

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

APRIL 28, 2011

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular business meeting on Thursday, April 28, 2011, at 7:00 P.M., at the Chapel Hill Town Hall, 405 Martin Luther King Jr Boulevard.

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

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Patrick Davis; Greg Feller; Ed Holland; 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; and Minister Robert Campbell, Rogers Eubank Neighborhood Association.

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

MOTIONS ACTED UPON

1. Alan Rimer made a motion to approve the Minutes of the March 10, 2011, Meeting of the Board of Directors; the motion was seconded by Mac Clarke and carried by unanimous vote.

2. Alan Rimer made a motion to approve the Minutes of the March 24, 2011, Meeting of the Board of Directors; the motion was seconded by Mac Clarke and carried by unanimous vote.

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Amending the adopted Annual Budget for an Additional Capital Equipment Expenditure for Orange Water and Sewer Authority for Fiscal Year 2011." (Resolution so titled attached hereto and made a part of these minutes. Motion by Fred Battle, seconded by Mac Clarke, and unanimously approved.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution of Adopting a Preliminary Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2011 through June 30, 2012." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer, seconded by Mac Clarke, and unanimously approved.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Setting the Date of May 26, 2011 for a Public Hearing on Proposed Revisions to OWASA's Schedule of Rates Fees and Charges." (Resolution so titled attached hereto and made a part of these minutes. Motion by Fred Battle, seconded by Mac Clarke, and unanimously approved.)

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Setting the Date of May 26, 2011 for a Public Hearing on the Proposed OWASA Budget for Fiscal Year 2012 and on the Capital Improvements Program and Capital Improvements Budget." (Resolution so titled attached hereto and made a part of these minutes. Motion by Mac Clarke, seconded by William Stott, 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.

MEETING UPDATES

Gordon Merklein said that the Chapel Hill Town Council representatives and Chapel Hill appointees to the OWASA Board of Directors met on April 7, 2011 to discuss items of mutual interest and improve communications. The discussion was productive and included the Water and Sewer Management, Planning and Boundary Agreement (WSMPBA), projected rate adjustments for next fiscal year as well as future appointments to the OWASA Board. The next meeting is scheduled for Thursday, May 19, 2011 at 8:00 A.M. in the OWASA Boardroom.

Mr. Merklein also reported that the April 11 and 25, 2011 Chapel Hill Town Council meetings included discussion of the WSMPBA. At their April 25th meeting, the Town Council voted to reconsider the resolution they approved on February 28, 2011 and the Council voted to reject OWASA's request to clarify the WSMPBA. He said the WSMPBA clarification is an important issue for OWASA and the Board will carefully consider the Town's action and discuss a path forward at a future meeting.

STANDING COMMITTEE ASSIGNMENTS

Gordon Merklein assigned John Young to the Board's Finance Committee and Human Resources Committee.

COMMITTEE MEETINGS

Ed Kerwin said the Human Resources (HR) Committee met on April 18, 2011 and supported the renewal of medical and dental insurance with Blue Cross Blue Shield of North Carolina (BCBSNC). The Committee also supported contracting with BCBSNC for Employee Life, Accidental Death and Dismemberment, Dependent Life and Long Term Disability Insurance. This information will be presented to the full Board at the May 12, 2011 meeting. Finally, the Committee also expressed a willingness to recommend that the full Board consider an employee merit pay increase for Fiscal Year 2012 of around two percent. The full Board is not expected to consider action on this matter until June, following the budget and rate hearings in May.

William Stott said the Community Outreach Committee meet on April 20, 2011 and discussed a staff proposed draft Charge for the Committee and draft Goal Statements and Objectives. A final proposal will be brought to the Board at a future meeting.

Ed Kerwin noted that following the Community Outreach Committee meeting, staff developed a second draft of the Charge and Goal Statements and Objectives that was distributed to the full Board earlier today via email. Staff will await Mr. Stott's guidance whether or not to have another Committee meeting before presenting the second draft to the full Board.

