFF

Kevin Ray said that rate changes and increases the Board adopted on June 26, 2008, will go into effect on October 1st (10% increase monthly water rates and 26.25% increase monthly sewer rates for an overall increase of about 17%).

Mr. Ray announced that OWASA will partner with the Inter-faith Council in hopes of increasing participation by donors in OWASA's Taste of Hope customer assistance program.

ITEM THREE: PETITIONS AND REQUESTS

Randy Kabrick asked for petitions and requests from the public, the Board and staff; there were none.

ITEM FOUR: PRESENTATION OF ANNUAL REPORT

Ed Kerwin said that the key headline events for OWASA for the fiscal year that ended on June 30, 2008 include the exceptional drought of 2007/08 and the \$50 Million Upgrade and Expansion of the Mason Farm Wastewater Treatment Plant (WWTP). OWASA's keys to success during the drought were demand reduction by customers; year-round conservation requirements; conservation pricing (increasing block water rates and seasonal water rates); water plant process water recycling; and having a worst-case contingency plan. Mr. Kerwin said that future strategies for ensuring reliable water supplies include the reclaimed water system that will be operational in spring 2009; continued improvements in conservation and demand management; and preparing a new water supply plan through 2060.

Another significant accomplishment was the \$50 million upgrade and expansion of the Mason Farm WWTP to improve quality of treated water and enable reuse. The expansion included improved plant reliability with generators and redundant equipment; sustainability improvements such as UV disinfection and utilization of methane gas; odor elimination; and dewatering of biosolids to provide greater flexibility in biosolids management. The upgrade increased capacity to 14.5 million gallons per day to meet the needs of the community for the next 10+ years. However, there is uncertainty about future Jordan Lake nutrient regulation requirements, which may require a higher level of nutrient removal than was planned in this upgrade.

Continuing to renew and replace aging water and wastewater infrastructure is increasingly essential to OWASA. In 2008 dollars, OWASA invested \$225 million since 1998 in renewing and replacing infrastructure. The 17 percent rate increase was needed because of the reduced water sales (13 percent lower than projected); reduced connection fees (40 percent lower than normal); an increase in operating costs for energy, chemicals, and health insurance; and paying off bonds sold for renewing and replacing infrastructure.

Staff has responded proactively to reduce demand by cutting \$1.4 million in the fiscal year 2007-08 budget and will continue to cut expenses and improve efficiency. Mr. Kerwin said

ongoing challenges that will impact our future rate adjustments include; possible new regulatory requirements; volatility in energy, chemical, material and health insurance costs; the cost of conservation versus alternative supplies; continuing to renew and replace infrastructure; and recruiting and retaining a skilled workforce.

Kevin Ray, OWASA's Director of Finance and Customer Service, said that the Comprehensive Annual Financial Report (CAFR), is still in draft form and that editorial changes may occur, but the dollar amounts in the draft CAFR will not materially change. Mr. Ray stated that fiscal performance for FY 2007-08 as measured by the bottom-line was slightly better than projected.

Mr. Eddie Burke, the independent auditor with Cherry, Bekaert & Holland, LLP, said OWASA received an unqualified opinion that its financial statements fairly present OWASA's financial operations and position.

ITEM FIVE: MINUTES

Mac Clarke made a motion to adopt the Minutes of the June 26, 2008 Board meeting; the motion was seconded by William Stott and unanimously approved. Please see Motion No. 1 above.

Mac Clarke made a motion to adopt the Minutes of the July 10, 2008 Board meeting; the motion was seconded by William Stott and unanimously approved. Please see Motion No. 2 above.

Mac Clarke made a motion to adopt the Minutes of the September 11, 2008 Board of Directors Closed Session for the purpose of discussing a personnel issue; the motion was seconded by William Stott and unanimously approved. Please see Motion No. 3 above.

ITEM SIX: RESOLUTION OF APPRECIATION FOR MARGE ANDERS LIMBERT, FORMER MEMBER OF THE BOARD OF DIRECTORS OF THE ORANGE WATER AND SEWER AUTHORITY

Mac Clarke made a motion adopt the resolution; the motion was seconded by William Stott and unanimously approved. Please see Motion No. 4 above.

