



# ORANGE WATER AND SEWER AUTHORITY

*Quality Service Since 1977*

**AGENDA**  
**MEETING OF THE OWASA BOARD OF DIRECTORS**  
**THURSDAY, OCTOBER 12, 2006, 7:00 P.M.**  
**OWASA COMMUNITY ROOM**

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

7:00 PM

**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
3. Announcements by Staff

7:10 PM

**Petitions and Requests**

1. Public
2. Board
3. Staff

7:15 PM

**CONSENT AGENDA**

**Minutes** (Andrea Orbich)

1. [Approval of Minutes of the August 24, 2006 Meeting of the Board of Directors](#)
2. [Approval of Minutes of the September 14, 2006 Meeting of the Board of Directors](#)
3. [Approval of Minutes of the September 28, 2006 Closed Session of the Board of Directors to discuss a personnel issue](#)

**REGULAR AGENDA**

**Discussion**

7:20 PM

4. [Discussion on the Carolina Masters Crew Club Petition for Limited Rowing Access at Cane Creek \(John Greene\)](#)

7:40 PM

5. [Report on Visitors to University Lake Visitors during the Dawn to Dusk Trial Period \(John Greene\)](#)

**Discussion and Action**

8:00 PM

6. [Selection of Chairs for OWASA Board Committees' \(Mac Clarke\)](#)

8:10 PM

7. [Resolution Authorizing the Executive Director to Execute a Contract with United Health Care for Health Insurance \(Gwen Burston\)](#)

8:20 PM

8. [Resolution Authorizing the Executive Director to Execute a Contract with United Health Care for Dental Insurance \(Gwen Burston\)](#)

- 8:30 PM 9. [Series Resolution of the Orange Water and Sewer Authority Relating to the Issuance of Not Exceeding \\$23,355,000 Water and Sewer System Revenue Bonds, Series 2006 of Said Authority Pursuant to the Provisions of Section 2.08 of an Amended and Restated Bond Order Adopted by Said Authority on September 13, 2001, and Requesting the Local Government Commission of North Carolina to Award Said Bonds at Private Sale \(Kevin Ray\)](#)

**CLOSED SESSION**

- 8:40 PM 10. [For the Purpose to Discuss Issues that may Lead to Litigation \(Robert Epting/Mason Crum/Ed Holland\)](#)

**DRAFT**

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

AUGUST 24, 2006

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, August 24, 2006, at 7:00 P.M., at Chapel Hill Town Hall.

Directors present: Michael A. (Mac) Clarke, Chair; Penny Rich, Vice Chair; Fred Battle; Terri Buckner; Milton S. Heath, Jr.; Marge Anders Limbert; Gordon Merklein; and Laura Sandvik. Directors absent: Randy Kabrick, P.E., Secretary.

OWASA staff: Ed Kerwin, John Greene, Mason Crum, Gwen Burston, Mary Darr, Patrick Davis, Greg Feller, Ed Holland, Jan Bryant-Berry, Donnie Boggs, Andrea Orbich, Paula Thomas and Kevin Ray of the OWASA staff; and Robert Epting, Esquire, Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, UNC; Cam Hill and Patti Hucks, Carolina Masters Crew Club; and Gregory Blumenthal, GMB Consulting.

There being a quorum present, Chair Mac Clarke called the meeting to order.

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MOTIONS ACTED UPON

1. Penny Rich moved to adopt the minutes of the July 13, 2006, Meeting of the Board of Directors. The motion was seconded by Fred Battle, and carried by unanimous vote.

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt a Resolution Establishing a Declaration of Intent to Adopt Revisions to the Sewer Use Ordinance. (Resolution so titled attached hereto and made a part of these minutes. Motion made by Laura Sandvik, seconded by Milton Heath, and carried by unanimous vote.)

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt a 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 Bonds, Series 2006. (Resolution so titled attached hereto and made a part of these minutes. Motion made by Penny Rich, seconded by Gordon Merklein, and carried by unanimous vote.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt a 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 Bonds, Series 2006. (Resolution so titled attached hereto and made a part of these minutes. Motion made by Gordon Merklein, seconded by Milton Heath, and carried by unanimous vote.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt a Resolution Authorizing Executive Director of Orange Water and Sewer Authority to Develop and Execute an

Engagement Agreement with Banc of America Securities LLC in Connection with the Issuance and Sale of Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2006. (Resolution so titled attached hereto and made a part of these minutes. Motion made by Fred Battle, seconded by Gordon Merklein, and carried by unanimous vote.)

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt a Resolution Authorizing Executive Director of Orange Water and Sewer Authority to Develop and Execute an Engagement Agreement with McGuireWoods LLP in Connection with the Issuance and Sale of Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2006. (Resolution so titled attached hereto and made a part of these minutes. Motion made by Milton Heath, seconded by Gordon Merklein, and carried by unanimous vote.)

7. Laura Sandvik moved that the Board go into a Closed Session to discuss a land acquisition and a personnel matter. The motion was seconded by Penny Rich and carried by unanimous vote.

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ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Mac Clarke 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.

SEPTEMBER 14, 2006 OWASA BOARD MEETING

Mac Clarke said the September 14, 2006, OWASA Board meeting start time has been changed to 5:00 P.M.

COMMITTEE MEETINGS

Penny Rich gave a brief update on Natural Resources/Technical Systems (NRTS) Committee meeting before the Board meeting. The Committee discussed the biosolids information prepared by staff and possible water conservation initiatives with the local governments.

Ms. Rich announced that the NRTS Committee will meet on Thursday, September 28, 2006, at 5:30 P.M., in the First Floor Conference Room at the Chapel Hill Town Hall to discuss biosolids management.

Milton Heath announced a Budget and Financial Planning Committee meeting on Wednesday, August 30, 2006, at 8:30 A.M. in the OWASA Boardroom to prepare for the Board's Budget Work Session #2 on the Rate Study.

Mr. Heath announced a Board Work Session #2 on the Rate Study Thursday, September 7, 2006, at 7:00 P.M. in the OWASA Community Room.

STAFF

Ed Kerwin introduced Paula Thomas, Sustainability Administrator; and Mason Crum, Director of Engineering and Planning; who began work at OWASA on July 24, 2006 and July 31, 2006 respectively.

CALL TO ARTISTS

Greg Feller said OWASA has issued a Call to Artists for an atrium art project at the OWASA Administration Building in Carrboro. Artists are invited to provide their qualifications and related information for consideration for an art project to be installed on a wall in the main floor atrium. The art project is intended to inform and educate the public about the value of the community's water resources; OWASA's services, facilities, resources and employees; and the value of wise, sustainable water use. The deadline for artists to submit qualifications and related information to OWASA is September 7, 2006.

DISTRIBUTION OF 2005-06 PERFORMANCE OF THE WASTEWATER TREATMENT PLANT

Greg Feller said the 2005-06 Annual Report on Performance of the Wastewater Collection and Treatment System has been distributed to OWASA customers.

DRINKING WATER QUALITY

Greg Feller said OWASA water meets all standards under the Federal Safe Drinking Water Act. OWASA's Laboratory staff does over 55,000 water quality tests per year in accordance with Federal and State requirements. In addition, every three years, OWASA tests for lead in 30 older homes in accord with Federal standards. Any customers who wish to have their water tested for lead are invited to contact the OWASA Laboratory staff.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC

Mac Clarke asked for petitions and requests from the public.

Cam Hill of the Carolina Masters Crew Club petitioned the Board for permission to row at Cane Creek during standard operating hours; for a variance from the 14-foot limit on boat length; for permission to store a 60-foot boat and eight oars near the access point; and for an agreement on how to launch their boats (shore access vs. dock access).

Mr. Clarke thanked Mr. Hill for his petition and referred the petition to staff for a report at a future Board meeting.

ITEM THREE: PETITIONS AND REQUESTS FROM THE BOARD

Mac Clarke asked for petitions and requests from the Board. There were none.

ITEM FOUR: PETITIONS AND REQUESTS FROM STAFF

Mac Clarke asked for petitions and requests from staff. There were none.

ITEM FIVE: ANNUAL REPORT ON THE TASTE OF HOPE PROGRAM

Marge Anders Limbert noted that OWASA might want to look at the way we present this program to the public and present it in a more compelling way. She asked whether customers' contributions through the billing process are tax deductible.

Kevin Ray said OWASA does not issue a 1099 Internal Revenue Service donation reporting form to OWASA customers who are Taste of Hope donors because the annual donations by a given customer do not exceed \$600; however, he will research the tax deductibility question and respond to Ms. Limbert.

Fred Battle asked how well advertised is the Taste of Hope program. He has lived in Chapel Hill his whole life and this is the first time he has heard of Taste of Hope.

Greg Feller said the program is publicized periodically in the Blue Thumb customer newsletter and on the front of each monthly bill to customers. OWASA's Customer Service Representatives also ask new customers to sign up as donors, and the service connection form has a place to do so.

Penny Rich said that OWASA is not allowed to use customer monies to advertise the Taste of Hope program, however some free advertising is available and used when possible. OWASA has sponsored a logo contest and worked with a University public relations class to look get marketing ideas for the Taste of Hope program.

ITEM SIX: SEMI-ANNUAL CONTRACTOR AND CONSULTANT PERFORMANCE REPORT

The Board accepted the Semi-Annual Contractor and Consultant Performance report as an information item.

ITEM SEVEN: FACILITY CAPACITY AND SERVICE DEMAND TRACKING REPORT

The Board accepted the Facility Capacity and Service Demand Tracking report as an information item.

ITEM EIGHT: REPORT ON DISPOSAL OF SURPLUS PERSONAL PROPERTY

The Board accepted the report on disposal of surplus personal property as an information item.

ITEM NINE: EQUAL EMPLOYMENT OPPORTUNITY/AFFIRMATIVE ACTION  
REPORT FOR FISCAL YEAR JULY 1, 2005 – JUNE 30, 2006

Marge Anders Limbert said she would like to see this report reflect comparisons with other utilities or governments with water and sewer utilities rather than towns without water and sewer utilities.

Fred Battle suggested OWASA advertise positions with African-American churches in the area.