Mac Clarke said the Finance Committee met prior to the Board meeting tonight to review three of tonight's agenda items (Amendment to the Fiscal Year (FY) 2011 Budget; adoption of Preliminary Annual Budget for FY 2012; and review of the third quarter financial report). The Committee also discussed and agreed to staff's proposal to reduce the period presented in the publicized planning and budget document for OWASA's Capital Improvement Program from 15 years to five years.

ITEM TWO: PETITIONS AND REQUESTS FROM PUBLIC

Minister Robert Campbell petitioned the OWASA Board on behalf of the Rogers-Eubanks Neighborhood Association (RENA) for information about the potential costs and locations for public water and sewer extensions in the neighborhood. (Please see the attached petition).

Ed Holland noted that OWASA staff has provided extensive information to the Towns of Chapel Hill, Carrboro, and Orange County during the past several years regarding potential sewer system layouts and cost estimates for the Rogers Road vicinity. This information has supported Chapel Hill's Rogers Road Small Area planning effort, which includes much of the area of concern to RENA, and Orange County's efforts to obtain Community Development Block Grant (CDBG) and other funding for this area. Mr. Holland said that OWASA staff had recently revised the conceptual sewer layouts and cost estimates and provided these updates to Orange County. He also noted the County Commissioners' April 5, 2011 consideration of neighborhood mitigation issues when discussing how much longer the landfill would remain in operation.

Robert Epting noted that OWASA's authority to extend lines to this (or any other) area is governed by the NC General Statutes that prescribe the assessment process, and that this information has been provided to Minister Campbell in the past. Property owners seeking the extension of public facilities may sign a petition, which initiates the assessment process, with the understanding that costs would be borne by the benefitting property owners. Mr. Epting noted that OWASA has not hindered service to Rogers Road neighborhood. The foremost constraint has been the cost for service and who will pay for it.

Ed Kerwin stated that staff would continue to provide information as needed.

ITEM THREE: PETITIONS AND REQUESTS FROM BOARD

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

ITEM FOUR: PETITIONS AND REQUESTS FROM STAFF

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

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

The Board received this item as an information item.

ITEM SIX: MINUTES

Alan Rimer made a motion to approve the Minutes of the March 10, 2011, Meeting of the Board of Directors; the motion was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 1 above.

Alan Rimer made a motion to approve the Minutes of the March 24, 2011, Meeting of the Board of Directors; the motion was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 2 above.

ITEM SEVEN: RESOLUTION AMENDING THE ADOPTED ANNUAL BUDGET FOR AN ADDITIONAL CAPITAL EQUIPMENT EXPENDITURE FOR ORANGE WATER AND SEWER AUTHORITY FOR FISCAL YEAR 2011

Fred Battle made a motion to approve the resolution; the motion was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 3 above.

ITEM EIGHT: RESOLUTION ADOPTING A PRELIMINARY ANNUAL BUDGET FOR ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2011 THROUGH JUNE 30, 2012

Alan Rimer made a motion to approve the resolution; the motion was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 4 above.

ITEM NINE: RESOLUTION SETTING THE DATE OF MAY 26, 2011 FOR A PUBLIC HEARING ON PROPOSED REVISIONS TO OWASA'S SCHEDULE OF RATES, FEES AND CHARGES

Fred Battle made a motion to approve the resolution; the motion was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 5 above.

ITEM TEN: RESOLUTION SETTING THE DATE OF MAY 26, 2011 FOR A PUBLIC HEARING ON PROPOSED OWASA BUDGET FOR FISCAL YEAR 2012 AND ON THE CAPITAL IMPROVEMENTS PROGRAM AND CAPITAL IMPROVEMENTS BUDGET

Mac Clarke made a motion to approve the resolution; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 6 above.

ITEM ELEVEN: FINANCIAL REPORT FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2011

The Board received this item as an information item.

