

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

SEPTEMBER 22, 2011

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held their Annual Meeting on Thursday, September 22, 2011, at 7:00 P.M., at the Chapel Hill Town Hall, 405 Martin Luther King Jr Boulevard.

Directors present: Gordon Merklein, Chair; Amy Witsil, Secretary; Fred Battle; Terri Buckner; Will Raymond; and John A. Young. Directors absent: Alan Rimer, Vice Chair; Dana Stidham; and William Stott.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Patrick Davis; Greg Feller; Stephanie Glasgow; Heidi Lamay; Andrea Orbich; Dan Przybyl; Kelly Satterfield; Stephen Winters; and Robert Epting, Esq., Epting and Hackney.

Others present: Michael Clarke; Braxton Foushee; Joyce Preslar; Mark Chilton, Mayor of the Town of Carrboro; Minister Robert Campbell, Rogers-Eubanks Neighborhood Association; Ben Poulson, Associate Director of Energy Services, and Meg Holton, Water, Wastewater, and Stormwater Manager of the University of North Carolina at Chapel Hill; J.P. Jones, Aaron Smith and Corey Abbott of Martin, Starnes & Associates.

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 of Appreciation to Braxton Foushee." (Resolution so titled attached hereto and made a part of these minutes. Motion by John Young, seconded by Amy Witsil, and unanimously approved.)

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution of Appreciation to Michael A. (Mac) Clarke." (Resolution so titled attached hereto and made a part of these minutes. Motion by John Young, seconded by Will Raymond, and unanimously approved.)

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution of Appreciation to Joyce C. Preslar." (Resolution so titled attached hereto and made a part of these minutes. Motion by Fred Battle, seconded by Will Raymond, and unanimously approved.)

4. Fred Battle made a motion to approve the Minutes of the August 25, 2011 Board Meeting; the motion was seconded by John Young, and carried by unanimous vote.

5. Fred Battle made a motion to approve the Minutes of the September 8, 2011 Closed Session of the Board; the motion was seconded by John Young, and carried by unanimous vote.

6. 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 Will Raymond, seconded by Terri Buckner, and unanimously approved.)

7. 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 John Young, and carried by unanimous vote.

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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.

RESOLUTION OF APPRECIATIONS

Gordon Merklein read aloud the resolutions of appreciation honoring the service of former OWASA Board members Braxton Foushee, Michael A. (Mac) Clarke and Joyce (Joy) Preslar.

The Board expressed their sincere appreciation to Mr. Foushee, Mr. Clarke and Mrs. Preslar for their leadership and service to OWASA.

John Young made a motion to approve the Resolution of Appreciation to Braxton Foushee; the motion was seconded by Amy Witsil and unanimously approved. Please see Motion No. 1 above.

John Young made a motion to approve the Resolution of Appreciation to Michael A. (Mac) Clarke; the motion was seconded by Will Raymond and unanimously approved. Please see Motion No. 2 above.

Fred Battle made a motion to approve the Resolution of Appreciation to Joyce (Joy) Preslar; the motion was seconded by Will Raymond and unanimously approved. Please see Motion No. 3 above.

COMMITTEE MEETINGS

Will Raymond said that the Outreach and Education Committee met before the Board meeting to discuss a draft presentation outline that focuses on OWASA's branding program. The key elements of the OWASA brand include: a national leader in drinking water quality and wastewater management; excellent customer service in all that we do – such that customers would choose OWASA if they had free choice; and trusted steward of the community, environmental, and financial resources we manage. Other topics include: affordable housing, educate students in the community and adding Neighbors for Responsible Growth to the list of community groups. Mr. Raymond urged Board members that have suggestions to please submit those suggestions to the Committee.

FESTIFALL

Will Raymond announced that Chapel Hill will hold its annual Festifall Arts Festival on Sunday, October 2, 2011 from noon until 6:00 P.M. on Franklin Street.

PROJECT CONNECT

Will Raymond said that Project Connect Orange County, formerly known as Project Homeless Connect, is an organization looking for volunteers; additional information can be found at www.phc-orange.org.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC

The Board received a petition from Carrboro Mayor Mark Chilton requesting that OWASA take over operation and maintenance of the private sewer line serving several properties along part of East Main Street after the owners complete the necessary repairs; and that to the extent OWASA contributed to the cost of providing public sewer to the Mt. Bolus, Piney Mountain and other neighborhoods, OWASA should do the same for the Main Street property owners.

Gordon Merklein thanked Mayor Chilton for attending the meeting and the petition was referred to staff.

