

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

SEPTEMBER 27, 2012

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held their Annual Meeting on Thursday, September 27, 2012, at 7 P.M., at the Chapel Hill Town Hall, 405 Martin Luther King Jr Boulevard.

Directors present: Alan Rimer, P.E., Chair; Vice Chair, John A. Young; Terri Buckner; Stephen Dear; Michael M. Hughes, P.E.; Will Raymond; Dana Stidham. Directors absent: Amy Witsil, Secretary; and Gordon Merklein.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Patrick Davis; Greg Feller; Heidi Lamay; Andrea Orbich; 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; Brian Lee and Aaron Smith of Martin, Starnes & Associates; and Chapel Hill residents, Ester Miller, Dale Coker and John Cuthrell.

There being a quorum present, Chair Alan Rimer called the meeting to order.

MOTIONS ACTED UPON

1. Will Raymond made a motion to approve the Minutes of the August 23, 2012 Board Meeting amending Item Twelve on page 6 as follows:

Amy Witsil passed on comments and suggestions from John Young as follows: he noted the proposal summarizes the key themes well and included good strategies for improving customer understanding and perceptions. Mr. Young suggested that staff consider fundamental strategy changes to improve real satisfaction (in addition to improving communication to address gaps in perception). For example, he said such strategies might include things such as OWASA's actions could include evaluating these strategies during the next strategic planning cycle and rate study. ~~He further suggested~~ accelerating automated meter infrastructure as a means to address billing accuracy; selling additional watershed property (with appropriate covenants) to improve affordability; slowing down the build-up of reserve funds to improve affordability; and modifying rate structure to charge the lowest possible rates (while respecting cost of service principles) for baseline, non-seasonal usage.

The motion was seconded by Michael Hughes, and carried by unanimous vote.

2. Will Raymond made a motion to approve the Minutes of the August 23, 2012 Closed Session of the Board; the motion was seconded by Michael Hughes, and carried by unanimous vote.

3. 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 Terri Buckner, seconded by Stephen Dear, and approved with a vote of 6 to 1 with John Young opposing because he was not in attendance for the August 23, 2012 Closed Session.)

4. Will Raymond made a motion that the Board convene in a Closed Session for the purpose of discussing a personnel matter; the motion was seconded by Michael Hughes, and carried by unanimous vote.

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ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Alan Rimer 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.

UPCOMING MEETING

Alan Rimer said that on Thursday, October 18, 2012, the Chapel Hill Town Council's OWASA Committee and the Chapel Hill appointees to the OWASA Board will meet at 8:00 A.M. in the OWASA Boardroom to discuss items of mutual interest.

FESTIFALL

Will Raymond announced that Chapel Hill will hold its annual Festifall Arts Festival on Sunday, October 7, 2012 from noon until 6 P.M. on Franklin Street, Chapel Hill.

PROJECT CONNECT

Will Raymond said that Project Connect Orange County, formerly known as Project Homeless Connect, is an organization looking for volunteers to help on Thursday, October 11, 2012 from 9 A.M. until 3:30 P.M. at the Hargraves Community Center located at 216 North Roberson Street, Chapel Hill. Additional information can be found at www.phc-orange.org.

ITEM TWO: PETITIONS AND REQUESTS

Ester Miller, Chapel Hill Resident, petitioned the Board to stop adding fluoride to OWASA's drinking water.

The Board referred Ms. Miller's petition the Board's Natural Resources/Technical Systems Committee for review and discussion and then report back to the full Board.

Alan Rimer asked for petitions and requests from the Board and staff; there were none.

ITEM THREE: PRESENTATION OF ANNUAL REPORT

Ed Kerwin began the presentation of the Annual Report for Fiscal Year 2012 (July 1, 2011 to June 30, 2012). OWASA is a public, non-profit agency providing water, sewer and reclaimed water service to the Carrboro-Chapel Hill community. Key accomplishments include full compliance for operation of water, wastewater and reclaimed water systems.

Mr. Kerwin said that in May 2012, OWASA conducted the first ever customer satisfaction survey. This survey was mailed to a random sample of 3,000 account holders and had a 15% response rate. The survey was designed to focus on core services (drinking water quality, value of services, and quality of customer service) and results can be found on OWASA's website under the "Latest News" section.

Finally, there was no increase in monthly water and sewer rates for Fiscal Year 2013.

Mr. Kerwin said staff is working on five continuous improvement initiatives, many of which were received as feedback from customers the Customer Satisfaction Survey:

- reduce cost and improve efficiencies;
- dialog with customers and stakeholders;
- secure Jordan Lake as "back-up" water supply;
- manage assets optimally; and
- knowledge management/workforce sustainability.

Reducing costs and improving efficiencies is part of OWASA's continuous improvement. Staff is improving efficiencies through the use of technology in business processes. A key objective of business intelligence initiative is to make sure our decision makers have reliable and timely information on which to act.

Outreach efforts continue as an investment to better inform customers and other stakeholders on the importance of conservation, key investments to sustain the utility and the safety of OWASA's drinking water. Board members and staff will continue to engage customers and stakeholders in meaningful dialog at every opportunity.