Terri Buckner suggested the report make a distinction by job classification.

Gwen Burston said she would incorporate the requested changes.

ITEM TEN: EMPLOYEE RECOGNITION AND SUGGESTION REPORT

The Board accepted the Employee Recognition and Suggestion Report as an information item.

ITEM ELEVEN: REPORT ON THE AUGUST 2, 2006 WASTEWATER SPILL AT THE  
MASON FARM WASTEWATER TREATMENT PLANT (WWTP)

The Board accepted the report on the August 2, 2006 wastewater spill at the Mason Farm WWTP as an information item.

ITEM TWELVE: MINUTES

Mac Clarke requested the word “not” be added on page 5, paragraph 4 in the first sentence to Item 6 of the minutes for the July 13, 2006 Meeting of the Board of Directors as follows:

*Mr. Kabrick then asked for a show of hands in the audience to indicate how many people who row on University Lake are **not** members of University Organizations.*

Penny Rich moved to adopt the minutes of the July 13, 2006, Meeting of the Board of Directors. The motion was seconded by Fred Battle, and carried by unanimous vote. Please see Motion No. 1 above.

## DRAFT

ITEM THIRTEEN: DRAFT REPORT ON POTENTIAL APPROACHES FOR ALTERNATIVE EMPLOYEE COMPENSATION

Ed Kerwin made a presentation on possible changes in OWASA's employee compensation policies, such as additional pay for employees who achieve professional certifications, bonuses for educational degrees, spot bonuses, and "skill-based" pay. Mr. Kerwin recommended that employees have the opportunity to provide feedback before the Board considers taking final action.

Fred Battle expressed concern about upward mobility of all staff and said the only way to accomplish this is through training.

The Board agreed that staff will proceed to obtain employees' feedback as a next step and return to the Board with a proposal at a future meeting.

ITEM FOURTEEN: FISCAL YEAR 2006 ANNUAL REPORT ON EMERGENCY WATER LOSS ADJUSTMENTS OF BILLING CHARGES TO CUSTOMER ACCOUNTS

The Board received a report from Patrick Davis on OWASA's current policy regarding billing adjustments for customers whose water use and bills are affected by leaks in plumbing pipes and irrigation systems. Mr. Davis reported that in the 2005-06 fiscal year, the account adjustments totaled about \$95,000, an increase of 154% from the previous year.

The Board asked staff to provide a follow-up report addressing concerns noted in the report.

ITEM FIFTEEN: RESOLUTION ESTABLISHING A DECLARATION OF INTENT TO ADOPT REVISIONS TO THE SEWER USE ORDINANCE

Laura Sandvik made a motion to adopt the Resolution Establishing a Declaration of Intent to Adopt a Sewer Use Ordinance. The Motion was seconded by Milton Heath, and carried by unanimous vote. Please see Motion No. 2 above.

ITEM SIXTEEN: OWASA WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2006

Penny Rich made a motion to adopt a 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 Bonds, Series 2006. The Motion was seconded by Gordon Merklein, and carried by unanimous vote. Please see Motion No. 3 above.

Gordon Merklein made a motion to adopt a 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



Bonds, Series 2006. The Motion was seconded by Milton Heath, and carried by unanimous vote. Please see Motion No. 4 above.

Fred Battle made a motion to adopt a Resolution Authorizing the Executive Director of Orange Water and Sewer Authority to Develop and Execute an Engagement Agreement with Banc of American Securities LLC in Connection with the Issuance and Sale of Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2006. The Motion was seconded by Gordon Merklein, and carried by unanimous vote. Please see Motion No. 5 above.

Milton Heath made a motion to adopt a Resolution Authorizing the Executive Director of Orange Water and Sewer Authority to Develop and Execute an Engagement Agreement with McGuireWoods LLP in connection with the Issuance and Sale of Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2006. The Motion was seconded by Gordon Merklein, and carried by unanimous vote. Please see Motion No. 6 above.

ITEM SEVENTEEN: DISCUSSION OF THE STRATEGIC FINANCIAL PLANNING AND MANAGEMENT DOCUMENT

The Board agreed to review OWASA's Strategic Financial Planning and Management Document at the September 14, 2006 Board meeting in preparation of the September meetings with three credit rating agencies in connection with OWASA's Water and Sewer System Revenue Bonds, Series 2006 issue.

ITEM EIGHTEEN: APPOINTMENT OF THE NOMINATING COMMITTEE

Mac Clarke appointed the following Board members to the Nominating Committee to make recommendations for the upcoming election of officers:

- Laura Sandvik, Chair
- Penny Rich
- Mac Clarke

The election of new officers will occur at the Annual Meeting of the Board of Directors on September 28, 2006.

ITEM NINETEEN: CLOSED SESSION

Laura Sandvik made a motion that the Board go into a Closed Session for the purpose of discussing land acquisition and a personnel matter. The motion was seconded by Penny Rich, and carried by unanimous vote. Please see Motion No. 7 above.

DRAFT

There being no further business to come before the Board, the meeting was adjourned at 8:55 P.M.

Respectfully submitted,

**DRAFT**

Andrea Orbich  
Executive Assistant

Enclosures

**Draft**

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

SEPTEMBER 14, 2006

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, September 14, 2006, at 5:00 P.M., in the OWASA Community Room.

Directors present: Michael A. (Mac) Clarke, Chair; Randy Kabrick, P.E., Secretary; Fred Battle; Terri Buckner; Milton S. Heath, Jr.; Marge Anders Limbert; Gordon Merklein; and Laura Sandvik. Directors absent: Penny Rich, Vice Chair.

OWASA staff: Ed Kerwin, Jan Bryant-Berry, Mason Crum, Patrick Davis, Greg Feller, Vishnu Gangadharan, John Greene, Andrea Orbich, Kevin Ray and Paula Thomas of the OWASA staff; and Robert Epting, Esquire, Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, UNC; and Ken Bruce, Brown and Caldwell.

There being a quorum present, Chair Mac Clarke called the meeting to order.

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**MOTIONS ACTED UPON**

1. Milton Heath moved to adopt the minutes of the August 24, 2006, Closed Session of the Board of Directors for the purpose of discussing and negotiation points; and to confer with staff and counsel regarding settlement negotiations concerning potential litigation. The motion was seconded by Fred Battle, and carried by unanimous vote.

2. Milton Heath moved to adopt the minutes of the August 24, 2006, Closed Session of the Board of Directors for the purpose of discussing a personnel matter. The motion was seconded by Fred Battle, and carried by unanimous vote.

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt *Resolution for Sole Source Procurement of Rotary Press from Les Industries Fournier, Inc. for the Biosolids Dewatering Operations at the Mason Farm Wastewater Treatment Plant.* (Resolution so titled attached hereto and made a part of these minutes. Motion made by Milton Heath, seconded by Fred Battle, and carried by unanimous vote.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt a *Resolution amending the Strategic Financial Planning and Management Document.* (Resolution so titled attached hereto and made a part of these minutes. Motion made by Gordon Merklein, seconded by Laura Sandvik, and carried by majority vote.)

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ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Mac Clarke 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.

RAY PROPERTY

Mac Clarke said the Ray family's trustee had signed that afternoon the acquisition agreement for the Ray property with a final price of \$2.2 million instead of \$2.3 million in consideration of clean-up work to be done by OWASA.

RESOLUTION OF ORANGE WATER AND SEWER AUTHORITY DECLARING ITS INTENTION TO SEEK REIMBURSEMENT FROM THE PROCEEDS OF ONE OR MORE TAX-EXEMPT FINANCINGS FOR CERTAIN EXPENDITURES MADE AND/OR TO BE MADE IN CONNECTION WITH THE ACQUISITION, CONSTRUCTION AND/OR EQUIPPING OF CERTAIN CAPITAL IMPROVEMENTS

Mac Clarke said this item will be deferred until the next Board meeting.

CLOSED SESSION

Mac Clarke said this item would not be a closed session but that General Counsel, Robert Epting, would make an announcement.

Mr. Epting said that OWASA's claim against Pipeline Utilities has been settled and Pipeline Utilities' claim against OWASA has been dismissed with prejudice.

SLATE OF BOARD OFFICERS

Laura Sandvik said that the Nominating Committee met on Sunday, September 10, 2006 at 10:00 A.M. at the Weaver Street Market and proposes the following slate of officers for consideration at the Board's Annual Meeting on Thursday, September 28, 2006:

Chair, Mac Clarke  
Vice Chair, Randy Kabrick  
Secretary, Gordon Merklein

COMMITTEE MEETINGS

Ed Kerwin said the Natural Resources/Technical Systems Committee will meet on Thursday, September 28, 2006 at 5:30 P.M. in the First Floor Conference Room at Chapel Hill Town Hall to discuss biosolids.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC, BOARD AND STAFF

Mac Clarke asked for petitions and requests from the public, from the Board, and from staff. There were none.

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

The Board received the Quarterly Report on attendance at Board of Directors' meeting as an information item.

ITEM FOUR: UPDATE ON ASPHALT PLANT SOIL REMEDIATION NEAR THE STONE QUARRY RESERVOIR

The Board received an update on Asphalt Plant Soil Remediation near the Stone Quarry Reservoir as an information item.

ITEM FIVE: BIMONTHLY STATUS REPORT ON THE MASON FARM WASTEWATER TREATMENT PLANT 14.5 MGD UPGRADE AND EXPANSION PROJECT

The Board received a bimonthly status report on the Mason Farm Wastewater Treatment Plant 14.5 MGD Upgrade and Expansion Project as an information item.

ITEM SIX: QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED JUNE 30, 2006

The Board received the financial report for the quarter ended June 30, 2006 as an information item.

ITEM SEVEN: QUARTERLY REPORT ON CONSUMPTION, EXTENSIONS AND CONNECTIONS

The Board received a quarterly report on consumption, extensions and connections as an information item.

ITEM EIGHT: MINUTES

Milton Heath made a motion to adopt the minutes of the August 24, 2006, Closed Session of the Board of Directors for the purpose of discussing and negotiation points; and to confer with staff and counsel regarding settlement negotiations concerning potential litigation. The motion was seconded by Fred Battle, and carried by unanimous vote. Please see Motion No. 1 above.