The Board also received a petition from Minister Robert Campbell on behalf of the Rogers-Eubanks Neighborhood Association for information, possibly a community meeting or workshop, on potential costs and locations for public water and sewer extensions to the Rogers Road and Eubanks community.

The Board deferred this petition until information is received from the Orange County Board of Commissioners following their business meeting on October 4, 2011. The Board's Outreach and Education Committee will consider options for a community meeting to educate the Rogers Road and Eubanks community regarding OWASA's policies and procedures.

ITEM THREE: PETITIONS AND REQUESTS FROM THE BOARD

Will Raymond requested an educational presentation at a future Board meeting on hydro-fracking, which extracts natural gas from underground shale.

This petition was referred to staff.

ITEM FOUR: PETITIONS AND REQUESTS FROM STAFF

Gordon Merklein asked for petitions and requests from staff; there were none.

ITEM FIVE: PRESENTATION OF ANNUAL REPORT

Ed Kerwin said that OWASA operated in full compliance with Federal and State requirements for the operation of the water and wastewater systems for last Fiscal Year and that the Jones Ferry Road Water Treatment Plant (WTP) is the ninth utility in the United States and first in North Carolina to receive the Excellence in Water Treatment Award from the Partnership for Safe Water. This award signifies optimization of the WTP and is an example of OWASA's continuous improvement culture.

Mr. Kerwin said the Engineering Department has completed detailed engineering studies on the 420 miles of water distribution pipes and the 336 miles of wastewater collection pipes that serve customers. The studies concluded that OWASA's infrastructure is in good shape. Another study at the Mason Farm Wastewater Treatment Plant (WWTP) resulted in process modifications that improved performance and reduced operating costs. He also reported that OWASA is also prepared to meet new nutrient removal requirements for Jordan Lake and that the WWTP's capacity is adequate through 2030.

Twelve percent of OWASA's customers are using the new on-line billing feature which was implemented in Fiscal Year 2011; all customers are encouraged to consider paperless billing by visiting OWASA's website at www.owasa.org. OWASA is committed to being a national leader in drinking water quality and wastewater management. The water supply is adequate and we are working to secure our Jordan Lake allocation. OWASA is financially sound and future rate increases are expected to be lower than in recent years. Customers are encouraged to participate in our Taste of Hope customer assistance program. All Taste of Hope donations are routed through the Interfaith Council to help those in need.

Stephen Winters said that this year's 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.

OWASA's financial condition is very good following a few difficult years of droughts and double-digit rate increases. Reserves are where they need to be, financial performance goals are being met and projected rate increases over the next several years are expected to be near the rate of inflation.

Mr. Winters then introduced J.P. Jones, Audit Manager from Martin, Starnes & Associates. Noting that this is Martin, Starnes' first 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. Jones 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 SIX: MINUTES

Fred Battle made a motion to approve the Minutes of the August 25, 2011, Meeting of the Board of Directors; the motion was seconded by John Young and carried by unanimous vote. Please see Motion No. 4 above.

Fred Battle made a motion to approve the Minutes of the September 8, 2011, Closed Session of the Board of Directors; the motion was seconded by John Young and carried by unanimous vote. Please see Motion No. 5 above.

ITEM SEVEN: DRAFT BRANDING PROGRAM FOR OUTREACH AND EDUCATION

Ed Kerwin said that defining OWASA's Brand is an objective in the Board's adopted Goal Statements and Objectives for Outreach and Education. OWASA's brand represents what customers can count on from OWASA. OWASA will focus on the following key elements:

- National leader in drinking water quality and wastewater management
- Excellent customer service in all that we do – such that customers would choose OWASA if they had free choice
- Trusted steward of the community, environmental, and financial resources we manage

The next step in the Outreach and Education Committee's work is developing a Public Engagement and Dialogue Program; discussion began at the Committee meeting earlier this evening.

The Board concurred with the Outreach and Education Committee's recommendation.

ITEM EIGHT: PROGRESS REPORT ON OWASA'S STRATEGIC PLAN

Gordon Merklein requested the Finance Committee review the Strategic Plan and make recommendations to full Board for consideration at a future meeting.

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

Will Raymond made a motion to adopt the resolution; the motion was seconded by Terri Buckner and carried by unanimous vote. Please see Motion No. 6 above.

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 John Young, and carried by unanimous vote. Please see Motion No. 7 above.