Mr. Kerwin said it is because of conservation efforts by customers and the University's use of reclaimed water that OWASA's local water supply can meet expected needs under most circumstances for the next 50 years. However, OWASA must secure access to Jordan Lake water supply allocation during severe drought or water supply emergencies.

OWASA has the responsibility to effectively manage and maintain an extensive inventory of assets which the community depends on to delivery reliable, high-quality services. OWASA has invested about \$200 million in current dollars to upgrade and replace our infrastructure and there is a well-informed Capital Improvements Program that guides investments to properly sustain our systems. With the assistance of a consultant, staff is currently preparing a Comprehensive Asset Management Plan to ensure we are making optimal use of our assets.

Finally, Mr. Kerwin said that staff continues to work towards knowledge and workforce sustainability. OWASA employees are the most important resource and it is important to provide the knowledge and training for high-performance. Staff is nearing completion of an extensive four year effort to improve the accuracy of OWASA's geographic information system for the drinking water infrastructure. Additionally, staff continues to document important knowledge in standard operating procedures and regularly conduct After Action Reviews to improve performance and transfer essential knowledge.

Stephen Winters said that for the second year, the audit was performed by Martin, Starnes & Associates. The success of this audit is a testament to the entire OWASA team and it is a positive reflection on the Finance and Customer Service staff. Mr. Winters thanked his staff for the job well done. The financial results the auditors will report are the same as the results provided in August when staff presented OWASA's unaudited financial information.

Mr. Winters said that agenda information included a draft of OWASA's Comprehensive Annual Financial Report; it will be finalized following minor presentation-type changes but the numbers in the report will not change.

Mr. Winters said that OWASA's financial condition is sustainable and well positioned for the future. The community is using about the same amount of water it used 24 years ago even though the number of accounts served has gone up 60%.

Mr. Winters then introduced Aaron Smith, Audit Manager from Martin, Starnes & Associates. Noting that this is Martin, Starnes' second year performing OWASA's audit, he said the firm has extensive experience working with North Carolina local governments. He further stated that OWASA was pleased with the services the firm delivered.

Mr. Smith said OWASA received an unqualified opinion that the financial statements fairly present OWASA's financial operations and position and can be relied upon by third parties, citizens, underwriters and bond holders. He stated that no significant deficiencies in internal control were identified.

ITEM FOUR: MINUTES

Will Raymond made a motion to approve the Minutes of the August 23, 2012 Board Meeting amending Item Twelve on page 6 as follows:

Amy Witsil passed on comments and suggestions from John Young as follows: he noted the proposal summarizes the key themes well and included good strategies for improving customer understanding and perceptions. Mr. Young suggested that staff consider fundamental strategy changes to improve real satisfaction (in addition to improving communication to address gaps in perception). For example, he said such strategies might include things such as OWASA's actions could include evaluating these strategies during the next strategic planning cycle and rate study. He further suggested accelerating automated meter infrastructure as a means to address billing accuracy; selling additional watershed property (with appropriate covenants) to improve affordability; slowing down the build-up of reserve funds to improve affordability; and modifying rate structure to charge the lowest possible rates (while respecting cost of service principles) for baseline, non-seasonal usage.

The motion was seconded by Michael Hughes and carried by unanimous vote. Please see Motion No. 1 above.

Will Raymond made a motion to approve the Minutes of the August 23, 2012, Closed Session of the Board of Directors; the motion was seconded by Michael Hughes and carried by unanimous vote. Please see Motion No. 2 above.

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

Terri Buckner made a motion to adopt the resolution; the motion was seconded by Stephen Dear and carried by a vote of six to one with John Young opposing because he was not in attendance for the August 23, 2012 Closed Session. Please see Motion No. 3 above.

ITEM SIX: EXECUTIVE DIRECTOR WILL SUMMARIZE THE KEY ACTION ITEMS FROM THE BOARD MEETING AND NOTE SIGNIFICANT ITEMS FOR DISCUSSIONS AND/OR ACTION EXPECTED AT THE NEXT BOARD MEETING

Ed Kerwin summarized the meeting with the following action items:

- Follow-up on petition received from Ester Miller tonight regarding fluoride and schedule a Natural Resources/Technical Systems Committee meeting to discuss same.
- The October 11, 2012 Board meeting will include:
 - o Board discussion regarding OWASA's Jordan Lake water supply allocation conversion from Level II to Level I;
 - o Begin discussion to update OWASA's Strategic Plan; and

- Report on agenda items for the Chapel Hill OWASA's Committee meeting that will be held on October 18, 2012.

ITEM SEVEN: CLOSED SESSION

Will Raymond made a motion that the Board convene in a Closed Session for the purpose of discussing a personnel matter; the motion was seconded by Michael Hughes, and carried by unanimous vote. Please see Motion No. 4 above.

There being no further business to come before the Board, the meeting was adjourned at 9:30 P.M.

Enclosures

**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, sewer and reclaimed 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 2, 2012 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, 2012, 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 2, 2012.

Adopted this 27th day of September, 2012.