Milton Heath made a motion to adopt the minutes of the August 24, 2006, Closed Session of the Board of Directors for the purpose of discussing a personnel matter. The motion was seconded by Fred Battle, and carried by unanimous vote. Please see Motion No. 2 above.

ITEM NINE: RESOLUTION FOR SOLE SOURCE PROCUREMENT OF A ROTARY PRESS FROM LES INDUSTRIES FOURNIER, INC. FOR THE BIOSOLIDS DEWATERING OPERATIONS AT THE MASON FARM WASTEWATER TREATMENT PLANT

Terri Buckner said she asked that staff include information in future reports on the energy efficiency of this kind of equipment.

Milton Heath made a motion to adopt the resolution; the motion was seconded by Fred Battle, and carried by a unanimous vote. See Motion No. 3 above.

ITEM TEN: RESOLUTION OF ORANGE WATER AND SEWER AUTHORITY DECLARING ITS INTENTION TO SEEK REIMBURSEMENT FROM THE PROCEEDS OF ONE OR MORE TAX-EXEMPT FINANCINGS FOR CERTAIN EXPENDITURES MADE AND/OR EQUIPPING OF CERTAIN CAPITAL IMPROVEMENTS

The Board deferred this item to the September 28, 2006 OWASA Board meeting.

ITEM ELEVEN: RESOLUTION AMENDING THE STRATEGIC FINANCIAL PLANNING AND MANAGEMENT DOCUMENT

Ed Kerwin provided an overview of this item. He recommended amending the Strategic Financial Planning and Management Document; that the Board and staff evaluate appropriate measures to reduce increases in projected operation and maintenance expenditures over the next five years without negatively impacting OWASA's service performance objectives; that the Board and staff evaluate the timing and priorities of anticipated capital improvements for the next five years to determine if the level of anticipated spending can be reduce without negatively impacting important asset management and other service performance objectives; and that the Board increase the target for the debt service coverage ratio from 1.5 to 2.0.

Terri Buckner said the Board should keep in mind that some high volume users, such as the schools, are conservation-minded and will be impacted by high rate increases.

Milton Heath said he did not want to vote on a debt service coverage ratio without first knowing the implications for future rates charged to customers.

Gordon Merklein said OWASA may need to consider reducing expenses, and that revenue increases are not the only approach.

Fred Battle concurred with Mr. Heath.

Randy Kabrick stated that OWASA charges the true cost of water, unlike other utilities in the area.

**Draft**

Mr. Clarke said the OWASA service area is expected to grow and the focus for increasing the debt service coverage ratio is for financial stability.

Gordon Merklein made a motion to adopt the resolution; the motion was seconded by Laura Sandvik, and carried by a vote of five to three (Mac Clarke, Marge Anders Limbert, Randy Kabrick, Gordon Merklein, Laura Sandvik voted in favor; Fred Battle, Terri Buckner and Milton Heath voted against). See Motion No. 4 above.

There being no further business to come before the Board, the meeting was adjourned at 5:40 P.M.

Respectfully submitted,

**Draft**

Andrea Orbich  
Executive Assistant

Encs.

**DRAFT**

ORANGE WATER AND SEWER AUTHORITY

CLOSED SESSION OF THE BOARD OF DIRECTORS

SEPTEMBER 28, 2006

The Board of Directors of Orange Water and Sewer Authority met in Closed Session on Thursday, September 28, 2006, following the regularly scheduled Annual Meeting of the Board of Directors.

Directors present: Michael A. (Mac) Clarke, Chair; Randolph M. Kabrick, P.E., Vice Chair; Gordon Merklein, Secretary; Fred Battle; Milton Heath Jr.; Marge Anders Limbert; and Penny Rich. Directors absent: Laura Sandvik.

Other present: Robert Epting, Esquire, Epting and Hackney; and Ed Kerwin, Executive Director.

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**ITEM ONE**

The Board of Directors met in Closed Session for the purpose of evaluating the annual performance of the General Counsel for the current fiscal year.

No official action was taken at the meeting.

**DRAFT**

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Penny Rich, Chair  
Human Resources Committee



## **ITEM 4**

### **AGENDA ITEM**

- DISCUSSION ON THE CAROLINA MASTERS CREW CLUB PETITION FOR LIMITED ROWING ACCESS AT CANE CREEK

### **PURPOSE**

- To provide information to the Board for discussion and consideration of a petition from the Carolina Masters Crew Club to permit certain rowing activities at the Cane Creek Reservoir.

### **BACKGROUND**

- The Carolina Masters Crew Club requested that OWASA allow certain rowing activities at the Cane Creek Reservoir, including access during normal operating hours, permission to use boats for rowing in excess of the 14 foot limitation, permission to board rowing boats by wading into the water, and permission to store a boat on-site.
- The Board has adopted a *Policy on In-Lake Activities and Uses and Regulations Governing In-Lake Activities and Use of University Lake and Cane Creek Reservoir*. While these regulations allow boating and rowing activities, there are several conditions within the regulations that would have to be modified if the Carolina Masters Crew Club is allowed access to the Cane Creek Reservoir.
- OWASA's current lake use regulations limit the number of boats on the Cane Creek Reservoir at any one time to fifty. On a busy Saturday, as many as 40-45 boats can be on the lake at one time. Under this condition there would be limited opportunities for the launching of boats by the Carolina Masters Crew Club members.
- If a modification to the Commission for Health Services approved lake regulations is required, staff estimates that the process could require 4 to 8 months to complete.

### **STAFF RECOMMENDATION**

- Staff recommends consideration of the Carolina Masters Crew Club's request as stated in their petition of August 14, 2006 with certain conditions. With the Board's concurrence, staff will meet with the Carolina Masters Crew Club members to work through these limitations which may include a possible revision to the current *Regulations Governing In-Lake Activities and Uses*.

### **ACTION NEEDED**

- Discussion of the request by the Carolina Masters Crew Club to allow rowing at the Cane Creek Reservoir and provide direction to staff.

October 12, 2006

## MEMORANDUM

**TO:** Board of Directors

**THROUGH:** Ed Kerwin

**FROM:** John Greene

**DATE:** October 6, 2006

**SUBJECT:** Discussion of the Carolina Masters Crew Club Petition for Limited Rowing Access at Cane Creek Reservoir

### **BACKGROUND**

At the August 24, 2006 Board Meeting, the Carolina Masters Crew Club presented a petition to the OWASA Board of Directors requesting that Club members be allowed limited rowing activities at the Cane Creek Reservoir (Exhibit 1).

In their petition, the Carolina Masters Crew Club requested that OWASA provide the following:

- 1) Access to the reservoir during normal operating hours for rowing;
- 2) A variance from the 14 foot boat length limit in order to allow 60 foot and 26 foot boats on the reservoir;
- 3) Approval to enter the 60 foot long boat by wading into the water;
- 4) Approval to store one 60 foot long boat at the Cane Creek recreation site.

### **DISCUSSION**

Staff has investigated the current standards, policies, regulations and practices of OWASA, the State and/or the County that might have bearing on consideration of the Carolina Masters Crew Club petition for rowing access to the Cane Creek Reservoir. A copy of the June 28, 1990 Board adopted *Policy on In-Lake Activities and Uses* and the current *Regulations Governing In-Lake Activities and Use of University Lake and Cane Creek Reservoir* are included as Exhibit 2. While these regulations allow boating and rowing activities, there are several conditions within the approved regulations that would have to be addressed if the Carolina Masters Crew Club is allowed access to use their boats for rowing on the Cane Creek Reservoir.

Carolina Masters Crew Club

The Carolina Masters Crew Club is not a part of the UNC Athletic Department, but part of a University recreation program. University recreation programs do not require that individuals be associated with the University (student, faculty, etc.) in order to become a member of the group.

Recently, OWASA received a listing of the Carolina Masters Crew Club members which indicated there are 28 individuals that own boats. In addition, the list indicates that there are 33 rowers some of whom are also boat owners.

Impact on existing recreation activities

OWASA's current lake use regulations limit the number of boats on the Cane Creek Reservoir at any one time to fifty (1 boat per 10 acres). The recreation site also has limited parking (30-35 spaces), and water/wastewater facilities (50 to 70 users). Records maintained by the lake staff indicate that on a busy Saturday, as many as 40-45 boats are regularly on the lake at one time. Under this condition there would be limited opportunities for the launching of single 26 foot long boats by the Carolina Masters Crew Club members. The reverse of this would be that significant use of the lake by crew club members limits access to the lake for other patrons.

Modifying Regulations

If the Board desires to proceed with the Carolina Masters Crew Club's proposal, the existing lake use regulations would need to be modified. Staff has contacted the Source Water Protection Division within the NC Department of Environment and Natural Resources (NCDENR) to determine the process for acquiring a modification. The general procedure is as follows:

- 1) OWASA Board formally determines the proposed changes and submits information to the NCDENR Public Water Supply Section;
- 2) NCDENR will review the proposed revisions, and if approved, provide support for the proposal;
- 3) OWASA contacts the Commission for Health Services to request that the proposal be placed on their agenda;
- 4) Public Water Supply will attend the Commission meeting on OWASA's behalf and present the proposed regulation for approval.

It is estimated that the timetable for the above process ranges from 4 to 8 months depending on the extent of comments from the NCDENR staff and the schedule of the Commission which only meets quarterly.

**STAFF RECOMMENDATION**

The request by the Carolina Masters Crew Club relates to policy matters under the purview of the OWASA Board of Directors. Information has been provided on a number of policy and regulatory issues to assist the Board in their discussions.