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

Enclosures

APRIL , 21 2011

ROGERS - EUBANKS NEIGHBORHOOD ASSOCIATION (RENA)

DEAR OWASA BOARD MEMBERS,
ON THE BE HALF OF THE ROGERS - EUBANKS COMMUNITY I AM MAKING A REQUEST FOR THE LAYOUT AND THE ASSESSMENT COST FOR THE SANITARY SEWER AND WATER LINE NETWORK THAT WILL PROVIDE SERVICES WITH IN THE ROGERS - EUBANKS COMMUNITIES IN ACCORDANCE WITH OWASA POLICY , I COME TO PERTENTION YOUR SERVICE AND TO REMINE THIS BOARD THAT THEIR IS AN HEALTH RISK DO TO FAILING SEPTIC SYSTEMS THAT FAR EXCEED HEALTHY COMMUNITY STANDARDS AND THE UNACCEPTABLE NUMBER OF WELLS IN THIS LANDFILL HOST COMMUNITY ARE CONTAMINATED WITH TOXIC CHEMICALS AND FECAL MATTER . WE ARE REQUESTING THIS BOARD TO BEGIN A PROCESS THAT WILL ADDRESS THIS HEALTH RISK , WE REQUEST THE OWASA BOARD TO DIRECT THE OWASA STAFF TO PREPARE AN ANALYSIS OF THE POTENTIAL COST TO INDIVIDUAL PROPERTY OWENERS ASSOCIATED WITH THE EXTENSION OF WATER AND SEWER LINES HOOKUP TO THEIR PROPERTY. HELP THE RESIDENTS OF THIS COMMUNITY TO MAKE THEIR COMMUNITY HEALTHY AND A SAFE PLACE FOR THEIR FAMILY AND ERIENDS TO LIVE AND ENJOY LIFE AS OTHERS IN HEALTHY COMMUNITY THAT DO HOST LANDFILLS OF OTHER HARZARD FACILITIES. THANK YOU FOR YOUR TIME AND IF WE THE COMMUNITY CAN HELP MOVE THIS REQUEST FORWARD PLEASE CALL ON ROGERS - EUBANKS NEIGHBORHOOD ASSOCIATION AT ANY TIME . THANKS
MINISTER CAMPBELL, ROBERT
1711 PUREFOY DRIVE
CHAPEL HILL, NC 27516
919-933-6210(H)
919-929-1700 (RENA COMMUNITY CENTER)

DO NOT

Minister Robert Campbell
ROBERT CAMPBELL
919-933-6210

**RESOLUTION AMENDING THE ADOPTED ANNUAL BUDGET
FOR AN ADDITIONAL CAPITAL EQUIPMENT EXPENDITURE FOR
ORANGE WATER AND SEWER AUTHORITY FOR FISCAL YEAR (FY) 2011**

WHEREAS, the Board of Directors adopted the FY 2011 Annual Budget of Orange Water and Sewer Authority; and

WHEREAS, North Carolina General Statute 159-15 provides the authority for the Board of Directors to amend the adopted budget; and

WHEREAS, staff has identified a need for Capital Expenditures that were not included in the FY 2011 Annual Budget; and

WHEREAS, surplus funds exist in the Operations and Maintenance expense category sufficient to cover the purchase the equipment.

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina G.S. 159-15, the Official Budget of Orange Water and Sewer Authority for the FY 2011 is amended as set forth in Attachment A.
2. That \$40,000 in FY 2011 Operations and Maintenance expense appropriations be transferred to Capital Expenditures as set forth in Attachment A.
3. That the Executive Director is authorized and instructed to implement the revised budget as herein set forth.

Adopted this 28th day of April, 2011.