ITEM SEVEN: UPDATE ON THE RECLAIMED WATER SUPPLY SYSTEM AND MEETING OF THE WATERS SEWER INTERCEPTOR PROJECTS

Alexander Jones updated the Board with a presentation on this capital improvement project.

ITEM EIGHT: VERBAL UPDATE ON THE SEPTEMBER 18, 2008 ORANGE COUNTY ASSEMBLY OF GOVERNMENTS MEETING REGARDING LONG-TERM WATER SUPPLY

Ed Kerwin said he gave the same presentation as at the Board's September 11, 2008 meeting on OWASA's water supply plan update including regional options. No major concerns or issues raised by the elected officials.

Mr. David Hughes, Chatham County's Public Works Director, explained why Chatham and the City of Durham entered into an agreement this summer whereby Durham will provide Chatham finished water over the next several years so that Chatham can participate in the regional development of a Jordan Lake western intake. Mr. Hughes also reviewed Chatham County's new year-round water conservation requirements.

Ms. Laura Blackmon, Orange County Manager, distributed a new proposal for a Chatham/Orange Work Group. After considerable discussion, no action was taken and the matter was referred to the staff of each local government. Transportation issues (not water) seemed to be the priority matter in this discussion.

Mac Clarke said that the concern received from others was that if we had a conversation regarding Jordan Lake, it may be perceived as permission to develop. This aspect did not come up in the discussions, which have been successful.

ITEM NINE: VERBAL UPDATE ON THE SEPTEMBER 24, 2008 COMMUNITY MEETING REGARDING PROPOSED CHANGES TO OWASA'S WATER CONSERVATION STANDARDS

Ed Kerwin said that there were five guests, not including two reporters, at the meeting on September 24, 2008, and feedback was received from three of the guests. Mr. Doug Chapman, Co-Chair of the North Carolina Green Industry Council, said that overall he supports the proposed changes and appreciates OWASA's open process to seek input. He wondered if shortage stages could be linked to a specific standard to provide people an awareness of the criteria used to move from stage to stage. He also felt that a standard system among area utilities would be useful. Mr. Chapman would like more flexibility for irrigation (for example: allow 2 days per week for turf irrigation in stage 1, but reduce the allowable hours). He said separating turf from non-turf areas for some irrigation systems may be difficult and he asked that OWASA offer an irrigation variance for new seeding and chemical application.

Mr. Ben Allred of The UNC Farm supported the proposed changes for swimming pools.

Mr. Ray Dubose, Director of Energy Services at the University of North Carolina at Chapel Hill, supported the proposed changes. The University has decreased its per square foot water use by 25 percent since 2002 and he looks forward to the reclaimed water system going on-line in the spring of 2009.

ITEM TEN: RESOLUTION REAPPOINTING ROBERT EPTING AS GENERAL COUNSEL TO THE ORANGE WATER AND SEWER AUTHORITY

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Braxton Foushee made a motion adopt the resolution; the motion was seconded by Fred Battle and unanimously approved. Please see Motion No. 5 above.

ITEM ELEVEN: CLOSED SESSION

Braxton Foushee made a motion that the Board convene in a closed session for the purpose of discussing a human resource matter; the motion was seconded by Fred Battle and unanimously approved. Please see Motion No. 6 above.

There being no further business to come before the Board, the meeting was adjourned at 8:00 P.M.

Enclosures

OATH OF OFFICE

I, Joyce C. Preslar, do solemnly affirm that for so long as I may serve I will support and maintain the Constitution and laws of the United States, and the Constitution and laws of North Carolina not inconsistent therewith, and that I will diligently, faithfully and truly, perform the duties as a Member of the Orange Water and Sewer Authority to the best of my ability, skill and judgment, so help me God.

Sworn to and subscribed before me this 25th day of September, 2008.

