

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

APRIL 23, 2009

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, April 23, 2009, 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; Gene Pease; Joyce C. Preslar; Alan Rimer; and William R. Stott.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Gwen Burston; Patrick Davis; Greg Feller; Andrea Orbich; Kevin Ray; and Steve Lackey, Esq., Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina at Chapel Hill; and Highland Woods Residents: Ann Alexander, Helen Ludwig, Frank Rexford, Gary Richman, Peg Parker and Alice Neebe.

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 titled "Resolution Approving and Authorizing Audit Contract to Cherry, Bekaert & Holland, LLP and Authorizing Chair of the Board of Directors and the Finance Officer to Execute said Contract." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer, second by Braxton Foushee, and unanimously approved.)

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Authorizing the Renewal of Medical Insurance Contract with Blue Cross Blue Shield of North Carolina." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer, second by Braxton Foushee, and unanimously approved.)

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Authorizing the Executive Director to Execute the Contract with Blue Cross Blue Shield of North Carolina for Dental Insurance." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer, second by Braxton Foushee, and unanimously approved.)

4. Alan Rimer made a motion to approve the Minutes of the March 12, 2009 Board Meeting; the motion was seconded by Braxton Foushee, and unanimously approved.

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Adopting a Preliminary Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2009 through June 30, 2010." (Resolution so titled attached hereto and made a part of these minutes. Motion by Gene Pease, second by William Stott, and unanimously approved.)

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Setting the Date of May 28, 2009 for a Public Hearing on the Proposed OWASA Budget for Fiscal Year 2010 and on the Capital Improvements Program for Fiscal Years 2010-2024 Including a Five-Year Capital Improvements Budget for Fiscal Years 2010-2014." (Resolution so titled attached hereto and made a part of these minutes. Motion by Braxton Foushee, second by Gene Pease, and unanimously approved.)

7. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Setting the Date of May 28, 2009 as the date for a Public Hearing on Proposed Revisions of Water and Sewer Rates, Fees and Charges." (Resolution so titled attached hereto and made a part of these minutes. Motion by Gene Pease, second by Alan Rimer, 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.

RECLAIMED WATER SYSTEM CELEBRATION

Randy Kabrick said that there will be a ceremony celebrating the completion of the Reclaimed Water System on Monday, May 11, 2009 at 10:00 A.M. at the Gary R. Tomkins Chiller Plant off of Mason Farm Road on the UNC Campus. Featured guest speakers include Mr. Phillip Baddour of the Clean Water Management Trust Fund and U.S. Representative David Price. This is an important event for the University and OWASA and hope that you can attend.

WILLIAM STOTT

Randy Kabrick said William Stott was reappointed to the OWASA Board of Directors by the Carrboro Board of Aldermen on April 7, 2009.

COMMITTEE MEETINGS

Braxton Foushee said that the Human Resources (HR) Committee met on April 14, 2009 to discuss OWASA's policies and procedures regarding bidding and contracting opportunities for minority businesses; health insurance proposals; and Fiscal Year (FY) 2010 employee compensation. Staff's overview of OWASA's outreach program for minority-owned businesses was well received by the Committee and will be provided to the full Board at a future meeting. The HR Committee supports the approval of the proposed zero percent increase in health insurance and the HR Committee agreed with the Finance Committee's March 30, 2009 recommendation that the FY 2010 budget include a two percent merit pay increase.

Gene Pease updated the Board on the Community Outreach Committee meeting before the Board meeting. The Committee supported plans for a customer research program including surveys and focus groups. The Community Outreach Committee will meet again later this summer or early fall.

ITEM TWO: PETITIONS AND REQUESTS

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

ITEM THREE: RESOLUTION AWARDING AUDIT CONTRACT TO CHERRY, BEKAERT & HOLLAND, LLP AND AUTHORIZING CHAIR OF THE BOARD OF DIRECTORS AND THE FINANCE OFFICER TO EXECUTE SAID CONTRACT

Alan Rimer made a motion adopt the resolution; the motion was seconded by Braxton Foushee and unanimously approved. Please see Motion No. 1 above.

ITEM FOUR: RESOLUTION AUTHORIZING THE RENEWAL OF THE MEDICAL INSURANCE CONTRACT WITH BLUE CROSS BLUE SHIELD OF NORTH CAROLINA

Alan Rimer made a motion adopt the resolution; the motion was seconded by Braxton Foushee and unanimously approved. Please see Motion No. 2 above.

ITEM FIVE: RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO EXECUTE CONTRACT WITH BLUE CROSS BLUE SHIELD OF NORTH CAROLINA FOR DENTAL INSURANCE

Alan Rimer made a motion adopt the resolution; the motion was seconded by Braxton Foushee and unanimously approved. Please see Motion No. 3 above.