**ORANGE WATER AND SEWER AUTHORITY
FISCAL YEAR 2011 ANNUAL BUDGET
STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE**

	<u>FY 2011 Annual Budget</u>	<u>Amendment</u>	<u>FY 2011 Amended Budget</u>
Operating Revenue			
Water	\$ 16,915,376		\$ 16,915,376
Sewer	15,842,236		15,842,236
Reclaimed Water	365,697		365,697
Service Initiation Fee	143,183		143,183
Other	1,274,000		1,274,000
Refunds and Adjustments	<u>(131,039)</u>		<u>(131,039)</u>
Total Operating Revenue	34,409,453		34,409,453
Operating Expense			
General and Administrative	5,544,931		5,544,931
Operations	<u>13,049,706</u>	(40,000)	<u>13,009,706</u>
Total Operating Expense	18,594,637		18,554,637
Net Operating Income	15,814,816		15,854,816
Non-operating Revenue			
Customer Fees	723,179		723,179
Interest	<u>45,294</u>		<u>45,294</u>
Total Net Income	16,583,289		16,623,289
Debt Service			
Existing	9,680,213		9,680,213
New	<u>0</u>		<u>0</u>
Total Debt Service	9,680,213		9,680,213
Net Income Less Debt Service	\$ 6,903,076		\$ 6,943,076
General Fund			
Resources			
Transfer From Revenue	\$ 6,903,076		\$ 6,943,076
Assessments	0		0
Grants and Contributions	<u>0</u>		<u>0</u>
Annual Income Available for Capital	6,903,076		6,943,076
Capital Expenditures			
Project ordinances			
General Fund Contribution	9,777,000		9,777,000
Funded by Bond Proceeds	<u>0</u>		<u>0</u>
Total Project Resolutions	9,777,000		9,777,000
Capital Equipment	<u>36,900</u>	40,000	<u>76,900</u>
Total Capital Outlay	9,813,900		9,853,900
Annual General Fund Balance	(2,910,824)		(2,910,824)
General Fund Beginning Balance	12,801,896		12,801,896
General Fund Ending Balance	9,891,072		9,891,072
Project Funding	2,391,524		2,391,524
Reserves			
Rate Stabilization	500,000		500,000
CIP	800,000		800,000
Operating Balance	<u>6,199,548</u>		<u>6,199,548</u>
Unallocated General Fund Balance	\$ -		\$ -

**RESOLUTION ADOPTING A PRELIMINARY BUDGET FOR ORANGE WATER
AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2011 THROUGH
JUNE 30, 2012**

WHEREAS, Orange Water and Sewer Authority historically has adopted a *Preliminary Annual Budget* prior to the first day in May in each fiscal year; and

WHEREAS, in the event that adoption of an Annual Budget is delayed until after July 1, 2011, the *Preliminary Annual Budget* satisfies the interim appropriation requirements of North Carolina General Statutes 159-16; and

WHEREAS, the *Preliminary Annual Budget* includes estimates of revenues of the water and sewer system, current operating and maintenance expenditures, estimated interest income and debt service costs, and disbursements from the General Fund for capital improvements and equipment purchases;

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina General Statutes 159-13, the two attached pages be, and they hereby are, adopted as the *Preliminary Annual Budget* of Orange Water and Sewer Authority for Fiscal Year July 1, 2011 through June 30, 2012.
2. That the appropriations for divisions, functions, and projects as shown in the attached budget for the respective purposes and in the respective amounts therein specified are hereby made unless and until the Annual Budget is adopted.

Adopted this 28th day of April, 2011.

**ORANGE WATER AND SEWER AUTHORITY
STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE
(OPERATING)**

		<u>FY 2011 Annual Budget</u>
Operating Revenue		
Water	\$ 18,177,157	
Sewer	16,342,335	
Reclaimed Water	418,308	
Service Initiation Fees	164,660	
Other	1,483,587	
Refunds and Adjustments	<u>(237,608)</u>	
Total Operating Revenue		\$ 36,348,439
Operating Expense		
General and Administrative	5,931,654	
Operations	<u>13,213,683</u>	
Total Operating Expense		<u>19,145,337</u>
Net Operating Income		17,203,102
Non-operating Revenue		
Customer Fees	911,004	
Interest	<u>34,193</u>	
Total Non-operating Revenue		<u>945,197</u>
Net Income		18,148,299
Debt Service		<u>8,775,944</u>
Net Income Less Debt Service		<u><u>\$ 9,372,355</u></u>
Debt Coverage Ratio		2.07

