

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

OCTOBER 28, 2010

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, October 28, 2010, at 7:00 P.M., at Chapel Hill Town Hall.

Directors present: Gordon Merklein, Chair; Alan Rimer, Vice Chair; Braxton Foushee, Secretary; Fred Battle; Michael A. (Mac) Clarke; Joyce C. Preslar; William Stott; and Amy Witsil.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Stephen Winters; Dan Przybyl; Patrick Davis; Damon Forney; Stephanie Glasgow; Thurman Green; Ed Holland; Heidi Lamay; Kenneth Loflin; Melvin Markley; Andrea Orbich; Kevin Ray; Sonny Tchoi; 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; Lauren Hollowell, UNC Journalism Student; Melanie Gower; and John Young, Chapel Hill resident.

There being a quorum present, Chair Gordon Merklein called the meeting to order.

MOTIONS ACTED UPON

1. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Requesting Cost Share Assistance from the North Carolina Division of Water Resources for Control of Noxious Aquatic Weeds" as amended by Robert Epting, OWASA General Counsel, as follows, "5. *That OWASA will hold the State harmless from any damages for which the State may be responsible and that may result from the implementation of said project.*" (Resolution so titled attached hereto and made a part of these minutes. Motion by William Stott, seconded by Mac Clarke, and unanimously approved.)

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "An Order Amending an Order Adopted by the Orange Water and Sewer Authority on September 13, 2001, Entitled "Amended and Restated Bond Order Authorizing the Issuance Under the Provisions of the State and Local Government Revenue Bond Act, as Amended, of Water and Sewer System Revenue Bonds of the Orange Water and Sewer Authority to Provide Funds for the Improvement of Said Authority's Water and Sewer System and for the Refunding of Certain Outstanding Bonds of Said Authority, Providing for the Security of Said Bonds, Any Parity Debt and Any Subordinated Indebtedness and Providing for the Incurrence of Additional Indebtedness for Various Purposes," to Modify the Term "Current Expenses." (Resolution so titled attached hereto and made a part of these minutes. Motion by William Stott, seconded by Mac Clarke, and unanimously approved.)

3. William Stott made a motion to approve the Minutes of the September 9, 2010, Meeting of the Board of Directors; the motion was seconded by Mac Clarke and unanimously approved.

4. William Stott made a motion to approve the Minutes of the September 23, 2010, Annual Meeting of the Board of Directors; the motion was seconded by Mac Clarke and unanimously approved.

5. Alan Rimer made a motion that OWASA's Policy for Adjustment of Customer Accounts for Emergency Situations Involving Loss of Metered Water be amended and effective July 1, 2010; the motion was seconded by Amy Witsil and unanimous approved.

6. Fred Battle made a motion that the Orange Water and Sewer Authority Board of Directors go into a Closed Session for the purpose of discussing a personnel matter; the motion was seconded by Braxton Foushee and unanimously approved.

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ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Gordon Merklein 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.

COMMITTEE MEETINGS

Alan Rimer said that the Natural Resources/Technical Systems (NRTS) Committee met on October 19, 2010 to discuss several items. The first item discussed was the first draft of the Water Shortage Response Plan which outlines the actions that will be taken by OWASA during future drought events and notes specific trigger conditions that will be used to determine different stages of mandatory water use restrictions. The Committee requested that the Plan be revised to state that the Board would be consulted when decisions are made to rescind mandatory water use restrictions. The Committees also requested that staff initiate the public review and feedback process for the Plan, prior to it being considered at a future meeting of the full OWASA Board of Directors. Second, the Committee discussed that clarification was needed to the 2001 *Water and Sewer Management, Planning and Boundary Agreement* to avoid constraints on OWASA's access to its Jordan Lake storage allocation. The Committee directed staff to develop a one-page information paper on the topic for use in future discussions and requested that the item be scheduled for further discussion at an upcoming Board meeting. Third, the NRTS Committee discussed OWASA's outreach efforts in educating the public and key stakeholders about OWASA's biosolids recycling program. The Committee was in agreement with the pending outreach efforts and suggested that in the future various forms of social media be considered to reach citizens and directed staff to solicit feedback from all Board members concerning future biosolids outreach activities. Finally, the Committee received an update on the

forest stewardship program that included a brief update on the status of ongoing forestry management activities at the Cane Creek Mitigation Tract and drafting of the overall sustainable forestry plan for all other major OWASA properties. The Committee requested that staff present the draft Forest Stewardship Plan to the full Board at its November 11, 2010 meeting and that a community meeting be scheduled thereafter to ensure the public is aware of the draft Plan and has the opportunity to comment on it before consideration by the OWASA Board.

Mac Clarke said the Finance Committee met prior to the Board meeting to review several items, two of which are agenda items (Quarterly Financial Report for Quarter ended September 31, 2010 and the Bond Order Resolution) and both are supported by the Finance Committee. The Finance Committee also supported staff's recommendation to continue collecting and analyzing customer demand and consumption data prior to the next rate study which may be conducted in Fiscal Year 2012. Lastly, the Finance Committee reviewed, discussed and expressed support for staff's recommendation to amend OWASA's Policy for Adjustment of Customer Accounts for Emergency Situations Involving Loss of Metered Water. The current policy precludes adjustments for loss of water resulting from leaks in irrigation systems. If the Board of Directors approves the amended policy effective July 1, 2010, it would allow staff to adjust a customer's bill so that the customer pays an amount that is no less than the customer's highest bill during the preceding 24 months and a charge for all gallons used in excess of the customer's highest bill during the preceding 24 months at the irrigation-only rate.