ITEM SIX: MINUTES

Alan Rimer made a motion to approve the Minutes of the March 12, 2009 Board Meeting; the motion was seconded by Braxton Foushee, and carried by unanimous vote. Please see Motion No. 4 above.

ITEM SEVEN: PRESENTATION OF FISCAL YEAR (FY) 2010 BUDGETS AND RATE RECOMMENDATIONS BY THE FINANCE COMMITTEE

Gordon Merklein, Chair of the Finance Committee, presented the Finance Committee's budget and rate recommendations for the FY 2010. The preliminary draft FY 2010 budget for Operations and Maintenance (O&M) Budget is \$18.7 million and reflects a \$1.7 million in reduction measures; funding for repairs that assumes "average" year conditions with no contingency; substantial increase in chemical costs; a two percent merit increase; and no funding to ensure long-term post-employment benefits. The Capital Improvements Program (CIP) Budget is \$6.8 million which is considerably lean and defers for one year the Phase 3 Odor improvements at the Mason Farm Wastewater Treatment Plant (WWTP). The total five-year CIP Budget is \$49 million and the 15-year CIP Budget is \$332 million.

Mr. Merklein said that a 9.75 percent rate increase in October, 2009 is necessary to fund essential O&M and CIP budgetary needs; reverse unacceptable downward trend of the general fund reserve and debt coverage ratio; and begin partial funding for the two new reserve funds established by the Board of Directors in March 2009 – Rate/Revenue Stabilization Fund and Capital Improvements Reserve Fund.

Gary Richman, Highland Woods Neighborhood Association, said that the neighborhood appreciates the odor improvements completed to date and that there is "less odor, less often." Mr. Richman reiterated that OWASA's commitment was that the WWTP expansion would not only improve odor but that it would eliminate odor. He requested that OWASA live up to that commitment.

Mr. Richman also said that they want to be good neighbors to the community during the difficult economic times everyone is facing and are agreeable to delaying odor improvements for one year. However, the Highland Woods residents would feel better if this delay was backed by the reassurance of the OWASA Board with a resolution stating the date when odor improvements will be completed. Mr. Richman said that the residents do not want endless deferrals but reassurance and a commitment by OWASA to complete the odor improvements.

Joy Preslar ask Mr. Richman how much of a problem the odor is, because she does not live there and when she visits the plant has not detected odor as a problem.

Mr. Richman said that the odor problem occurs occasionally and more so in hot weather; sometimes late in the day and/or early evening, the odor can be strong. He requested that the Board take the residents out of odor monitoring and use the standards that have been established.

Randy K abrick requested that staff provide Ms. P reslar with additional background information on odor elimination improvements at the Mason Farm WWTP.

Alan Rimer noted that the reclaimed water system will defer the need for additions to our water treatment plant and this is an important point for citizens to be aware of.

Mr. Merklein said that the University funded the capital improvements for the Reclaimed Water System.

Mac Clarke said that it is not OWASA's intention to defer the last stage of the odor improvements indefinitely but for one year only, which accurately reflects the intention of the majority of the Board.

ITEM EIGHT: RESOLUTION ADOPTING A PRELIMINARY BUDGET FOR ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR 2010 JULY 1, 2009 THROUGH JUNE 30, 2010

Gene Pease made a motion adopt the resolution; the motion was seconded by William Stott and unanimously approved. Please see Motion No. 5 above.

ITEM NINE: RESOLUTION SETTING DATE OF MAY 28, 2009 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR (FY) AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FY 2010-2024 INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FY 2010-2014

Braxton Foushee made a motion adopt the resolution; the motion was seconded by Gene Pease and unanimously approved. Please see Motion No. 6 above.

ITEM TEN: RESOLUTION SETTING DATE OF MAY 28, 2009 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR (FY) AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FY 2010-2024 INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FY 2010-2014

Gene Pease made a motion adopt the resolution; the motion was seconded by Alan Rimer and unanimously approved. Please see Motion No. 7 above.

