

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

AUGUST 26, 2010

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular Business Meeting on Thursday, August 26, 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; and Amy Witsil. Board members absent: Randy Kabrick, P.E., and William Stott.

OWASA staff: Ed Kerwin; John Greene; Stuart Carson; Mason Crum; Patrick Davis; Greg Feller; Stephanie Glasgow; Heidi Lamay; Andrea Orbich; Kevin Ray; Jane Showerman; 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 Gordon Merklein called the meeting to order.

MOTIONS ACTED UPON

1. Braxton Foushee made a motion to approve the Minutes of the May 27, 2010 Public Hearing and Board meeting; the motion was seconded by Alan Rimer and carried by unanimous vote.

2. Braxton Foushee made a motion to approve the Minutes of the June 10, 2010 Board meeting; the motion was seconded by Alan Rimer and carried by unanimous vote.

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Directing the Filing of an Application with the North Carolina Local Government Commission for Approval of the Issuance and Private Sale of Orange Water and Sewer Authority Water and Sewer System Revenue Refunding Bonds, Series 2010." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer, second by Fred Battle, and unanimously approved.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution requesting the North Carolina Local Government Commission to Approve the Financing Team to be Used in Connection with the Issuance and Sale of Orange Water and Sewer Authority Water and Sewer System Revenue Refunding Bonds, Series 2010." (Resolution so titled attached hereto and made a part of these minutes. Motion by Mac Clarke, second by Fred Battle, and unanimously approved.)

5. Braxton Foushee 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 Fred Battle 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.

ANNUAL REPORT ON WASTEWATER AND BIOSOLIDS TREATMENT AND RECYCLING

John Greene said that in August, staff provided a report to our customers on the operation of the wastewater collection and treatment systems and on the treatment and recycling of biosolids. This report was also distributed to local officials and the media and posted on OWASA's website. The purpose of the report is to inform citizens in accord with State requirements. The wastewater report covers Fiscal Year (FY) 2010 and reflects well on OWASA's operation and the quality of work from staff. In FY 2010, staff managed 322 miles of sewer collection lines, operated 21 wastewater pump stations, treated 2.8 billion gallons of wastewater, recycled approximately 1,600 dry tons of biosolids and distributed about 100 million gallons of reclaimed water, all with no permit violations. There were two sewer overflows which amounted to an estimated 3,600 gallons.

ITEM TWO: PETITIONS AND REQUESTS

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

ITEM THREE: SEMI-ANNUAL CONTRACTOR AND CONSULTANT PERFORMANCE REPORT

The Board received this report as an information item.

ITEM FOUR: QUARTERLY REPORT ON ATTENDANCE AT BOARD OF DIRECTORS MEETINGS

The Board received this report as an information item.

ITEM FIVE: EQUAL EMPLOYMENT OPPORTUNITY/AFFIRMATIVE ACTION REPORT FOR FISCAL YEAR JULY 1, 2009 THROUGH JUNE 30, 2010

Fred Battle asked for information if OWASA's diversity compares with other utilities and what positions OWASA recruited for in Fiscal Year 2010.

Stephanie Glasgow indicated that she did not have that information but would provide it to Mr. Battle and the Board via e-mail.

ITEM SIX: EMPLOYEE RECOGNITION AND SUGGESTION PROGRAM REPORT FOR FISCAL YEAR JULY 1, 2009- JUNE 30, 2010

The Board received this report as an information item.

ITEM SEVEN: ANNUAL REPORT ON DISPOSAL OF SURPLUS PERSONAL PROPERTY

The Board received this report as an information item.

ITEM EIGHT: REPORT ON ADJUSTMENT OF CUSTOMER ACCOUNTS FOR EMERGENCY WATER SITUATIONS INVOLVING LOSS OF METERED WATER FOR FISCAL YEAR JULY 1, 2009 THROUGH JUNE 30, 2010

The Board received this report as an information item.

ITEM NINE: ANNUAL REPORT ON TASTE OF HOPE CUSTOMER ASSISTANCE PROGRAM

Mac Clarke said that participation in the Taste of Hope program is low and it is important to reach out to all of OWASA's users, not just customers, to increase participation in this program. Mr. Clarke suggested looking into other utilities' donation programs.

At the suggestion of Alan Rimer, the Board asked its Human Resources Committee to discuss ways to increase donor participation in the Taste of Hope program.

ITEM NINE: ANNUAL PERFORMANCE MEASUREMENT REPORT FOR FISCAL YEAR JULY 1, 2009 THROUGH JUNE 30, 2010

Mac Clarke suggested that this report be referred to a Board Committee for review.