**RESOLUTION OF APPRECIATION FOR MARGE ANDERS LIMBERT
FORMER MEMBER OF THE BOARD OF DIRECTORS OF THE
ORANGE WATER AND SEWER AUTHORITY**

WHEREAS, Marge Anders Limbert was appointed by Orange County as a member of the Board of Directors of Orange Water and Sewer Authority; and

WHEREAS, from July 15, 2005 to June 30, 2008, Marge diligently served as a Member of the Board of Directors of Orange Water and Sewer Authority; and

WHEREAS, Ms. Limbert chaired the OWASA Board's Human Resources Committee and her strong advocacy for employees included the decision to extend benefits to domestic partners of employees; and

WHEREAS, Ms. Limbert has given freely of her time, energy, and talents with unselfish dedication of her abilities, practical leadership, responsive stewardship, and compassionate concern while serving the citizens of the community and the customers of Orange Water and Sewer Authority;

**NOW, THEREFORE, BE IT RESOLVED BY THE OWASA BOARD OF
DIRECTORS:**

1. That the Board of Directors of the Orange Water and Sewer Authority, acting through its Members, [Fred Battle, Michael A. (Mac) Clarke, Braxton Foushee, Randy Kabrick, Gordon Merklein, Gene Pease, Joyce C. Preslar, Alan Rimer and William R. Stott, III], now takes this means of expressing to Ms. Marge Anders Limbert the Board's sincere appreciation and deep gratitude for her faithful service, able leadership, and stewardship; and the Board wishes for Ms. Limbert and her family much happiness in the years ahead.

2. Let this resolution be spread on the Minutes of this meeting the 25th day of September, 2008; a copy of this resolution be transmitted to Orange County; and with proper exposition a copy of this resolution be presented to Marge Anders Limbert.

Adopted by the Board of Directors of Orange Water and Sewer Authority this 25th day of September, 2008.

**RESOLUTION REAPPOINTING ROBERT EPTING AS GENERAL COUNSEL
TO THE ORANGE WATER AND SEWER AUTHORITY**

WHEREAS, the Orange Water and Sewer Authority is a public, corporate entity organized and operated under the laws and statutes of the State of North Carolina and is engaged in the provision of public water and sewer services within its service area; and

WHEREAS, the Board of Directors of Orange Water and Sewer Authority finds that it is necessary and appropriate to provide for and obtain general legal counsel and services to assist in the establishment of policy and the administration and operations of the business and affairs of OWASA so that due regard may be given to the pertinent laws, regulations, and statutes; and

WHEREAS, Robert Epting has served as General Counsel to OWASA since October 1, 1984, and has rendered competent and appropriate legal services in that regard, and the Board of Directors wishes to continue his services as General Counsel;

**NOW, THEREFORE, BE IT RESOLVED BY THE OWASA BOARD OF
DIRECTORS:**

1. That Robert Epting of the firm of Epting and Hackney, Chapel Hill, N.C., is hereby reappointed General Counsel of Orange Water and Sewer Authority in accordance with the terms and conditions set out in his letter dated August 18, 2008 to the Executive Director.
2. That as General Counsel, Robert Epting will serve under the general direction of the Board of Directors and upon the request of the Executive Director, subject to his ultimate responsibility to the Board of Directors.
3. That this reappointment will be effective October 1, 2008, and shall continue, subject to annual review by the Board of Directors prior to the time of the Annual Meeting or until terminated by either the Board of Directors or Robert Epting, in accordance with the terms and conditions of the said letter dated August 18, 2008.

Adopted this 25th day of September, 2008.

ORANGE WATER AND SEWER AUTHORITY
CLOSED SESSION OF THE BOARD OF DIRECTORS
SEPTEMBER 25, 2008

The Board of Directors of Orange Water and Sewer Authority met in closed session following the Board meeting on Thursday, September 25, 2008, in First Floor conference Room at Chapel Hill Town Hall.

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

Others present: Robert Epting, General Counsel; and Ed Kerwin, Executive Director, Orange Water and Sewer Authority.

ITEM ONE

The Board of Directors met in Closed Session for the purpose of evaluating the annual performance of OWASA's General Counsel for the current fiscal year.

No official action was taken at the meeting.