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

Enclosures

RESOLUTION OF APPRECIATION TO BRAXTON FOUSHEE

WHEREAS, Braxton Foushee was appointed by the Town of Carrboro as a Member of the Board of Directors of the Orange Water and Sewer Authority; and

WHEREAS, from April 12, 2007 to June 30, 2011, Mr. Foushee diligently served as a Member of the Board of Directors of the Orange Water and Sewer Authority; and

WHEREAS, Mr. Foushee served as the Board's Secretary from September, 2007 to June, 2011; chaired the Board's Human Resources Committee; and served as a Member of the Board's Finance Committee; and

WHEREAS, Mr. Foushee gave freely of his time, energy, and talents in serving the community and OWASA customers with unselfish dedication and compassionate concern; and

WHEREAS, Mr. Foushee was a strong proponent for the fair treatment of employees and citizens, for the affordability of OWASA services, and for actively seeking bids and proposals from minority- and women-owned businesses;

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

1. That the Board of Directors of the Orange Water and Sewer Authority, acting through its Members (Fred Battle, Gordon Merklein, Terri Buckner, Will Raymond, Alan Rimer, Dana Stidham, William R. Stott, III, Amy Witsil and John A. Young), now takes this means of expressing to Braxton Foushee the Board's sincere appreciation and deep gratitude for his faithful service, able leadership, and stewardship; and the Board wishes for Mr. Foushee and his family much happiness in the years ahead.

2. That this resolution be recorded in the minutes of the OWASA Board of Directors, shall be part of the permanent records of OWASA; and a copy of this resolution be transmitted to the Town of Carrboro.

Adopted and presented with deep appreciation this 22nd day of September 2011.

RESOLUTION OF APPRECIATION TO MICHAEL A. (MAC) CLARKE

WHEREAS, Michael A. (Mac) Clarke was appointed by the Town of Chapel Hill to serve as a Member of the Board of Directors of the Orange Water and Sewer Authority; and

WHEREAS, from December 11, 2003 to June 30, 2011, Mr. Clarke diligently served as a Member of the Board of Directors of Orange Water and Sewer Authority; and

WHEREAS, Mr. Clarke served as the Board's Chair from October, 2005 to October, 2007; chaired the Board's Finance Committee; and served as a Member of the Natural Resources/Technical Systems Committee as well as several ad hoc committees of the Board of Directors; and

WHEREAS, Mr. Clarke gave freely of his time, energy, and talents in serving the community and OWASA customers with unselfish dedication and compassionate concern; and

WHEREAS, Mr. Clarke was a strong proponent for OWASA's fiscal sustainability and integrity, and he brought to the Board a strong combination of corporate leadership skills, experience and knowledge;

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

1. That the Board of Directors of the Orange Water and Sewer Authority, acting through its Members (Fred Battle, Gordon Merklein, Terri Buckner, Will Raymond, Alan Rimer, Dana Stidham, William R. Stott, III, Amy Witsil and John A. Young), now takes this means of expressing to Mac Clarke the Board's sincere appreciation and deep gratitude for his faithful service, able leadership, and stewardship; and the Board wishes for Mr. Clarke much happiness in the years ahead.

2. That this resolution be recorded in the minutes of the OWASA Board of Directors, shall be part of the permanent records of OWASA; and a copy of this resolution be transmitted to the Town of Chapel Hill.

Adopted and presented with deep appreciation this 22nd day of September 2011.

RESOLUTION OF APPRECIATION TO JOYCE C. PRESLAR

WHEREAS, Joyce (Joy) C. Preslar was appointed by Orange County as a Member of the Board of Directors of the Orange Water and Sewer Authority; and

WHEREAS, from September 25, 2008 to August 23, 2011, Ms. Preslar diligently served as a Member of the Board of Directors of the Orange Water and Sewer Authority; and

WHEREAS, Ms. Preslar served on the Board's Human Resources and Natural Resources/Technical Systems Committees; and

WHEREAS, Ms. Preslar gave freely of her time, energy, and talents in serving the community and OWASA customers with unselfish dedication and compassionate concern; and

WHEREAS, Ms. Preslar was a strong proponent for environmental protection and community relations, and she cared deeply about and advocated for the employees of OWASA;

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

1. That the Board of Directors of the Orange Water and Sewer Authority, acting through its Members (Fred Battle, Gordon Merklein, Terri Buckner, Will Raymond, Alan Rimer, Dana Stidham, William R. Stott III, Amy Witsil and John A. Young), now takes this means of expressing to Joyce Preslar the Board's sincere appreciation and deep gratitude for her faithful service, able leadership, and stewardship; and the Board wishes for Ms. Preslar much happiness in the years ahead.

2. That this resolution be recorded in the minutes of the OWASA Board of Directors, shall be part of the permanent records of OWASA; and a copy of this resolution be transmitted to Orange County.

Adopted and presented with deep appreciation this 22nd day of September, 2011.

**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 September 14, 2011 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, 2011, 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 September 14, 2011.

Adopted this 22nd day of September, 2011.