**ORANGE WATER AND SEWER AUTHORITY
STATEMENT OF INCOME AND EXPENSE
(CAPITAL / NON-OPERATING)**

		<u>FY 2011 Annual Budget</u>
General Fund		
Resources		
Transfer from Revenue	<u>\$ 9,372,355</u>	
Annual Income Available for Capital		\$ 9,372,355
Transfer from Construction Fund (Bond Proceeds)		<u>-</u>
Total Available for Capital		9,372,355
Capital Expenditures		
Project ordinances - General Fund Contribution	9,869,625	
Capital Equipment	<u>524,300</u>	
Total Capital Outlay		<u>10,393,925</u>
Annual General Fund Balance		(1,021,571)
General Fund Beginning Balance		<u>18,258,801</u>
General Fund Ending Balance		17,237,231
Project Funding	7,897,685	
Reserves		
Rate Stabilization	750,000	
CIP	1,200,000	
Operating Balance	<u>7,389,546</u>	<u>17,237,231</u>
Unallocated General Fund Balance		<u><u>\$ -</u></u>

**RESOLUTION SETTING MAY 26, 2011 AS THE DATE FOR A PUBLIC
HEARING ON PROPOSED REVISIONS TO OWASA'S SCHEDULE OF RATES,
FEES AND CHARGES**

WHEREAS, the Orange Water and Sewer Authority must charge fees sufficient to provide financial resources to recover the cost of ongoing operations, pay for capital improvements, and provide sufficient financial resources to ensure sustainable fiscal strength and stability; and

WHEREAS, Section 162A-6 of the General Statutes of North Carolina and Section 7.04 of the Amended and Restated Bond Order adopted September 13, 2001, provide for the revision of such rates, fees and charges;

NOW, THEREFORE, BE IT RESOLVED:

1. That a Public Hearing is hereby set for Thursday, May 26, 2011 at 7:00 P.M., at the Chapel Hill Town Hall, for the purpose of receiving public comment on any proposed adjustments to Orange Water and Sewer Authority's rates, fees and charges.

2. That any interested persons may appear in person, or by agent or attorney, to present comments on the proposed modifications to the current schedule of rates, fees and charges.

3. That notice of the time and place of the Public Hearing shall be advertised and shall be mailed at least ten days prior to the date fixed above for the Public Hearing to The University of North Carolina at Chapel Hill, Town of Carrboro, Town of Chapel Hill, and Orange County.

Adopted this 28th day of April, 2011.

Gordon Merklein, Chair

ATTEST:

Braxton Foushee, Secretary

RESOLUTION SETTING THE DATE OF MAY 26, 2011 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR 2012 AND ON THE CAPITAL IMPROVEMENTS PROGRAM AND CAPITAL IMPROVEMENTS BUDGET

WHEREAS, Section 159-12 of the General Statutes of North Carolina requires a Public Hearing on the budget for the ensuing fiscal year; and

WHEREAS, in accordance with Section 7.05 of the Bond Order, and Section 159-13 of the General Statutes of North Carolina, the Board of Directors of Orange Water and Sewer Authority shall adopt an Annual Budget for the Fiscal Year 2012 on or before the first day of July, 2011; and

WHEREAS, said proposed Budget will be placed with the Clerk to the Board and will be available for public inspection;

NOW, THEREFORE, BE IT RESOLVED:

1. That a Public Hearing is hereby set for Thursday, May 26, 2011, at 7:00 P.M., in the Chapel Hill Town Hall, for the purpose of receiving public comment on the proposed Fiscal Year 2012 Budget, Capital Improvements Program, and Capital Improvements Budget.

2. That any interested persons may appear in person, or by agent or attorney, and present any comments they may have regarding the proposed budget.

3. That notice of the time and place of the Public Hearing shall be advertised and mailed at least ten days prior to the date fixed above for the Public Hearing to The University of North Carolina at Chapel Hill, and to the Towns of Chapel Hill and Carrboro and to Orange County.

Adopted this 28th day of April, 2011.