Orange Water and Sewer Authority

April 23, 2009

Page 6

There being no further business to come before the Board, the meeting was adjourned at
7:40 PM

Enclosures

RESOLUTION APPROVING AND AWARDING AUDIT CONTRACT TO CHERRY,
BEKAERT & HOLLAND, LLP AND AUTHORIZING CHAIR OF THE BOARD OF
DIRECTORS AND THE FINANCE OFFICER TO EXECUTE SAID CONTRACT

WHEREAS, Orange Water and Sewer Authority is required by the General Statutes of the State of North Carolina and the Series 2001 Bond Order to have its financial records audited at the termination of each fiscal year; and

WHEREAS, in February of 2008, the Authority solicited audit proposals based upon the established criteria recommended by the North Carolina Local Government Commission; and

WHEREAS, Cherry, Bekaert & Holland, LLP provided satisfactory service related to the Fiscal Year 2008 financial audit;

NOW, THEREFORE, BE IT RESOLVED:

1. That the contract between Orange Water and Sewer Authority and Cherry, Bekaert & Holland, LLP, Raleigh, N.C., for financial audit of the Fiscal Year Ending June 30, 2009, for base charges not to exceed \$33,850 is hereby approved subject to approval by the North Carolina Local Government Commission.

2. That the Chair of the OWASA Board of Directors and the Finance Officer are hereby authorized to execute such contract.

Adopted this 23rd day of April, 2009.

**RESOLUTION AUTHORIZING THE RENEWAL OF THE MEDICAL INSURANCE
CONTRACT WITH BLUE CROSS BLUE SHIELD OF NORTH CAROLINA**

WHEREAS, to adequately and appropriately provide health and hospital insurance coverage for Orange Water and Sewer Authority (OWASA) employees, it is desirable to continue with group insurance program as proposed by Blue Cross Blue Shield (BCBS) of North Carolina; and

WHEREAS, it is determined that BCBS offers excellent health care; and

WHEREAS, BCBS has offered to renew both our health and dental coverage with no increase in premiums for OWASA or our employees and no change in our coverage; and

WHEREAS, the existing health insurance contract with BCBS will expire on June 30, 2009.

NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors approves continued participation by all full-time employees in the health plan offered through BCBS in accordance with provisions of the plan.
2. That OWASA pay the full employee health premium and 50% of dependent costs.
3. That the Executive Director is hereby authorized and directed to execute the contract with BCBS.
4. That the term of the above insurance coverage shall be for a period of twelve months beginning July 1, 2009.

Adopted this 23rd day of April 2009.

**RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO
EXECUTE CONTRACT WITH BLUE CROSS BLUE SHIELD
OF NORTH CAROLINA FOR DENTAL INSURANCE**

WHEREAS, to provide a adequate and appropriate dental insurance coverage for Orange Water and Sewer Authority (OWASA) employees, it is desirable to continue with the dental insurance plan offered by Blue Cross Blue Shield (BCBS) of North Carolina; and

WHEREAS, it is determined that BCBS offers quality dental care service to OWASA; and

WHEREAS, BCBS has offered to renew both our health and dental coverage with no increase in premiums for OWASA or our employees and no change in our coverage; and

WHEREAS, the existing dental insurance contract with BCBS expires on June 30, 2009.

NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors approves continued participation in the Dental Plan offered through BCBS for all full-time OWASA employees.
2. That OWASA pay the full employee dental premium and 40% of dependent costs.
3. That the Executive Director is hereby authorized and directed to execute the contract with BCBS.
4. That the term of the above insurance coverage shall be for a period of twelve months beginning July 1, 2009.

Adopted this 23rd day of April 2009.

RESOLUTION ADOPTING A PRELIMINARY BUDGET FOR ORANGE WATER
AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2009 THROUGH
JUNE 30, 2010

WHEREAS, Orange Water and Sewer Authority historically has adopted a *Preliminary Annual Budget* prior to the first day in May in each fiscal year; and

WHEREAS, in the event that adoption of an Annual Budget is delayed until after July 1, 2009, the *Preliminary Annual Budget* fully satisfies the interim appropriation requirements of North Carolina General Statutes 159-16; and

WHEREAS, the *Preliminary Annual Budget* includes estimates of revenues of the water and sewer system, current operating and maintenance expenditures, estimated interest income and debt service costs, and disbursements from the General Fund for capital improvements and equipment purchases;

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina General Statutes 159-13, the two attached pages be, and they hereby are, adopted as the *Preliminary Annual Budget* of Orange Water and Sewer Authority for Fiscal Year July 1, 2009 through June 30, 2010
2. That the appropriations for divisions, functions, and projects as shown in the attached budget for the respective purposes and in the respective amounts therein specified are hereby made unless and until the Annual Budget is adopted.

Adopted this 23rd day of April, 2009.