Should the Board decide to approve the Carolina Masters Crew Club's request as stated in their petition of August 14, 2006, staff suggests that the following conditions be established:

- 1) That access to Cane Creek Reservoir be provided only during the normal operating season and operating hours;
- 2) That all Club members enter and exit the reservoir at the current controlled recreation access managed by OWASA;
- 3) That the rowing activities of the Carolina Masters Crew Club not interfere with the boating, fishing and lake use of other lake patrons;
- 4) That the launching of boats comply with the existing *Regulations Governing In-Lake Activities and Uses* which prohibits body contact;
- 5) That the Club be open for membership to any community member;
- 6) That the Carolina Masters Crew Club members pay an appropriate (to be established) lake access or user fee;
- 7) That all activities by the Club not result in any additional cost to OWASA;
- 8) That OWASA will have no responsibility for the security, safety or damage to the 60 foot long boat stored on the premises;
- 9) That the number of boats on the lake at any one time be limited;
- 10) That the membership and lake usage be limited so that the existing parking, water and wastewater systems are not taxed by large group activities;
- 11) That the Club provide evidence of adequate insurance coverage for its members and that OWASA is listed as an additional insured;
- 12) That no Club member or other person shall be allowed access to the Reservoir for Club related purposes unless he or she has executed and provided to the Lake Warden a waiver of liability form and indemnification and hold harmless document, upon forms prescribed by OWASA's General Counsel.

With the Board's concurrence, staff will meet with the Carolina Masters Crew Club members to work through the limitations noted above which may include a possible revision to the current *Regulations Governing In-Lake Activities and Uses*.

Staff is available to provide any additional information that the Board may desire in considering this matter.

---

John W. Greene, P.E.  
General Manager of Operation

Attachments

14 August 2006

OWASA Board of Directors  
c/o John W. Greene  
Orange Water & Sewer Authority  
PO Box 366  
Carrboro, NC 27510

OWASA Board of Directors;

The Carolina Masters Crew Club, currently operating at University Lake, requests your assistance in creating limited rowing access at Cane Creek Reservoir.

Specifically, we are requesting:

- Permission to row at Cane Creek during standard operating hours;
- A variance to the 14' limit on boat length;
- Permission to store a 60' boat and eight oars near the access point; and
- Agreement on how to launch the boat (shore access vs. dock access).

**Background:** Carolina Masters is a competitive rowing team based on University Lake comprised of members from Orange County and the surrounding area. The size of the lake limits our ability to train for competitive endurance distances. Cane Creek Reservoir represents a larger body of water that could accommodate our competitive training requirements.

**Scope of Activities:** We are seeking permission to row one 60' boat with eight rowers and one coxswain (a non-rowing member of the boat present to ensure safety) at Cane Creek during standard operating hours. In addition we would like our members to be able to row singles on Cane Creek during standard operating hours.

**Modification of the Regulations Governing In-Lake Activities and Uses to allow a boat in excess of 14':** The sweep boat that we propose using at Cane Creek is 60' long and 26.5 inches at its widest point. It will only be used at Cane Creek, will not travel, and will not be used in any other body of water. Singles are 26' long and will be transported to and from Cane Creek by the individuals who own them.

**Boat Storage:** Because of the difficulty and expense involved in transporting a 60' boat, we are seeking permission to store one boat on low stands with 8 oars beneath the boat (Attachment 1). Singles will be transported to and from Cane Creek by the individuals who own them.

**Agreement on Launch Procedures:** A common practice in situations where a 60' dock is not possible or too expensive, rowers use a technique called "wading in" in which the rowers walk into the water up to mid-calf to place the boat in the water and to remove the boat from the water. Singles can be launched from existing docks.

**Environmental Impacts:** Recognizing OWASA's mission to supply high quality water to its customers, Carolina Masters sought additional information on potential environmental impacts from freshwater, water and drinking water researchers and relevant regulatory

agencies (Attachment 2). Overall, the sport of rowing is widely recognized as having one of the lowest environmental impacts of water-based sports.

Thank you for your consideration of this matter. We look forward to working with you and your staff to created limited access for rowing at Cane Creek.

Sincerely,

**Patti Hucks**  
Director, Carolina Masters Crew Club  
7312 Crescent Ridge Drive  
Chapel Hill, NC 27516

**Cam Hill**  
412 E. Rosemary Street  
Chapel Hill, NC 27514

ATTACHMENT 1



Proposed storage method of eight-man shell.

## ATTACHMENT 2

Maintaining the water quality and ecosystem integrity of Cane Creek is of the utmost importance to the Carolina Masters Club. A review of relevant research on potential impacts of rowing at Cane Creek, as well as discussions with numerous researchers, concludes that the rowing described in this proposal will not have an adverse impact on the water quality or ecosystem of Cane Creek Reservoir.

1. The boat and oars will not leave Cane Creek once placed so there will be no possibility of introducing invasive species to the Cane Creek ecosystem.
2. The boat has no motor, nor is oil used on the hull so there will be no petroleum-based products emitted to the water.
3. The configuration of the hull and oars of this boat do not physically allow it to enter nearshore or shallow water areas, thereby guaranteeing protection of sensitive shoreline nesting, incubation, and feeding areas.
4. Rowers do not bring any food items on board, so no trash will enter the ecosystem.

The Carolina Masters conducted a further environmental review of the potential impacts of launching this boat. The wading in that would be necessary to launch the boat would result in nine individuals walking to a maximum depth of ten inches into the water. The three areas of concern are: 1) the potential disturbance of shoreline and nearshore vegetation; 2) the potential disturbance of sediment and; 3) the potential shedding of human debris into the lake.

- 1, 2. The boat would be launched by wading into the water via a gravel boat launch approximately 45 feet wide. This would prevent any vegetative loss, as well as any disturbance of sediment.
3. No body contact rules for drinking water reservoirs are based on the potential for shedding human debris into the water. This potential can be high if a large number of individuals swim in the reservoir, particularly if this activity takes place in close proximity to the water uptake in the lake. The potential for shedding for nine people in limited contact is extremely low. This potential is made even lower if the rowers wear neoprene booties. These booties would be used only at Cane Creek and only for this purpose.



RESOLUTION ADOPTING POLICY ON IN-LAKE ACTIVITIES AND USES

WHEREAS, it is necessary to institute a policy for public recreational uses of University Lake that are consistent with the primary objective of preserving and protecting this resource for use as a public water supply; and

WHEREAS, the primary purpose of University Lake is to provide high quality raw water supply that after reasonable treatment will be safe, potable water which meets or exceeds all regulatory standards and any in-lake activities must be compatible with and subordinate to the protection of this public water supply resource.

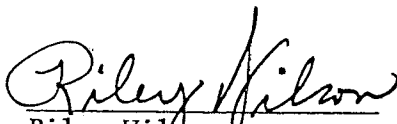
NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors of Orange Water and Sewer Authority hereby adopts the attached Policy on In-Lake Activities and Uses.
2. That said policy is effective upon adoption.
3. That the Executive Director be, and hereby is, authorized and directed to administer, implement, and enforce said policy and regulations to protect the public water supply resources.

Adopted this 28th day of June, 1990.

  
\_\_\_\_\_  
Verla C. Insko, Chairman

ATTEST:

  
\_\_\_\_\_  
Riley Wilson  
Secretary-Treasurer

ORANGE WATER AND SEWER AUTHORITY

POLICY ON IN-LAKE ACTIVITIES AND USES

PURPOSE: TO ESTABLISH THE POLICY OF THE ORANGE WATER AND SEWER AUTHORITY RESPECTING RECREATIONAL USE OF UNIVERSITY LAKE, CANE CREEK RESERVOIR, AND STONE QUARRY IMPOUNDMENT PREMISES.

BACKGROUND: THE WATER SUPPLY IMPOUNDMENTS AT UNIVERSITY LAKE, CANE CREEK RESERVOIR, AND THE STONE QUARRY ARE ASSETS ESSENTIAL TO THE PRIMARY MISSION OF THE AUTHORITY TO SUPPLY HIGH QUALITY WATER TO ITS CUSTOMERS. BECAUSE OF THE LIMITED RECREATIONAL USE ALLOWED AT UNIVERSITY LAKE AND CANE CREEK RESERVOIR, A POLICY IS NECESSARY TO GUIDE THE EXECUTIVE DIRECTOR IN STAFF DEVELOPMENT OF REGULATIONS FOR RECREATIONAL USE OF THESE FACILITIES THAT ARE CONSISTENT WITH THE PRIMARY OBJECTIVE OF PROTECTING THESE IMPOUNDMENTS FOR USE AS PUBLIC WATER SUPPLIES.

POLICY: ANY ACTIVITIES PERMITTED AT THE AUTHORITY'S IMPOUNDMENT PREMISES SHALL BE REGULATED TO BE COMPATIBLE WITH AND SUBORDINATE TO THE PROTECTION OF THESE RESOURCES AS PUBLIC WATER SUPPLY RESOURCES.

THE EXECUTIVE DIRECTOR IS AUTHORIZED TO DEVELOP REGULATIONS WHICH WILL PERMIT LIMITED RECREATIONAL USES OF THE AUTHORITY'S IMPOUNDMENTS ONLY TO THE EXTENT THAT SUCH USES MAY BE MANAGED TO ASSURE THE PROTECTION OF THE WATER QUALITY THEREIN, THE SECURITY OF THE PERSONS MAKING SUCH USES, AND CONSISTENT WITH APPLICABLE REGULATIONS OF THE FEDERAL AND STATE REGULATORY AUTHORITIES. USE PERMITTED MAY NOT INCLUDE ANY BODY CONTACT ACTIVITIES SUCH AS SWIMMING.

FEES SHALL BE SET TO RECOVER A SIGNIFICANT PORTION OF THE ACTUAL COST TO THE AUTHORITY OF IN-LAKE ACTIVITIES.

PUBLIC ACTIVITIES SHALL BE PERMITTED ONLY WHEN AN AUTHORIZED AUTHORITY REPRESENTATIVE IS ON DUTY AT THE PREMISES SUCH AS A WARDEN, TO ADMINISTER AND ENFORCE THE APPLICABLE REGULATIONS CONTROLLING THE USE AND PROTECTION OF THE FACILITIES AND THE GENERAL PUBLIC. THE WARDEN(S) ARE AUTHORIZED ON BEHALF OF THE AUTHORITY TO DIRECT PERSONS WHOSE PRESENCE OR USE OF THE FACILITIES IS IN VIOLATION OF LAWS AND REGULATIONS TO LEAVE THE AUTHORITY'S PREMISES.

