

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

APRIL 22, 2010

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular Business Meeting on Thursday, April 22, 2010 at 7:00 P.M., at Chapel Hill Town Hall.

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

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Patrick Davis; Greg Feller; Ed Holland; Andrea Orbich; Dan Przybyl; Kevin Ray; Stephen Winters; and Robert Epting, Esq., Epting and Hackney.

Others present: Ben Poulson, Associate Director of Energy Services; and Meg Holton, Water, Wastewater, and Stormwater Manager of the University of North Carolina at Chapel Hill.

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

MOTIONS ACTED UPON

1. William Stott made a motion to approve the Minutes of the March 25, 2010 Board meeting; the motion was seconded by Mac Clarke and carried by unanimous vote.

2. William Stott made a motion to approve the Minutes of the April 8, 2010 Closed Session of the Board; the motion was seconded by Mac Clarke and carried by unanimous vote.

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Awarding an 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 William Stott, second by Mac Clarke, and unanimously approved.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Adopting a Preliminary Annual Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2010 through June 30, 2011." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer, second by Mac Clarke, and unanimously approved.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Setting the Date of May 27, 2010 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 Braxton Foushee, second by Mac Clarke, and unanimously approved.)

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Setting the Date of May 27, 2010 for a Public Hearing on Proposed OWASA Budget for Fiscal Year 2010-2011 and on the Capital Improvements Program for Fiscal Years 2011-2025 Including a Five-Year Capital Improvements Budget for Fiscal Years 2011-2015." (Resolution so titled attached hereto and made a part of these minutes. Motion by William Stott, second by Joyce Preslar, 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.

CHATHAM/ORANGE COUNTY WORKGROUP MEETING

Ed Holland reported that he attended a meeting of the Chatham/Orange County Workgroup attended by elected officials and staff from Carrboro, Chapel Hill, Orange County, Pittsboro and Chatham County. The agenda included three items: (1) commercial development activities in northern Chatham County; (2) joint courtesy review procedures among the Towns and County in Orange County; and (3) Orange County's transit planning process. A meeting will be scheduled in August to further focus on transit issues. The Workgroup did not discuss water and sewer utility issues.

WCHL PUBLIC FORUM

Ed Kerwin stated that he attended the WCHL Community Forum earlier today and participated in a one-hour discussion on local initiatives.

ITEM TWO: PUBLIC PETITIONS AND REQUESTS

Dr. Steve Wegner provided a written petition to the Board for a water bill adjustment for an irrigation leak. Dr. Wegner was not in attendance at the Board meeting but requested the Board accept his petition as written.

Stephen Winters stated that in January, 2010 the Board updated OWASA's Policy for Adjustment of Customer Accounts for Emergency Situations Involving the Loss of Metered Water. The policy does not allow billing adjustments for water loss related to an irrigation system. Dr. Wegner's petition is for an irrigation leak and the policy states, "No billing adjustment shall be made for water leaks resulting from any portion or component of an

irrigation system.” Therefore, if the Board were to grant Dr. Wegner’s petition, the Board would need to make an exception to the policy or change the policy. Staff did adjust Dr. Wegner’s account for sewer charges related to this leak.

The Board denied Dr. Wegner’s petition for a water bill adjustment for an irrigation leak.

ITEM THREE: BOARD PETITIONS AND REQUESTS

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

ITEM FOUR: STAFF PETITIONS AND REQUESTS

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

ITEM FIVE: MINUTES

William Stott made a motion to approve the Minutes of the March 25, 2010 Board meeting; the motion was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 1 above.

William Stott made a motion to approve the Minutes of the April 8, 2010, Closed Session of the Board; the motion was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 2 above.

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

William Stott made a motion to approve the resolution; it was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 3 above.

ITEM SEVEN: PRESENTATION ON THE DEVELOPMENT OF BUDGETS AND RATES FOR FISCAL YEAR 2011

Stephen Winters made a presentation on OWASA’s Draft Fiscal Year 2011 Budget and the recommendation to increase monthly water and sewer charges by 9.25 percent.

Mac Clarke cautioned that customers may feel a 9.25 percent increase is high and more education to customers explaining the reasons for the rate increase is necessary.

