



ORANGE WATER AND SEWER AUTHORITY

*A public, non-profit agency providing water, sewer and reclaimed water services
to the Carrboro-Chapel Hill community.*

AGENDA
MEETING OF THE OWASA BOARD OF DIRECTORS
THURSDAY, OCTOBER 20, 2011, 7:00 P.M.
OWASA BOARDROOM

In compliance with the "Americans with Disabilities Act," interpreter services are available with five days prior notice. If you need this assistance, please contact the Clerk to the Board at 537-4217 or aorbich@owasa.org.

Announcements

1. Announcements by the Chair
 - A. 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.
2. Announcements by Board Members
 - A. Finance Committee will meet on Thursday, October 27, 2011, at 5:30 P.M., in the First Floor Conference Room at Chapel Hill Town Hall, to discuss First Quarter Financial Results, Rate Structure and the Strategic Plan (Amy Witsil)
3. Announcements by Staff

Petitions and Requests

1. Public
2. Board
3. Staff

REGULAR AGENDA

Discussion

1. Proposed Clarification of the Water and Sewer Management, Planning and Boundary Agreement (Gordon Merklein/Ed Kerwin)



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MEMORANDUM

TO: Board of Directors

FROM: Ed Kerwin

DATE: October 14, 2011

SUBJECT: **Proposed Clarification of the Water and Sewer Management, Planning and Boundary Agreement (WSMPBA)**

On June 10, 2011, Gordon Merklein sent a letter (attached) to Carrboro Mayor Chilton and Chapel Hill Mayor Kleinschmidt requesting clarification of the WSMPBA to ensure access to our Jordan Lake water supply allocation. The Chapel Hill Town Council and the Carrboro Board of Aldermen are scheduled to discuss this matter at their October 26, 2011 and November 1, 2011 meetings, respectively.

OWASA staff conducted an orientation session for our three newest Board members on September 27, 2011 regarding the 2010 Long-Range Water Supply Plan, but there was insufficient time to discuss our efforts to clarify the WSMPBA. As a result, Gordon Merklein directed that this item be scheduled for discussion by the full Board on October 20th.

At the meeting on October 20th:

- 1) Ed Holland will present information gained from additional drought scenario modeling that has been conducted since the September 27th meeting to evaluate the impacts on our water supply and on our customers, with and without Jordan Lake, if stream flow patterns observed during the droughts of 2001-02 and 2007-08 had continued.
- 2) Gordon Merklein will present a draft slide presentation that he proposes for presentation to the Chapel Hill Town Council on October 26th.
- 3) Gordon Merklein and I recommend that the Board should state immediately – rather than as a condition of the Towns' approval of OWASA's request to clarify the WSMPBA – that it will not purchase water and/or use its Jordan Lake allocation during a drought without first declaring Stage 1 water use restrictions.

In preparation for this important meeting, I recommend that you review the information contained in my e-mail of October 4, 2011. Staff will be available to answer any questions you have about the information provided either during or prior to the meeting.

October 14, 2011

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Staff continues to strongly believe that cost-effective access to our Jordan Lake water supply allocation is essential for ensuring a sustainable water supply for our customers and our community. We look forward to assisting the Board in its efforts to obtain Chapel Hill's and Carrboro's approval for clarification of the WSMPBA.

Please contact either Gordon or me if you have any questions. Thanks very much.



Ed Kerwin
Executive Director

Attachment



ORANGE WATER AND SEWER AUTHORITY

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June 10, 2011

Mayor Mark Chilton
Town of Carrboro
300 West Main Street
Carrboro, NC 27510

Mayor Mark Kleinschmidt
Town of Chapel Hill
405 Martin Luther King Jr. Boulevard
Chapel Hill, NC 27514

**SUBJECT: PROPOSED CLARIFICATION OF THE WATER AND SEWER
MANAGEMENT, PLANNING AND BOUNDARY AGREEMENT**

Dear Mayor Chilton and Mayor Kleinschmidt:

I'm writing to follow up my letter of May 20, 2011, in which I indicated that the OWASA Board would delay discussing the proposed clarification of the Water and Sewer Management, Planning and Boundary Agreement (WSMPBA) from our May 26, 2011 meeting until one of our June meetings in order to allow discussions to continue among our Board members and elected officials regarding the draft resolution that we provided to you in our May 13th letter.