ITEM TEN: MINUTES

Braxton Foushee made a motion to approve the Minutes of the May 27, 2010, Public Hearings and Board meeting; the motion was seconded by Alan Rimer and carried by unanimous vote. Please see Motion No. 1 above.

Braxton Foushee made a motion to approve the Minutes of the June 10, 2010, Board meeting; the motion was seconded by Alan Rimer and carried by unanimous vote. Please see Motion No. 2 above.

ITEM ELEVEN: ORANGE WATER AND SEWER AUTHORITY WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2010: RESOLUTION DIRECTING THE FILING OF AN APPLICATION WITH THE NORTH

CAROLINA LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF THE ISSUANCE AND PRIVATE SALE OF ORANGE WATER AND SEWER AUTHORITY WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010 AND RESOLUTION REQUESTING THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION TO APPROVE THE FINANCING TEAM TO BE USED IN CONNECTION WITH THE ISSUANCE AND SALE OF ORANGE WATER AND SEWER AUTHORITY WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010

Alan Rimer made a motion to adopt the “Resolution Directing the Filing of an Application with the North Carolina Local Government Commission for Approval of the Issuance and Private Sale of Orange Water and Sewer Authority Water and Sewer System Revenue Refunding Bonds, Series 2010.” The motion was seconded by Fred Battle, and unanimously approved.

Mac Clarke made a motion to adopt the “Resolution Requesting the North Carolina Local Government Commission to Approve the Financing Team to be used in Connection with the Issuance and Sale of Orange Water and Sewer Authority Water and Sewer System Revenue Refunding Bonds, Series 2010.” The motion was seconded by Fred Battle, and unanimously approved.

ITEM TWELVE: PRELIMINARY QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED JUNE 30, 2010

The Board received this report as an information item.

ITEM Thirteen: Closed session

Braxton Foushee made a motion that the Board convene in a closed session for the purpose of discussing a personnel matter; the motion was seconded by Fred Battle and unanimously approved. Please see Motion No. 5 above.

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

Enclosures

**RESOLUTION DIRECTING THE FILING OF AN APPLICATION
WITH THE NORTH CAROLINA LOCAL GOVERNMENT
COMMISSION FOR APPROVAL OF THE ISSUANCE AND PRIVATE
SALE OF ORANGE WATER AND SEWER AUTHORITY WATER AND
SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010**

WHEREAS, the Orange Water and Sewer Authority (“OWASA”), acting by and through its Board of Directors (the “Board”), is authorized by The State and Local Government Revenue Bond Act of North Carolina, Article 5 of Chapter 159 of the North Carolina General Statutes, as amended (the “Act”), and particularly Sections 159-83(a)(5) and 159-81(3)a and b thereof, to issue revenue bonds for the purpose of financing the cost of acquisition, construction, reconstruction, enlargement, equipping, extension, betterment or improvement of facilities for obtaining, conserving, treating and distributing water for domestic or industrial use, irrigation, sanitation, fire protection, or any other public or private use and the collection, treatment, purification or disposal of sewage and to refund revenue bonds issued for such purposes; and

WHEREAS, OWASA owns and operates facilities for the production, collection, treatment, transmission and distribution of water and the collection, transmission, treatment and disposal of sewage; and

WHEREAS, OWASA proposes to issue its Water and Sewer System Revenue Refunding Bonds, Series 2010 (the “Series 2010 Bonds”) for the purpose of providing funds, together with other available funds, to (i) refund a portion of OWASA’s outstanding (a) Water and Sewer System Revenue Bonds, Series 2001 (the “Series 2001 Bonds”) and (b) Water and Sewer System Revenue Bonds, Series 2004A (the “Series 2004A Bonds”) and (ii) pay certain costs and expenses incurred in connection with the issuance of the Series 2010 Bonds; and

WHEREAS, OWASA proposes to issue the Series 2010 Bonds in an aggregate principal amount not to exceed \$28,000,000, the determination of the maturities and principal amounts of the Series 2001 Bonds and Series 2004A Bonds to be redeemed and of the aggregate principal amount of the Series 2010 Bonds to be made at the time of the sale of the Series 2010 Bonds;

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE ORANGE
WATER AND SEWER AUTHORITY DOES HEREBY DETERMINE AND
RESOLVE, as follows:**

1. The Board hereby finds and determines, in connection with the issuance of the Series 2010 Bonds, that (i) the issuance of the Series 2010 Bonds is necessary or expedient for OWASA, (ii) the proposed aggregate principal amount of the Series 2010 Bonds is adequate and not excessive for the proposed purposes of such issue, (iii) the refunding of the Series 2001 Bonds and the Series 2004A Bonds to be effectuated by the issuance of the Series 2010 Bonds is feasible, (iv) OWASA’s debt management procedures and policies are good and OWASA’s finances are managed in strict compliance with law and (v) under current economic conditions, the Series 2010 Bonds can be marketed at a reasonable interest cost to OWASA. The Board hereby also determines to proceed with the refunding of a portion of the Series 2001 Bonds and the Series 2004A Bonds as described in this resolution provided that such refunding will result in aggregate net present value debt service savings that equal or exceed 2.50% and will result in net

present value debt service savings that equal or exceed 2.50% with respect to each such Series of Bonds or portions thereof to be refunded.