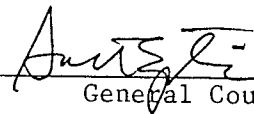
THE WARDEN(S) SHALL CALL UPON STATE AND LOCAL LAW ENFORCEMENT AUTHORITIES WHEN THEIR ASSISTANCE IS REQUIRED.

AUTHORIZATION: THE EXECUTIVE DIRECTOR IS AUTHORIZED AND EMPOWERED TO DIRECT ON BEHALF OF THE ORANGE WATER AND SEWER AUTHORITY IN-LAKE ACTIVITIES AND USES AS PROVIDED UNDER THIS POLICY, TO ESTABLISH REGULATIONS FOR THE IMPLEMENTATION OF THIS POLICY AND WITHOUT FURTHER AUTHORIZATION BY THE BOARD OF DIRECTORS TO TAKE ADMINISTRATIVE ACTIONS FOR THE SECURITY AND CONTROLLED USE OF THE WATER SUPPLY IMPOUNDMENTS.

Reviewed by General Counsel:

7-10-90

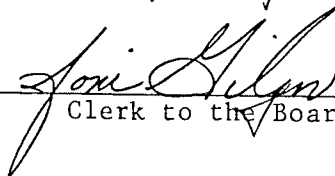
Date

  
General Counsel

Adopted by the Board:

6/28/90

Date

  
Clerk to the Board

ORANGE WATER AND SEWER AUTHORITY

REGULATIONS GOVERNING IN-LAKE ACTIVITIES AND  
USE OF UNIVERSITY LAKE AND CANE CREEK RESERVOIR

Effective October 14, 1999

I. PURPOSE

The purpose of this regulation is to set forth for the Orange Water and Sewer Authority (OWASA) the conditions to regulate activities and recreational use of University Lake and Cane Creek Reservoir by the general public and organized groups and to protect the water in these reservoirs as a high quality drinking water supply.

II. FACILITY OPERATING SCHEDULE

- A. Any person using any of the impoundment premises of OWASA during the hours in which the premises are officially open to the public is deemed to be a visitor to the premises subject to established regulations and applicable law, and shall in no event be deemed an invitee.
- B. The facilities will be open only during daylight hours.
1. Schedules for days and hours that the facilities are open to the public will be as follows.

Summer Schedule -- Open (the 1st Saturday after the 1st day of spring)  
-- Close (the 2<sup>nd</sup> Saturday in November)

Day	Cane Creek	University Lake
Monday	Closed	6:30 a.m. – 6:30 p.m.
Tuesday	Closed	Closed
Wednesday	Closed	Closed
Thursday	6:30 a.m. – 6:30 p.m.	Closed
Friday	6:30 a.m. – 6:30 p.m.	6:30 a.m. – 6:30 p.m.
Saturday	6:30 a.m. – 6:30 p.m.	6:30 a.m. – 6:30 p.m.
Sunday	1:00 p.m. – 6:30 p.m.	6:30 a.m. – 6:30 p.m.

2. At the discretion of the Lake Warden, the facilities may be closed for public use during inclement weather.

**Winter Schedule (2<sup>nd</sup> Sunday in November through the 1<sup>st</sup> Friday after the 1<sup>st</sup> day of spring)**

Day	Cane Creek	University Lake
Monday	Closed	Closed
Tuesday	Closed	Closed
Wednesday	Closed	Closed
Thursday	Closed	Closed
Friday	Closed	Closed
Saturday	Closed	Closed
Sunday	Closed	Closed

- C. The Lake facilities shall be open on holidays as designated by the Executive Director.

**III. FEES AND RATES FOR USE OF THE FACILITIES**

- A. Rates and Fees for fishing, boating or other activities will be as established by the Board of Directors of OWASA and shall be posted in the Warden's office at these recreational facilities.
- B. Fees for use of the facilities will be collected and recorded at the Warden's office at the time that service is provided and turned in to the OWASA Customer Service Office on a regular basis.

**IV. ENFORCEMENT OF REGULATIONS**

- A. A copy of these regulations shall be posted in the Warden's office and shall be available for every person to read before using the premises.
- B. The Lake Warden shall be the official custodian in charge of the reservoirs and surrounding premises. The Warden and Assistant Wardens shall maintain and enforce all regulations and policies which have been adopted by OWASA.
- C. Appropriate State and local law enforcement authorities will be called upon for assistance as required.
- D. Permission for the use of the premises may be denied or voided for any person, group, or activity which is considered in any way threatening to the security and safety of any person or damaging to the facilities, equipment, or water quality.

- E. The Wardens are authorized on behalf of OWASA to direct persons whose presence and/or use of the facilities are in violation of law or regulations to leave OWASA's premises.

#### V. ACTIVITIES AND USES

- A. Public boating shall be permitted only for fishing, sailing, paddle wheeling, and/or rowing. Boating shall be restricted as to locations designated by OWASA but in no case within 150 feet of the water supply intake facilities.
- B. The total number of boats on the lakes should not exceed one per ten acres of reservoir surface area.
- C. Persons may not enter or leave a boat at any place except from the dock or other designated location controlled by OWASA. Each user shall observe safety rules and boating courtesy.
- D. Fishing is allowed on the lakes only in approved areas as follows:
  - 1. From a boat.
  - 2. Designated area on the docks.
  - 3. Designated areas around the shore of the reservoirs.
- E. Users shall confine activities to those areas which are designated for public use and shall in no instance enter other surrounding lands of the lakes.
- F. Swimming or any body contact with the water is strictly prohibited. Any user observed swimming, rolling a kayak, or in any other way, showing disregard for any of the stated regulations or otherwise contributing to degradation of water quality or abuse of these facilities may be restricted from using the lakes for a period of time as designated by the Lake Warden.
- G. Picnicking will be permitted in designated areas.
- H. Hunting or trapping of wildlife will not be permitted on the premises of OWASA except as may be approved on occasion in advance by the Executive Director for conservation or preservation purposes.
- I. Regulations of the North Carolina Wildlife Commission shall apply for fishing and boating activities.
- J. Acts of degradation to water quality or desecration of trees or plant life will not be tolerated.
- K. Use of alcohol or drugs is prohibited.
- L. Discourteous or abusive language or acts of violence or intimidation are not acceptable.
- M. At Cane Creek, an area is designated as a dog exercise/run area below the dam for dogs under leash or under effective voice control. Animal owners are responsible for the removal and appropriate disposal of feces.

#### VI. WATERCRAFT STANDARDS

- A. Private nontrailered boats, canoes, or kayaks which can be carried by hand from the shore to the lakes for launching will be allowed for use on the reservoirs after inspection to determine if they are free of aquatic weeds. In addition, OWASA-owned craft will be allowed and must be launched from docking facilities provided by OWASA. All applicable fees must be paid prior to recreational use of any boat on these water supply reservoirs.

- B. Private gasoline motors shall not be allowed for use on the reservoirs. Electric trolling motors owned by OWASA may be rented and used to power boats. Privately owned trolling motors are also allowed provided the motor is inspected by the Warden prior to its use on the lake. Batteries must be housed in battery boxes tightly secured to the boat.
- C. Boats, including sailboats, will not exceed 14 feet in length, and should be constructed to United States Coast Guard standards. Canoes and kayaks should be of a comparable nominal length based on available sizes.
- D. All gasoline motors on public craft should be of 4-stroke design and must operate from portable gasoline tanks.
- E. Rental boats are to be returned in clean condition. All trash and debris shall be placed into trash receptacles located at the boat dock.
- F. Persons with special needs as a result of physical handicaps may be allowed to use privately owned boats not exceeding 14 feet in length and 4 stroke gasoline powered motors not to exceed 9.9 horsepower at the Cane Creek or University Lake Reservoirs upon approval of an application for an exemption to these regulations. Such application must include medical documentation of the handicap and be submitted to the Executive Director for approval. These exemptions will be issued at University Lake and Cane Creek Reservoir only up to an annual maximum of seven. Applications will be processed in the order they are received. If the special use privilege is approved by the Executive Director, it will be for a period of twelve months. Renewals will require submittal of current medical documentation that the applicant continues to have special needs based on a physical handicap. All boats and motors must be inspected by the Warden prior to its use on the lake.

## VII. USER SAFETY

- A. To ensure safety, each person using the lake must sign their name in the Warden's register. The user responsible for small children shall be required to list the names for each child after his or her name on the register.
- B. Not more than four adults, and fewer depending upon the weight rating of the boats, may occupy a boat at any time. Each boat must have an appropriate water safety device for each person in the boat.
- C. Persons under 16 years of age shall be permitted on the lake by permission of an adult who will assume full responsibility. These individuals are required to wear U.S. Coast Guard approved flotation devices.
- D. The Executive Director is authorized to deny, suspend, or restrict the use of OWASA's impoundment premises or parts thereof to persons or groups who fail to comply with applicable laws or any regulations adopted hereunder including those for personal safety.
- E. Each watercraft in an area out of visual contact from the Warden's Office shall be outfitted with an emergency audible horn or other suitable device as approved by the Warden. The activation or signaling with such audible device is to be only in the case of life-threatening emergencies.

VIII. SANITATION

- A. Adequate sanitary sewage facilities are available at the recreational areas.
- B. Sufficient containers are provided by OWASA at convenient locations for deposit of refuse and garbage. In no instance shall trash or refuse of any kind be thrown into the water.
- C. No person shall do any act to impair or degrade water of the reservoirs.

IX. EFFECTIVE DATE

These regulations shall be effective on and after October 14, 1999

X. POLICY REFERENCE

Policy On In-Lake Activities and Uses adopted June 1, 1995

1/5/01  
DATE

Ed Kerwin  
Ed Kerwin  
Executive Director

## **ITEM 5**

### **AGENDA ITEM**

- REPORT ON VISITORS TO UNIVERSITY LAKE DURING THE DAWN TO DUSK TRIAL PERIOD

### **PURPOSE**

- To provide information to the Board on the results of the extended operating hours at University Lake.