At our meeting last night, the OWASA Board adopted the attached resolution, which is the same resolution previously provided to you and the council in draft form. The adopted resolution includes the following:

- We continue to believe that the recommendations set forth in our April 2010 Long-Range Water Supply Plan are sound and that they reflect our best professional judgment consistent with our responsibilities to our customers, to the Towns of Carrboro and Chapel Hill, Orange County, and to the University of North Carolina at Chapel Hill.
- OWASA will adopt and maintain a policy to purchase water from other communities or obtain water from our Jordan Lake storage allocation during periods of increased risk of water shortage due to drought only after first declaring a Stage 1 Water Supply Shortage; however, OWASA's enactment of this policy shall be contingent upon approval by the Chapel Hill Town Council and the Carrboro Board of Aldermen of our previous request to clarify language in the WSMPBA.
- The failure to gain Carrboro's and/or Chapel Hill's support for the proposed WSMPBA clarification will likely result in OWASA's giving notice of our intention to withdraw from the WSMPBA as a matter of legal necessity to remain in compliance with our commitments to the Towns, our customers, and to the University. If the Board determines withdrawing from the WSMPBA is necessary, it may discuss and act on this option during one of its upcoming meetings in July.
- In the event that the OWASA Board decides to provide notice of its intent to withdraw from the WSMPBA, it will formally (and simultaneously) commit to continue to abide by the Agreement, except for any provision restricting its access to or use of water from Jordan Reservoir.

Clarification of the WSMPPA

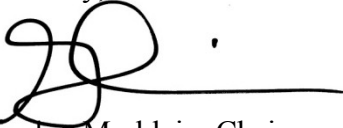
June 10, 2011

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As requested in our previous correspondence and discussions, we respectfully request that you inform us of your position regarding this matter prior to going into your summer recess.

If you have any questions, or would like to meet to discuss this matter please contact me at gmerklein@owasa.org or 962-6172.

Sincerely,

A handwritten signature in black ink, consisting of a stylized 'G' followed by a horizontal line extending to the right.

Gordon Merklein, Chair
OWASA Board of Directors

Enclosure

c: Chair Bernadette Pelissier, Orange County
Mayor Tom Stevens, Town of Hillsborough
OWASA Board of Directors
Mr. Frank Clifton, Orange County Manager
Mr. Eric Peterson, Hillsborough Town Manager
Mr. Roger Stancil, Chapel Hill Town Manager
Mr. Steve Stewart, Carrboro Town Manager
Ed Kerwin, Executive Director

POLICY RESOLUTION REGARDING WATER PURCHASES TO MITIGATE THE RISK OF SHORTAGE DURING PERIODS OF EXTENDED DROUGHT

WHEREAS, the Board of Directors of Orange Water and Sewer Authority (OWASA) adopted the *Long-Range Water Supply Plan Final Report, April 8, 2010* (the Plan) as a principal guide for future policy and investment decisions regarding the provision of a sustainable, reliable and cost-effective water supply for OWASA's current and future customers through 2060; and

WHEREAS, the Plan included the following five Primary Recommendations:

1. "Continue to promote water conservation and efficiency through customer awareness and education, targeted technical assistance, conservation pricing, and support for increased water efficiency standards in new and renovated buildings. The reliability of our local water supply sources assumes that recent gains in water use efficiency will be sustained during the next 50 years.
2. "Continue to pursue the Quarry Reservoir expansion (shallow version) as the most cost-effective, long-term option for a supplemental supply source. This will ensure full local control of a substantial increment of supply with minimal additional capital investment.
3. "Continue to participate in the Jordan Lake Partnership in order to retain OWASA's water supply storage allocation and to ensure cost-effective access to Jordan Lake through secure and permanent agreements with nearby utilities. It is essential that OWASA retain and acquire access to its allocation.
4. "Develop water purchase/sale agreements with neighboring utilities that will secure the permanent ability to cost-effectively purchase water under appropriate conditions of supply and demand consistent with the long-term performance objectives of (1) avoiding future Water Shortage declarations, and (2) providing additional flexibility and redundancy in the event of critical facility failure, extreme weather, or other unforeseen/emergency circumstances.
5. "Work cooperatively with the elected boards of Carrboro, Chapel Hill, and Orange County to amend the 2001 *Water and Sewer Management, Planning, and Boundary Agreement* – only as needed – to resolve any unnecessary constraints on access to OWASA's Jordan Lake allocation and to ensure a reliable and sustainable water supply for the future;" and