William Stott said that the Community Outreach Committee will meet on Wednesday, November 3, 2010 at 8:00 A.M. in the OWASA Boardroom to discuss a staff report on a survey of residential customers earlier this year; 2011 phase of communicating the value and cost of water and the need for rate increases; and the timing of the customer satisfaction survey.

OWASA EMPLOYEE SERVICE AWARDS

Ed Kerwin said that it is good to acknowledge OWASA's employees who have served for 10, 15, 20, 25, 30 and 35 years at OWASA. The following employees received service awards:

10-Year: Fredrick Alston; LeMarcus Fuller; Nick Rogers; Ronnie Weed
15-Year: Dale Lovely; Greg Monschein; Rachel Monschein; Andrea Orbich*;
Sonny Tchoi*
20-Year: Stephanie Glasgow*; Lester Hill; David Moriarty; Maxine Rich
25-Year: Melvin Markley*; Angie Smith; Michael Wolfgang
30 Years: Eric Barnhardt
35 Years: Randy Horton

*These employees attended the Board of Directors' meeting and were recognized and appreciated by their supervisors and the Board.

On behalf of the Board of Directors, Gordon Merklein thanked all the employees for their service and hard work to OWASA and the community.

UPDATE ON OWASA'S ONLINE CUSTOMER BILL PAYMENT AND ACCOUNT ACCESS

Stephen Winters stated that the on-line customer account access program has been well received by customers. Since early September, about 2,300 customers have registered on OWASA's website and over 500 customers have elected to receive their bills electronically. With the recent launch of OWASA's newly redesigned website, staff will promote the use of on-line customer bill payment and account access. The new payment process improves efficiencies, lowers costs and enhances our customers' on-line experience.

ITEM TWO: PETITIONS AND REQUESTS

Gordon Merklein asked for petitions from the public, Board and staff; there were none.

ITEM THREE: QUARTERLY REPORT ON ATTENDANCE AT BOARD OF DIRECTORS' MEETINGS

The Board received this report as an information item.

ITEM FOUR: RESOLUTION REQUESTING COST SHARE ASSISTANCE FROM THE NORTH CAROLINA DIVISION OF WATER RESOURCES FOR CONTROL OF NOXIOUS AQUATIC WEEDS

Mac Clarke expressed concern approving the language in the proposed resolution, number 5, "*That OWASA will hold the State harmless from any damages that may result from the implementation of said project.*"

Robert Epting said that relative risk of the State's contractor is important because the State is protected by the law when hiring an independent contractor rule and is not responsible for the risks of an independent contractor. Because OWASA is a subdivision of the State, neither the State nor OWASA is liable for the contractor. However, OWASA would be responsible for the relative risk of its employees' work.

Mr. Epting suggested that number 5 in the resolution be reworded as follows: *That OWASA will hold the State harmless from any damages for which the State may be responsible and that may result from the implementation of said project.*

Ed Kerwin said that he strongly requested the Board support staff's recommendation to approve the resolution as amended.

William Stott made a motion to approve the resolution be approved as amended by Robert Epting; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 1 above.

ITEM FIVE: AN ORDER AMENDING AN ORDER ADOPTED BY THE ORANGE WATER AND SEWER AUTHORITY ON SEPTEMBER 13, 2001, ENTITLED “AMENDED AND RESTATED BOND ORDER AUTHORIZING THE ISSUANCE UNDER THE PROVISIONS OF THE STATE AND LOCAL GOVERNMENT REVENUE BOND ACT, AS AMENDED, OF WATER AND SEWER SYSTEM REVENUE BONDS OF THE ORANGE WATER AND SEWER AUTHORITY TO PROVIDE FUNDS FOR THE IMPROVEMENT OF SAID AUTHORITY’S WATER AND SEWER SYSTEM AND FOR THE REFUNDING OF CERTAIN OUTSTANDING BONDS OF SAID AUTHORITY, PROVIDING FOR THE SECURITY OF SAID BONDS, ANY PARITY DEBT AND ANY SUBORDINATED INDEBTEDNESS AND PROVIDING FOR THE INCURRENCE OF ADDITIONAL INDEBTEDNESS FOR VARIOUS PURPOSES,” TO MODIFY THE TERM “CURRENT EXPENSES”

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

ITEM SIX: MINUTES

William Stott made a motion to approve the Minutes of the September 9, 2010, Meeting of the Board of Directors; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 3 above.

William Stott made a motion to approve the Minutes of the September 23, 2010, Annual Meeting of the Board of Directors; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 4 above.

ITEM SEVEN: VERBAL UPDATE ON THE PETITION FROM JOHN A. YOUNG

Stephen Winters said it is the recommendation of the Finance Committee and staff to amend OWASA’s Policy for Adjustment of Customer Accounts for Emergency Situations Involving Loss of Metered Water. Should the Board approve, by motion, the updated amended Policy (attached), it is recommended that the amended Policy be effective July 1, 2010. The new Policy would allow staff to adjust a customer’s bill for an irrigation leak so that the customer pays an amount that is no less than the customer’s highest bill during the preceding 24 months and a charge for all gallons used in excess of the customer’s highest bill during the preceding 24 months at the irrigation-only rate.

Alan Rimer made a motion that OWASA’s Policy for Adjustment of Customer Accounts for Emergency Situations Involving Loss of Metered Water be amended effective July 1, 2010; the motion was seconded by Amy Witsil and unanimously approved. Please see Motion No. 5 above.

ITEM EIGHT: QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED
SEPTEMBER 30, 2010

The Board received this report as an information item.

ITEM NINE: ANNUAL REVIEW AND UPDATE OF STRATEGIC TRENDS AND
MASTER PLAN ISSUES

The Board received this report as an information item.

ITEM TEN: CLOSED SESSION

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

There being no further business to come before the Board, the meeting was adjourned at 8:45 P.M.

Enclosures