### **BACKGROUND**

- The OWASA lake recreation season extends from approximately mid March to mid November. University Lake is open to the public Friday through Monday from 6:30 AM to 6:30 PM.
- On January 26, 2006 the Board of Directors agreed to modify the operating hours at University Lake from dawn to dusk as a one year trial to determine the demand for this service.
- Of the total 3,050 visitors to University Lake during the May to August trial period, approximately 15.3% of the visitors remained at the lake after the normal 6:30 PM closing time.
- As with previous years, University Lake experiences the highest visitation on Saturdays and Sundays. Based on the information collected by OWASA staff, the expanded operating hours did not increase the number of visitors using the facility.
- The cost of operating the lake for additional hours during the trial period was almost two and one-half times the amount of revenue collected from patrons.

### **STAFF RECOMMENDATION**

- It is recommended that the dawn to dusk program be abandoned and the operating hours be returned to the previous 6:30 AM to 6:30 PM hours.

### **ACTION NEEDED**

- Discussion of information and provide direction to staff.

October 12, 2006



## M E M O R A N D U M

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: John Greene

DATE: October 4, 2006

SUBJECT: Report on University Lake Visitors during Dawn/Dusk Trial Period

### **BACKGROUND**

Based on a petition from a citizen concerning extended hours of operation at the University Lake and Cane Creek Reservoirs, the Board requested that staff evaluate and provide details on the possibility of operating the recreation areas from dawn to dusk. Staff developed a report providing information on operating cost, State and local approvals and staffing requirements to operate the lake on an expanded schedule. On January 26, 2006 the Board of Directors agreed to modify the operating hours at University Lake from dawn to dusk as a one year trial to determine the demand for this service.

### **DISCUSSION**

The current lake recreation season extends from approximately mid March to mid November. University Lake is open to the public Friday through Monday from 6:30 AM to 6:30 PM. During the 2006 season, a trial dawn to dusk program was implemented during the months of May through August. This trial program required the addition of one part time employee in order to provide staffing during the 12 to 14 hour operating day.

### **Attendance**

Table 1 provides a summary on the number of visitors to University Lake during the trial period and the number of visitors that entered the lake after 5:00 PM or remained on the lake after the previous 6:30 PM closing time. Of the total 3,050 visitors to University Lake during the May to August trial period approximately 15.3% of the visitors remained at the lake after the normal 6:30 PM closing time.

**TABLE 1**

<b>Month/Year</b>	<b>Total Visitors</b>	<b>Sign-In after 5:00 PM</b>	<b>Sign-In after 6:00 PM</b>	<b>Sign-Out after 6:30 PM</b>	<b>Sign-Out after 7:30 PM</b>
May 2006	899	28	5	50	51
June 2006	668	27	19	43	68
July 2006	792	63	30	78	80
August 2006	691	45	16	54	41
<b>TOTALS:</b>	<b>3,050</b>	<b>163</b>	<b>70</b>	<b>225</b>	<b>240</b>
% of Total:		7.6%		15.3%	

In an attempt to determine visitor demand on the recreation facilities, staff began collecting data in 2004 on the number of visitors for each day the University Lake facility was open to the public. The number of visitors at University Lake by month and day of the week for the 2004, 2005 and 2006 lake seasons is summarized in Table 2 at the end of this report.

As with previous years, University Lake experiences the highest visitation on Saturdays and Sundays. Based on the information collected by staff, the expanded operating hours has not increased the number of visitors using the facility as the average number of visitors per day remains fairly constant.

### **Operating Cost**

The cost to keep the University Lake recreation facilities open during the trial period was approximately \$17.25 per hour. The May to August trial period required the lake to be staffed and operated an additional 132 hours at a cost of approximately \$2,277.

### **Revenue**

During the same May to August period when the hours of operation were expanded, the lake staff collected approximately \$944 in revenue from patrons that signed in before the previous 6:30 AM opening time or after 5:00 PM.

### **SUMMARY**

The trial dawn to dusk program was implemented at University Lake in an effort to provide additional lake access to the public and give staff the ability to determine the demand for expanded operating hours.

Based on the information collected by staff and detailed in this report the average number of visitors to University Lake did not increase as a result of having expanded hours of operation. The cost of operating the lake during the trial period was almost two and one-half times the amount of revenue collected from patrons. This increased operating cost is in addition to the information provided to the Board in the Annual Lakes Report which detailed the cost of operating recreation at University Lake and Cane Creek during the 2005 lake season as \$145,852 or \$2.54 in expenses for every \$1.00 collected in revenue.

While the trial program has provided the opportunity for several lake patrons to enjoy the facilities later into the day, it is recommended that the dawn to dusk program be abandoned and the operating hours be returned to the previous 6:30 AM to 6:30 PM hours due to the high operating cost and limited usage of the expanded hour program.

Staff will be available at the meeting to provide additional detail or address any questions of the Board.

---

John W. Greene, P.E.  
General Manager of Operations

**Table 2**

**NUMBER OF VISITORS TO UNIVERSITY LAKE  
DURING THE 2004, 2005 AND 2006  
LAKE SEASONS**

Month	Friday			Saturday			Sunday			Monday		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
March	0	0	50	156	67	39	70	17	26	24	2	14
April	111	84	80	411	201	282	270	267	430	47	131	95
May	91	84	82	384	312	357	341	531	285	141	214	175
June	91	90	110	234	278	226	419	325	281	76	68	51
July	210	117	139	254	299	293	277	297	255	148	129	105
August	219	144	130	357	244	198	313	199	274	94	66	89
September	100	62	59	244	260	352	459	243	286	58	141	113
October	50	35		227	143		320	241		40	34	
November	6	35		9	81		47	91		103	4	
<b>TOTAL</b>	<b>878</b>	<b>651</b>	<b>650</b>	<b>2276</b>	<b>1885</b>	<b>1747</b>	<b>2516</b>	<b>2211</b>	<b>1837</b>	<b>731</b>	<b>789</b>	<b>642</b>
<b>AVG. VISITORS PER DAY</b>	<b>27</b>	<b>20</b>	<b>24</b>	<b>67</b>	<b>55</b>	<b>62</b>	<b>74</b>	<b>65</b>	<b>68</b>	<b>22</b>	<b>24</b>	<b>25</b>

## **ITEM 6**

### **AGENDA ITEM**

- SELECTION OF CHAIR FOR OWASA COMMITTEES

### **PURPOSE**

- To select the Chair for each Board Committee.

### **BACKGROUND**

- The Board Chair has announced assignments for the Board Committees.
- The Board Chair seeks the Board's approval for the Committee Chairs as follows:
  - ✓ Budget and Financial Planning, Milton Heath;
  - ✓ Human Resources, Penny Rich;
  - ✓ Natural Resources/Technical Systems, Randy Kabrick;
  - ✓ Community Outreach, Gordon Merklein;
  - ✓ Ad Hoc Art, Gordon Merklein; and
  - ✓ Ad Hoc Property, Laura Sandvik.

October 12, 2006

## MEMORANDUM

TO: OWASA Board members

FROM: Mac Clarke

DATE: September 29, 2006

SUBJECT: Board Committee Assignments

As I mentioned at the Board meeting, the Bylaws specify that there should be not less than three members, in addition to myself, on each committee. I am also proposing four members, rather than three, for the Budget and Financial Planning committee as Milton will be leaving us at the end of the year and also for NRTS as I believe this committee will have a particularly important role in the months ahead.

I have tried to spread the assignments as evenly as possible so that all Board members can share the burden. If you do not wish to be on a particular committee, please let me know and suggest which other committee you would like to join instead by next Tuesday, October 3. I will do my best to accommodate your wishes, if at all possible.

I give my proposed assignments below. The first name listed is the person I will be asking the Board to endorse as Chair of that committee.

### Budget and Financial Planning

Milton Heath  
Randy Kabrick  
Gordon Merklein  
Laura Sandvik

### Human Resources

Penny Rich  
Fred Battle  
Marge Anders Limbert

### Natural Resources/Technical Systems

Randy Kabrick  
Marge Anders Limbert  
Laura Sandvik  
William Stott

Board Committee Assignments

September 29, 2006

Page 2

Community Outreach

Gordon Merklein

Fred Battle

Randy Kabrick

Ad Hoc Art

Gordon Merklein

Penny Rich

William Stott

Ad Hoc Property

Laura Sandvik

Marge Anders Limbert

Penny Rich

- I look forward to working with you all on the committees.



Mac Clarke  
Chair

c: Ed Kerwin

## ITEM 7

### AGENDA ITEM

- ◆ RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT WITH UNITEDHEALTHCARE FOR HEALTH INSURANCE

### PURPOSE

- ◆ To provide employees and their dependents with quality health insurance.

### BACKGROUND

- ◆ On July 2, 2006 OWASA sent out a Request for Proposals for employee health insurance. On August 10, 2006, we received two competitive bids from BlueCross BlueShield of North Carolina (BCBS) and UnitedHealthcare (UHC).
- ◆ The UHC bid offered an approximate 7.6% reduction in cost and BCBS proposed an approximate 5.5% increase. Both plans allow OWASA to retain the current level of benefits.
- ◆ Employees reviewed the plan, attended information sessions offered by UHC and followed up with their questions to the UHC representatives and the OWASA Human Resources staff.
- ◆ On September 28, 2006, the Human Resources Committee met, heard staff reports on the UHC proposal and agreed with the Executive Director's recommendation to seek Board approval to execute a health insurance contract with UHC effective January 1, 2007.

### ACTION NEEDED

- ◆ Adopt the resolution to award health insurance through UHC for a period of eighteen months beginning January 1, 2007.

### STAFF RECOMMENDATION

- ◆ Authorize the Executive Director to execute the contract with UHC.

October 12, 2006

## MEMORANDUM

TO: Board of Directors  
THRU: Ed Kerwin  
FROM: Gwen Burston  
DATE: October 5, 2006  
SUBJECT: Health Insurance Renewal

We publicized the Request for Proposals from health/dental insurers in the News & Observer on July 2, 2006 and on our OWASA website. In response to inquiries, we sent bid forms and information to 10 potential bidders. On August 10<sup>th</sup>, we received four bids. The top two bids were from:

- BlueCross BlueShield of North Carolina (BCBS - current carrier for OWASA)
- UnitedHealthcare (UHC)

Cost and benefit comparisons for the two companies are attached (*Comparison of Benefit Highlights is attachment #1, and the Comparison of Current & Proposed BCBS Rates and UHC Rates is attachment #2*).