**ORANGE WATER AND SEWER AUTHORITY
STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE
(OPERATING)**

**FY 2010
Annual Budget**

Operating Revenue

Water	\$16,758,137
Sewer	15,103,428
Reclaimed Water	471,112
Service Initiation Fee	148,952
Other	1,272,484
Refunds and Adjustments	<u>(113,396)</u>

Total Operating Revenue **33,640,717**

Operating Expense

General and Administrative	5,029,789
Operations	<u>13,661,958</u>

Total Operating Expense **18,691,746**

Net Operating Income **14,948,971**

Non-operating Revenue

Customer Fees	1,163,650
Interest	<u>72,407</u>

Total Net Income **16,185,027**

Debt Service

Existing	9,678,113
New	<u>0</u>

Total Debt Service **9,678,113**

Net Income Less Debt Service **\$6,506,914**

Debt Coverage Ratio **1.67**

**ORANGE WATER AND SEWER AUTHORITY
STATEMENT OF INCOME AND EXPENSE
(CAPITAL/NON-OPERATING)**

**FY 2010
Annual Budget**

General Fund

Resources			
Transfer From Revenue	\$6,506,914		
Assessments	3,000		
Grants and Contributions	<u>250,000</u>		
Annual Income Available for Capital			6,759,914
Transfer from Construction Fund (Bond Proceeds)			0
Total Available for Capital			6,759,914
Capital Expenditures			
Project ordinances			
General Fund Contribution	6,780,000		
Funded by Bond Proceeds	<u>0</u>		
Total Project Resolutions			6,780,000
Capital Equipment			46,700
Total Capital Outlay			6,826,700
Annual General Fund Balance			(66,786)
General Fund Beginning Balance			9,630,000
General Fund Ending Balance			<u>\$9,563,214</u>
Project Funding			
Under Contract	2,133,200		
Future Years	611,737		
Reserves			
Rate Stabilization	250,000		
CIP	400,000		
Operating Balance	<u>6,168,276</u>		<u>\$9,563,213</u>
Unallocated General Fund Balance			\$0

RESOLUTION SETTING THE DATE OF MAY 28, 2009 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR 2010 AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS 2010-2024 INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FISCAL YEARS 2010-2014

WHEREAS, Section 159-12 of the General Statutes of North Carolina requires a Public Hearing on the budget for the ensuing fiscal year; and

WHEREAS, in accordance with Section 7.05 of the Bond Order, and Section 159-13 of the General Statutes of North Carolina, the Board of Directors of Orange Water and Sewer Authority shall adopt an Annual Budget for the Fiscal Year 2010 on or before the first day of July, 2009; and

WHEREAS, said proposed Budget will be placed with the Clerk to the Board and will be available for public inspection;

NOW, THEREFORE, BE IT RESOLVED:

1. That a Public Hearing is hereby set for Thursday, May 28, 2009, at 7:00 P.M., in the Chapel Hill Town Hall, for the purpose of receiving public comment on the proposed operating budget for Fiscal Year 2010, and on the Capital Improvements Program for Fiscal Years 2010-2024, including a five-year Capital Improvements Budget for Fiscal Years 2010-2014.

2. That any interested persons may appear in person, or by agent or attorney, and present any comments they may have regarding the proposed budget.

3. That notice of the time and place of the Public Hearing shall be advertised and mailed at least ten days prior to the date fixed above for the Public Hearing to The University of North Carolina at Chapel Hill, and to the Towns of Chapel Hill and Carrboro and to Orange County.

Adopted this 23rd day of April, 2009.

RESOLUTION SETTING MAY 28, 2009 AS THE DATE FOR A
PUBLIC HEARING ON PROPOSED REVISIONS OF WATER
AND SEWER RATES, FEES AND CHARGES

WHEREAS, current-year fiscal performance and demand projections indicate the need for additional revenue in Fiscal Year 2010 to provide sufficient financial resources to recover the cost of ongoing operations, pay for capital improvements, and provide sufficient financial resources to ensure sustainable fiscal strength and stability; and

WHEREAS, Section 162A-6 of the General Statutes of North Carolina and Section 7.04 of the Amended and Restated Bond Order adopted September 13, 2001, provide for the revision of such rates, fees and charges;

NOW, THEREFORE, BE IT RESOLVED:

1. That a Public Hearing is hereby set for Thursday, May 28, 2009 at 7:00 P.M., at the Chapel Hill Town Hall, for the purpose of receiving public comment on the proposed adjustments to Orange Water and Sewer Authority's rates, fees and charges.

2. That any interested persons may appear in person, or by agent or attorney, to present comments on the proposed modifications to the current schedule of rates, fees and charges.

3. That notice of the time and place of the Public Hearing shall be advertised and shall be mailed at least ten days prior to the date fixed above for the Public Hearing to The University of North Carolina at Chapel Hill, Town of Carrboro, Town of Chapel Hill, and Orange County.

Adopted this 23th day of April, 2009.