WHEREAS, the Board continues to believe that all aspects of the Plan remain sound, and that they reflect OWASA's best professional judgment consistent with its responsibilities to OWASA's customers, to the Towns of Carrboro and Chapel Hill, and to the University of North Carolina at Chapel Hill; and

WHEREAS, notwithstanding its commitment to the *Long-Range Water Supply Plan*, the Board also acknowledges and understands from actions taken by the Carrboro Board of Aldermen on December 8, 2009 and March 1, 2011, and by the Chapel Hill Town Council on April 25, 2011 that some local elected officials have expressed the opinion that OWASA should not purchase water from other communities or obtain water through its Jordan Lake storage allocation during drought conditions unless OWASA has first declared a Water Supply Shortage; and

WHEREAS, retaining OWASA's Jordan Lake allocation remains an essential component of plans for a reliable and sustainable water supply future, and because the support of the Carrboro, Chapel Hill and Orange County elected boards will be needed in OWASA's efforts to retain that allocation, the Board of Directors resolves to enforce the following policy with respect to water purchases and use of its Jordan Lake allocation in times of water shortage due to drought conditions;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF ORANGE WATER AND SEWER AUTHORITY THAT:

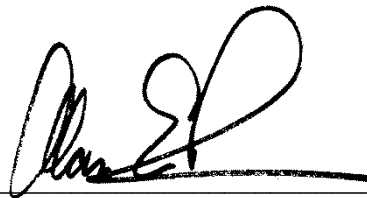
1. Upon approval by the Chapel Hill Town Council and the Carrboro Board of Aldermen of the clarification to the Water and Sewer Management, Planning and Boundary Agreement ("Agreement") as requested by OWASA, OWASA shall adopt and maintain a policy providing that during periods of increased risk of water shortage due to drought conditions, OWASA will only purchase water from other communities or obtain water from its Jordan Lake storage allocation after it has declared a Stage 1 Water Supply Shortage per OWASA's State-approved Water Shortage Response Plan and OWASA's Water Conservation Standards as incorporated therein.

2. The Carrboro Board of Aldermen and Chapel Hill Town Council are hereby requested to reconsider their actions of March 1, 2011 and April 25, 2011 and to approve previously proposed language in the Agreement to clarify that nothing therein shall be construed to prevent OWASA from obtaining water from its Jordan Lake allocation for use by OWASA customers. OWASA respectfully requests that Carrboro and Chapel Hill approve those changes by June 30, 2011.

3. OWASA shall continue to encourage water conservation and the use of reclaimed water, and will continue its existing policy and practice of providing advance notice of a potential or impending shortage to customers and local governments.

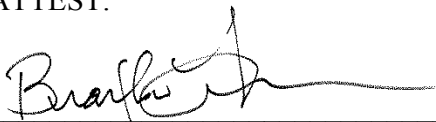
4. OWASA shall continue to take the actions it believes necessary to retain and secure access to its Jordan Lake allocation, including the possibility of initiating procedures to withdraw from the Agreement if all parties do not agree to the proposed clarifying language. In the event OWASA does withdraw, it will formally commit to continue to abide by all other provisions of the Agreement.

Adopted this 9th day of June 2011.



Alan Rimer, Vice Chair

ATTEST:



Braxton Foushee, Secretary

POLICY RESOLUTION REGARDING WATER PURCHASES TO MITIGATE THE RISK OF SHORTAGE DURING PERIODS OF EXTENDED DROUGHT

WHEREAS, the Board of Directors of Orange Water and Sewer Authority (OWASA) adopted the *Long-Range Water Supply Plan Final Report, April 8, 2010* (the Plan) as a principal guide for future policy and investment decisions regarding the provision of a sustainable, reliable and cost-effective water supply for OWASA's current and future customers through 2060; and

WHEREAS, the Plan included the following five primary recommendations (summarized):