Alan Rimer agreed with Mr. Clarke’s recommendation to educate customers and said he spoke with staff about the need to educate customers in a creative way that is easy to understand.

William Stott stated that he will work with staff to draft an outreach plan to the community and an educational campaign for customers.

Randy Kabrick requested Mr. Stott work with staff to develop a customer/community outreach plan that would be discussed at a future Board meeting.

ITEM EIGHT: RESOLUTION ADOPTING A PRELIMINARY ANNUAL BUDGET FOR ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2010 THROUGH JUNE 30, 2011

Alan Rimer made a motion to approve the resolution; it was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 4 above.

ITEM NINE: RESOLUTION SETTING THE DATE OF MAY 27, 2010 FOR A PUBLIC HEARING ON PROPOSED REVISIONS OF WATER AND SEWER RATES, FEES AND CHARGES

Braxton Foushee made a motion to approve the resolution; it was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 5 above.

ITEM TEN: RESOLUTION SETTING THE DATE OF MAY 27, 2010 FOR A PUBLIC HEARING ON PROPOSED OWASA BUDGET FOR FISCAL YEAR 2010-2011 AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS 2011-2025 INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FISCAL YEARS 2011-2015

William Stott made a motion to approve the resolution; it was seconded by Joyce Preslar and carried by unanimous vote. Please see Motion No. 6 above.

ITEM ELEVEN: OWASA QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED MARCH 31, 2010

The Board received this report as an information item.

There being no further business to come before the Board, the meeting was adjourned at 7:45 P.M.

**RESOLUTION APPROVING AND AWARDED 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 2009 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, 2010, for base charges not to exceed \$35,000 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 22nd day of April, 2010.

**RESOLUTION ADOPTING A PRELIMINARY BUDGET FOR ORANGE WATER
AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2010 THROUGH
JUNE 30, 2011**

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, 2010, 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, 2010 through June 30, 2011.
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 22nd day of April, 2010.

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

**FY 2011
Annual Budget**

Operating Revenue

Water	\$16,915,376
Sewer	15,842,236
Reclaimed Water	365,697
Service Initiation Fee	143,183
Other	1,274,000
Refunds and Adjustments	<u>(131,039)</u>

Total Operating Revenue **34,409,453**

Operating Expense

General and Administrative	5,544,931
Operations	<u>13,049,706</u>

Total Operating Expense **18,594,637**

Net Operating Income **15,814,816**

Non-operating Revenue

Customer Fees	723,179
Interest	<u>45,294</u>

Total Net Income **16,583,289**

Debt Service

Existing	9,680,213
New	<u>0</u>

Total Debt Service **9,680,213**

Net Income Less Debt Service **\$6,903,076**

Debt Coverage Ratio **1.71**

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

**FY 2011
Annual Budget**

General Fund

Resources

Transfer From Revenue \$6,903,076

Annual Income Available for Capital 6,903,076

Transfer from Construction Fund (Bond Proceeds) 0

Total Available for Capital 6,903,076

Capital Expenditures

Project ordinances

General Fund Contribution 9,777,000

Funded by Bond Proceeds 0

Total Project Resolutions 9,777,000

Capital Equipment 36,900

Total Capital Outlay 9,813,900

Annual General Fund Balance (2,910,824)

General Fund Beginning Balance 12,151,896

General Fund Ending Balance \$9,241,072

Project Funding 1,741,524

Reserves

Rate Stabilization 500,000

CIP 800,000

Operating Balance 6,199,549 **\$9,241,073**

Unallocated General Fund Balance \$0

**RESOLUTION SETTING MAY 27, 2010 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 2011 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 27, 2010 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 22nd day of April, 2010.

**RESOLUTION SETTING THE DATE OF MAY 27, 2010 FOR A PUBLIC HEARING ON
THE PROPOSED OWASA BUDGET FOR FISCAL YEAR 2011 AND ON THE
CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS 2011-2025
INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FISCAL
YEARS 2011-2015**

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 2011 on or before the first day of July, 2010; 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 27, 2010, 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 2011, and on the Capital Improvements Program for Fiscal Years 2011-2025, including a five-year Capital Improvements Budget for Fiscal Years 2011-2015.

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 22nd day of April, 2010.