2. The Board hereby authorizes the filing of an application with the Local Government Commission for approval of the issuance of the Series 2010 Bonds, in an aggregate principal amount not to exceed \$28,000,000, pursuant to Section 159-86 of the Act and directs the Executive Director and Director of Finance and Customer Service of OWASA, as representatives of OWASA, to file such application with the Local Government Commission.

3. The Local Government Commission is hereby requested to sell the Series 2010 Bonds at private sale without advertisement to any purchaser or purchasers thereof, at such price as the Local Government Commission determines to be in the best interest of OWASA, subject to the approval of OWASA.

4. This resolution shall take effect immediately upon its passage.

Adopted this 26th day of August, 2010.

RESOLUTION REQUESTING THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION TO APPROVE THE FINANCING TEAM TO BE USED IN CONNECTION WITH THE ISSUANCE AND SALE OF ORANGE WATER AND SEWER AUTHORITY WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010

WHEREAS, the Orange Water and Sewer Authority (“OWASA”), acting by and through its Board of Directors (the “Board”), is authorized by The State and Local Government Revenue Bond Act of North Carolina, Article 5 of Chapter 159 of the North Carolina General Statutes, as amended (the “Act”), and particularly Sections 159-83(a)(5) and 159-81(3)a and b thereof, to issue revenue bonds for the purpose of financing the cost of acquisition, construction, reconstruction, enlargement, equipping, extension, betterment or improvement of facilities for obtaining, conserving, treating and distributing water for domestic or industrial use, irrigation, sanitation, fire protection, or any other public or private use and the collection, treatment, purification or disposal of sewage and to refund revenue bonds issued for such purposes; and

WHEREAS, OWASA owns and operates facilities for the production, collection, treatment, transmission and distribution of water and the collection, transmission, treatment and disposal of sewage; and

WHEREAS, OWASA proposes to issue its Water and Sewer System Revenue Refunding Bonds, Series 2010 (the “Series 2010 Bonds”) for the purpose of providing funds, together with other available funds, to (i) refund a portion of OWASA’s outstanding (a) Water and Sewer System Revenue Bonds, Series 2001 (the “Series 2001 Bonds”) and (b) Water and Sewer System Revenue Bonds, Series 2004A (the “Series 2004A Bonds”) and (ii) pay certain costs and expenses incurred in connection with the issuance of the Series 2010 Bonds; and

WHEREAS, OWASA proposes to issue the Series 2010 Bonds in an aggregate principal amount not to exceed \$28,000,000, the determination of the maturities and principal amounts of the Series 2001 Bonds and Series 2004A Bonds to be redeemed and the aggregate principal amount of the Series 2010 Bonds to be made at the time of the sale of the Series 2010 Bonds; and

WHEREAS, OWASA has selected for recommendation to the Local Government Commission a financing team to be used in connection with the issuance and sale of the Series 2010 Bonds; and

WHEREAS, the selection of said financing team was made by OWASA after a review of the plan of refunding received from Wells Fargo Bank, National Association and its proposal to be engaged as an underwriter of the Series 2010 Bonds and after a review of the record of service to OWASA of the other members of said financing team; and

WHEREAS, OWASA wishes to obtain the approval of the Local Government Commission for said financing team;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE ORANGE WATER AND SEWER AUTHORITY DOES HEREBY DETERMINE AND RESOLVE, as follows:

1. The Board hereby recommends that the following financing team members be engaged in connection with the issuance and sale of the Series 2010 Bonds and requests that the Local Government Commission approve said financing team members:

Bond Counsel:	McGuireWoods LLP
Underwriter:	Wells Fargo Bank, National Association
Underwriter's Counsel:	Womble Carlyle Sandridge & Rice, PLLC
Trustee and Bond Registrar:	The Bank of New York Mellon Trust Company, N.A.
Verification Agent:	Grant Thornton LLP

2. This resolution shall take effect immediately upon its passage.

Adopted this 26th day of August, 2010.