1. "Continue to promote water conservation and efficiency through customer awareness and education, targeted technical assistance, conservation pricing, and support for increased water efficiency standards in new and renovated buildings. The reliability of our local water supply sources assumes that recent gains in water use efficiency will be sustained during the next 50 years.
2. "Continue to pursue the Quarry Reservoir expansion (shallow version) as the most cost-effective, long-term option for a supplemental supply source. This will maximize local control of a substantial increment of supply with minimal additional capital investment.
3. "Continue participation in the Jordan Lake Partnership in order to retain OWASA's water supply storage allocation and to ensure cost-effective access to that allocation through secure and permanent agreements with nearby utilities.
4. "Develop water purchase/sale agreements with neighboring utilities that secure the permanent ability to cost-effectively purchase water under appropriate conditions of supply and demand providing additional flexibility and redundancy in the event of critical facility failure, extreme weather, or other unforeseen/emergency circumstances.
5. "Work cooperatively with the elected boards of Carrboro, Chapel Hill, and Orange County to amend the 2001 *Water and Sewer Management, Planning, and Boundary Agreement* to resolve any unnecessary constraints on access to OWASA's Jordan Lake allocation and to ensure a reliable and sustainable water supply for the future;" and

WHEREAS, the Board continues to believe that the Plan's recommendations remain sound, and that they reflect OWASA's best professional judgment consistent with its responsibilities to OWASA's customers, to the Towns of Carrboro and Chapel Hill, and to the University of North Carolina at Chapel Hill; and

WHEREAS, notwithstanding this commitment to the *Long-Range Water Supply Plan*, the Board also acknowledges and understands from actions taken by the Carrboro Board of Aldermen on December 8, 2009 and March 1, 2011, and by the Chapel Hill Town Council on April 25, 2011 that those elected bodies do not believe that OWASA should purchase water from other communities or obtain water through its Jordan Lake storage allocation during drought conditions unless OWASA has first declared a Water Supply Shortage; and

WHEREAS, recent drought scenario simulations demonstrate that if the record drought of 2001-02 had not ended abruptly in October 2002, OWASA would have had to execute emergency plans to install a temporary piping and pumping system from the Haw River to the Cane Creek Reservoir by the end of November 2002; however, with permanent and secure access to its Jordan Lake allocation and through the use of interconnection infrastructure that now exists, OWASA would not have had to take such extreme and costly actions; and

WHEREAS, permanent and secure access to Jordan Lake represents the most cost effective and reliable “insurance policy” during an increasingly uncertain future, and such access will also allow OWASA to better optimize the use of its Orange County water supply sources during future droughts; and

WHEREAS, retaining OWASA’s Jordan Lake allocation remains an essential component of plans for a reliable and sustainable water supply future, and because the support of the Carrboro, Chapel Hill and Orange County elected boards will be needed in OWASA’s efforts to retain that allocation, the Board of Directors resolves to enforce the following policy with respect to water purchases and use of its Jordan Lake allocation in times of water shortage due to drought.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF ORANGE WATER AND SEWER AUTHORITY THAT:

1. The *Policy Resolution Regarding Water Purchases to Mitigate the Risk of Shortage During Periods of Extended Drought* adopted by the OWASA Board of Directors on June 9, 2011 is hereby rescinded and replaced by this resolution.

2. OWASA shall only purchase water from other communities or obtain water from its Jordan Lake storage allocation during periods of increased drought risk after it has declared a Stage 1 Water Supply Shortage per OWASA’s State-approved Water Shortage Response Plan and OWASA’s Water Conservation Standards as incorporated therein.

3. The Carrboro Board of Aldermen and Chapel Hill Town Council are hereby requested to reconsider their actions of March 1, 2011 and April 25, 2011 and to approve previously proposed language in the Agreement to clarify that nothing therein shall be construed to prevent OWASA from obtaining water from its Jordan Lake allocation for use by OWASA customers. OWASA respectfully requests that Carrboro and Chapel Hill approve those changes by November 30, 2011.

4. OWASA shall continue to encourage water conservation and the use of reclaimed water, and will continue its existing policy and practice of providing advance notice of a potential or impending shortage to customers and local governments.

5. OWASA shall continue to take the actions it believes necessary to retain and secure access to its Jordan Lake allocation, including initiating procedures to withdraw from the Agreement if all parties do not agree to the proposed clarifying language. In the event OWASA does withdraw, it will formally commit to continue to abide by all other provisions of the Agreement.

Adopted this 20th day of October 2011.

Gordon Merklein, Chair

ATTEST:

Amy Witsil, Secretary

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