UHC offered an approximate 7.6% reduction from our current premium costs. The bid from BCBS proposed an approximate 5.5% increase. Both bids would allow us to maintain our current level of benefits. UHC worked closely with us to expand and include additional services where possible, in order to ensure that our current level of benefits is maintained. A memo from UHC noting the changes they made to the proposed health insurance package is attached (*Attachment #3*).

I obtained references for UHC from eight companies using UHC's services. The companies were a mixture of private and public, all North Carolina organizations ranging in size from 93 to 500 employees. The organizations included the Town of Carrboro and the Town of Chapel Hill. The references were generally positive, most reporting that they were satisfied with UHC's performance. However, some reported problems with claims processing and most noted that premium rates went up in their second and subsequent years with UHC. The companies said the rising cost of health care and their claims experience were the reasons for UHC's subsequent rate increases. Still, these were not unusual problems and very similar to the types of reviews I would expect to receive on BCBS.

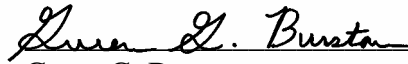


We invited UHC representatives to hold three employee meetings on September 22, 2006. A member of the OWASA Human Resources staff attended each session and heard employees' questions and comments as well as UHC's responses. We were satisfied with UHC's response to employee questions and we believe our employees can expect quality service from UHC.

On September 28, 2006 staff met with the Human Resources Committee to share this information. The Committee agreed with the Executive Director's recommendation to seek Board approval to execute a health insurance contract with UHC effective January 1, 2007.

The proposed contract is for an eighteen month period to move from a calendar year renewal period for our health and dental coverage to a fiscal year renewal time frame. The approximate OWASA cost for UHC health insurance for the 18 month period starting January 1, 2007 is \$1.3 million.

I look forward to presenting this information for the Board's review and decision on October 12, 2006.

  
Gwen G. Burston  
Director of Human Resources

**RESOLUTION AUTHORIZING THE RENEWAL OF THE HEALTH INSURANCE  
CONTRACT WITH UNITEDHEALTHCARE**

**WHEREAS**, in June 2006 OWASA sent out a Request for Proposals for employee health insurance and on August 10<sup>th</sup> received two competitive bids from BlueCross BlueShield of North Carolina (BCBS) and UnitedHealthcare (UHC); and

**WHEREAS**, the UHC bid offered an approximate 7.6% reduction in cost and BCBS proposed an approximate 5.5% increase; and

**WHEREAS**, to adequately provide quality and cost effective health and hospital insurance coverage for OWASA employees, it is desirable to move to a new healthcare provider, UHC; and

**WHEREAS**, it is determined that UHC offers a healthcare package at nearly the same benefit level as the current plan; and

**WHEREAS**, the existing health insurance contract with BCBS expires on December 31, 2006;

**NOW, THEREFORE, BE IT RESOLVED:**

1. That the Board of Directors approves participation by all full-time employees in the health plan offered through UHC in accordance with provisions of the plan.
2. That OWASA pay the full employee premium of the health care plan and 50% of dependent costs.
3. That the Executive Director is hereby authorized and directed to execute the contract with UHC.
4. That the term of the above insurance coverage shall be for a period of eighteen months beginning January 1, 2007.

Adopted this 12<sup>th</sup> day of October 2006.

\_\_\_\_\_  
Michael A. (Mac) Clarke  
Chair

ATTEST:

\_\_\_\_\_  
Gordon Merklein  
Secretary

**Comparison of Current & Proposed Monthly BCBS Rates & UnitedHealthcare Rates**

	# of Individuals on Each Plan*	Current BCBS Health Rates			Proposed BCBS Health Rates			Proposed United Health Rates		
		Rate	OWASA	Employee	Rate	OWASA	Employee	Rate	OWASA	Employee
EE Only	83	468.23	468.23	0.00	493.75	493.75	0.00	432.48	432.48	0.00
EE & Child(ren)*	21	638.22	553.22	84.99	672.99	583.37	89.62	589.50	510.99	78.51
EE & Spouse	15	948.18	708.20	239.97	999.86	746.81	253.06	875.79	654.14	221.66
Family	23	1,189.31	828.77	360.54	1,254.17	873.96	380.21	1,098.52	765.50	333.02

\* As of August 28, 2006

\* BCBS does not have an EE & Child(ren) category. However, United has an Employee & Child(ren).

**Comparison of Benefit Highlights\***

	<b>UnitedHealthcare</b>	<b>BlueCross BlueShield of NC</b>
Primary Care Physician Copay	\$10	\$10
Specialist Copay	\$20	\$20
Comprehensive Eye Exam Copay	\$10	\$10
Mental Health/Substance Abuse Services Copay	\$20 (20 visits/year)	\$20 (30 visits/year)
Deductible (Individual/Family)	250/500	250/500
Coinsurance	100%	100%
Lifetime Benefit Maximum	unlimited	unlimited
Prescription Copay	\$10/20/35	\$10/20/35
Emergency Room Copay	\$100	\$150
Urgent Care Copay	\$35	\$20

\* Based on In-Network Quotes

October 2, 2006



**Ms. Gwen Burston, JD, SPHR, IPMA-CP**  
**Director of Human Resources**  
**Orange Water And Sewer Authority**  
**400 Jones Ferry Road**  
**Carrboro, NC 27510-0366**

UnitedHealthcare of North Carolina  
1001 Winstead Drive Suite 201 Cary NC 27513  
Tel 919 678 4600 Fax 919 677 9012 Tel 800 368 0707

Dear Ms. Burston:

Thank you for the opportunity to meet with Orange Water And Sewer's employees. Bonita and I enjoyed learning more about OWASA's employee benefit needs. As a result of the questions that were asked during the employee meetings, and in effort to minimize the possible disruption of a health insurance change, UnitedHealthcare has adjusted the plan design to allow the administration of the following benefits for no additional charge:

1. We will add the Ostomy rider to include coverage for Ostomy supplies.
2. We will increase the Mental Health / Substance Abuse office visit maximum from 20 visits to 30 visits per calendar year.
3. We will increase the vision exam frequency to one exam every year.
4. We will modify the benefit plan to include coverage for diabetic supplies through our preferred vendor, Edgepark, at 100%. Diabetic supplies can still be obtained through the pharmacy; however the applicable pharmacy copay will apply.

At UnitedHealthcare, we are committed to improving the health care experience for everyone involved: employers like you who purchase it, the physicians who deliver it, and most of all, the employees who use it. I hope that we have the opportunity to work with you and your employees in the near future so that we may demonstrate that commitment. In the meantime, please let us know if there is anything that we can do to further assist you in the decision making process.

Sincerely,

A handwritten signature in black ink, appearing to read 'JL Arseniu', with a long horizontal flourish extending to the right.

Jo Lynn Arseniu,  
Account Executive, UnitedHealthcare

## ITEM 8

### AGENDA ITEM

- ◆ RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT WITH UNITEDHEALTHCARE (UHC) FOR DENTAL INSURANCE

### PURPOSE

- ◆ To provide employees and their dependents with quality dental insurance.

### BACKGROUND

- ◆ On July 2, 2006 OWASA submitted a Request for Proposals for employee dental insurance. On August 10, 2006 we received proposals from BlueCross BlueShield of North Carolina (BCBS) and UnitedHealthcare (UHC).
- ◆ The UHC bid offered an approximate 4.6% increase and BCBS proposed an approximate 20.4% increase. Both plans allow the company to retain the current level of benefits.
- ◆ Employees reviewed the plan, attended information sessions offered by UHC and followed up with their questions to the UHC representatives and the OWASA Human Resources staff.
- ◆ On September 28, 2006, the Human Resources Committee met, heard staff reports on the UHC proposal and agreed with the Executive Director's recommendation to seek Board approval to execute a dental insurance contract with UHC effective January 1, 2007.
- ◆ Dental insurance has been provided to OWASA employees since July 1, 1988. OWASA has paid the individual premium since inception and employees have paid the full premium for dependent coverage. In 2003 the Board of Directors voted to begin supplementing dependent dental coverage by 40%.

### ACTION NEEDED

- ◆ Adopt the resolution to award dental insurance through UHC for a period of eighteen months commencing January 1, 2007.

### STAFF RECOMMENDATION

- ◆ Authorize the Executive Director to execute a contract for dental insurance with UHC.

October 12, 2006

## MEMORANDUM

TO: Board of Directors

THRU: Ed Kerwin

FROM: Gwen G. Burston

DATE: October 5, 2006

SUBJECT: Dental Insurance renewal

We publicized the Request for Proposals from health/dental insurers in the News & Observer on July 2, 2006 and on our OWASA website. In response to inquiries, we sent bid forms and information to 10 potential bidders. On August 10<sup>th</sup>, we received four bids. The low bid was from UnitedHealthcare (UHC).

Cost and benefit comparisons for the two companies are attached (*Comparison of Benefit Highlights is attachment #1, and the Comparison of Current & Proposed BlueCross BlueShield Rates and UHC Rates is attachment #2*).

UHC offered an approximate 4.6% increase over our current premium costs. The bid from BCBS proposed an approximate 20.4% increase. Both bids would allow us to maintain our current level of benefits.

On September 28, 2006 staff met with the Human Resources Committee to share this information. The Committee agreed with the Executive Director's recommendation to seek Board approval to execute a dental insurance contract with UHC effective January 1, 2007.

The proposed contract is for an eighteen month period to move from a calendar year renewal period for our health and dental coverage, to a fiscal year renewal time frame. The approximate OWASA cost for UHC dental insurance for the 18 month period starting January 1, 2007 is \$103,000.

I look forward to presenting this information for the Board's review and decision on October 12, 2006.



---

Gwen G. Burston  
Director of Human Resources

**RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO  
EXECUTE CONTRACT WITH UNITED HEALTHCARE FOR DENTAL INSURANCE**

**WHEREAS**, in June 2006 OWASA sent out a Request for Proposals for employee dental insurance and on August 10<sup>th</sup> received a competitive bid from UnitedHealthcare (UHC); and

**WHEREAS**, the UHC bid offered an approximate 4.6% increase and our current provider, BlueCross BlueShield, proposed an approximate 20.4% increase; and

**WHEREAS**, to adequately provide quality and cost effective dental insurance coverage for OWASA employees, it is desirable to move to a new healthcare provider, UHC; and

**WHEREAS**, dental insurance has been provided to employees since July 1, 1988 with OWASA making payment of the individual premium and supplementing dependent coverage by 40%; and

**WHEREAS**, it is determined that UHC offers a healthcare package at the same benefit level as the current plan; and

**WHEREAS**, the existing dental insurance contract with BCBS expires on December 31, 2006;

**NOW, THEREFORE, BE IT RESOLVED:**

1. That the Board of Directors approves participation by all full-time employees in the dental plan offered through UHC in accordance with provisions of the plan.
2. That the annual cost of dental coverage shall increase by 4.6%.
3. That the Executive Director is hereby authorized and directed to execute a contract with UHC.
4. That the term of the above insurance coverage shall be for a period of eighteen months beginning January 1, 2007.

Adopted this 12<sup>th</sup> day of October 2006.

\_\_\_\_\_  
Michael A. (Mac) Clarke  
Chair

ATTEST:

\_\_\_\_\_  
Gordon Merklein  
Secretary



**Comparison of Benefit Highlights\***

	<b>UnitedHealthcare</b>	<b>BlueCross BlueShield of NC</b>
Dental Deductible (Individual/Family)	50/150	50/150
Lifetime Orthodontic Maximum	\$1,000	\$1,000
Combined Benefit Period Maximum	\$1,000	\$1,000

\* Based on In-Network Quotes

**Comparison of Current & Proposed Monthly BCBS Rates & UnitedHealthcare Rates**

	# of Individuals on Each Plan*	Current BCBS Dental Rates			Proposed BCBS Dental			Proposed United Dental		
		Rate	OWASA	Employee	Rate	OWASA	Employee	Rate	OWASA	Employee
EE Only	68	27.58	27.58	0.00	33.21	33.21	0.00	29.17	29.17	0.00
EE & Child(ren)**	17	62.78	41.66	21.12	75.59	50.16	25.43	74.09	47.14	26.95
EE & Spouse	27	56.10	38.99	17.11	67.55	46.95	20.60	58.33	40.83	17.50
Family	30	107.77	59.66	48.11	129.78	71.84	57.94	107.53	60.51	47.02

\* As of August 28, 2006

\*\* BCBS does not have an EE & Child(ren) category. However, United has an Employee & Child(ren).

## **ITEM 9**

### **AGENDA ITEM**

- SERIES RESOLUTION OF THE ORANGE WATER AND SEWER AUTHORITY RELATING TO THE ISSUANCE OF NOT EXCEEDING \$23,355,000 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2006 OF SAID AUTHORITY PURSUANT TO THE PROVISIONS OF SECTION 2.08 OF AN AMENDED AND RESTATED BOND ORDER ADOPTED BY SAID AUTHORITY ON SEPTEMBER 13, 2001, AND REQUESTING THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA TO AWARD SAID BONDS AT PRIVATE SALE

### **PURPOSE**

- To obtain the Board of Directors' final authorization to issue the Series 2006 Bonds.
- To approve the Series Resolution for 2006 Bonds.

### **BACKGROUND**

- On August 24, 2006 the Board adopted resolutions directing the filing of an application for the Series 2006 Bonds issue with the North Carolina Local Government Commission (LGC) and seeking the LGC's approval of the bond financing team.
- On October 3, 2006 the LGC approved OWASA's issuance of the bonds.
- Presentations to the bond rating agencies were made the week of September 25, 2006.
- The Preliminary Official Statement for the Series 2006 Bonds was issued on October 3, 2006 and serves as one of the key background information documents upon which potential investors rely in determining whether to purchase the bonds.
- The bonds are scheduled to be priced on October 12, with closing scheduled for October 26.
- Section 2.08 of the OWASA Bond Order requires the Board to approve a Series Resolution authorizing the issuance of additional revenue bonds to fund the cost of capital improvements, and delegating certain authorities relating to the issuance and closing of the bonds.

### **ACTION NEEDED**

- Approval of the Series Resolution authorizing the sale of the Series 2006 Bonds and delegating authority to certain officials to determine the final terms and conditions.

October 12, 2006

## MEMORANDUM

**TO:** Board of Directors

**FROM:** Ed Kerwin

**DATE:** October 6, 2006

**SUBJECT:** Resolution of Final Approval of the Issuance of the Series 2006 Bonds

The Board of Directors previously approved near-term issuance of up to \$30 million in water and sewer revenue bonds to finance certain capital improvements. Issuance of the bonds has been extensively discussed and incorporated into our financial planning and management strategy, the Annual Budget for Fiscal Year 2007, and the draft Revenue Requirements Analysis recently prepared for the ongoing comprehensive rate study.

On August 24, 2006 the Board adopted resolutions directing the filing of an application for the Series 2006 Bonds issue with the North Carolina Local Government Commission (LGC) and seeking the LGC's approval of the bond financing team. On October 3, 2006 the LGC approved OWASA's issuance of the bonds.

In accordance with Section 2.08 of OWASA's Bond Order dated September 13, 2001, the final formal action the Board of Directors must take to issue the Series 2006 Bonds is to adopt the "Series 2006 Bonds Resolution." The bond closing is scheduled for October 26, 2006; therefore, approval of the Series Resolution is needed at this time.

Attached for your consideration is the draft Series Resolution for the 2006 Bonds, as prepared by OWASA's Bond Counsel, McGuireWoods LLP. As of this writing, final arrangements are being made to obtain a surety agreement for coverage of the Debt Service Reserve Account. Although the attached resolution reflects this arrangement, a slightly amended final resolution will be provided for final approval by the Board on October 12. However, we do not expect any material changes from the draft resolution.

Key provisions of the Series Resolution:

- (a) specify the terms and conditions relating to the determination of the total amount of the bonds to be issued, as well as the maturity structures, interest rates, and call provisions on the bonds; and
- (b) request the LGC to award the Series 2006 Bonds at closing.

Technically, OWASA does not sell the bonds; instead, the LGC acts in that capacity.

Section 3 of the Series Resolution delegates, subject to certain conditions, to the Board Chair, Vice-Chair, the Executive Director or Director of Finance and Customer Service the authority to approve the exact principal amounts, the interest rates on the bonds, the maturity dates (not to extend beyond July 1, 2031), the redemption provisions, and related matters, and to execute all required legal documents relating to the closing of the Series 2006 Bonds.

The Preliminary Official Statement (POS) has been prepared and provides financial, demographic and background technical information about OWASA and summarizes the legal and financial structure of the bonds transaction. The POS is used by the Underwriters to solicit investors for the bonds.

The Series 2006 Bonds are scheduled to be priced on October 12, 2006. Once the pricing is done, the final terms (amounts, dates of maturity and interest rates), as well as the three agencies' respective ratings, will be inserted into the final Official Statement for the Series 2006 Bonds.

Adoption of the Series Resolution for the 2006 Bonds, with applicable technical revisions as may be provided by OWASA's Bond Counsel on or before October 12, is recommended.

Thank you very much for your strong commitment to maintaining OWASA's financial strength and capabilities while at the same time ensuring sustainable long-term management of the facilities, services, and resources we are responsible for.

---

Ed Kerwin  
Executive Director

Attachment:

Series Resolution of the Orange Water and Sewer Authority Relating to the Issuance of Not Exceeding \$23,355,000 Water and Sewer System Revenue Bonds, Series 2006 of Said Authority Pursuant to the Provisions of Section 2.08 of an Amended and Restated Bond Order Adopted by Said Authority on September 13, 2001, and Requesting the Local Government Commission of North Carolina to Award Said Bonds at Private Sale

SERIES RESOLUTION OF THE ORANGE WATER AND SEWER AUTHORITY RELATING TO THE ISSUANCE OF NOT EXCEEDING \$23,355,000 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2006 OF SAID AUTHORITY PURSUANT TO THE PROVISIONS OF SECTION 2.08 OF AN AMENDED AND RESTATED BOND ORDER ADOPTED BY SAID AUTHORITY ON SEPTEMBER 13, 2001, AND REQUESTING THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA TO AWARD SAID BONDS AT PRIVATE SALE

WHEREAS, the Orange Water and Sewer Authority (“OWASA”), a public body and body politic and corporate of the State of North Carolina, is authorized under the provisions of the North Carolina Water and Sewer Authorities Act, as amended, and The State and Local Government Revenue Bond Act, as amended (collectively, the “Act”), to acquire, lease, construct, reconstruct, improve, extend, enlarge, equip, repair, maintain and operate water and sewer systems or any part thereof within Orange County, North Carolina and to issue revenue bonds of OWASA to pay the cost of such water and sewer systems; and

WHEREAS, OWASA has heretofore issued (a) \$32,165,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 1993, none of which are currently outstanding, (b) \$15,120,000 principal amount of its Water and Sewer System Revenue Bonds, Series 1999, which are currently outstanding in the principal amount of \$2,025,000, (c) \$34,540,000 principal amount of its Water and Sewer System Revenue Bonds, Series 2001, which are currently outstanding in the principal amount of \$22,000,000, (d) \$13,875,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2003, which are currently outstanding in the principal amount of \$9,480,000, (e) \$21,265,000 principal amount of its Water and Sewer System Revenue Bonds, Series 2004A, which are currently outstanding in the principal amount of \$20,220,000, (f) \$20,000,000 principal amount of its Water and Sewer System Revenue Bonds, Series 2004B, all of which are currently outstanding, and (g) \$18,675,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2005, all of which are currently outstanding, pursuant to the Act and an amended and restated bond order adopted on September 13, 2001 (the “Amended and Restated Bond Order”, and, together with any orders supplemental thereto and amendatory thereof, the “Order”); and

WHEREAS, Section 2.08 of the Order authorizes the issuance of additional revenue bonds of OWASA in one or more series from time to time for the purpose of providing funds for paying, with any other available funds, all or any part of the Cost of any Additional Project (as defined in the Order) and all or any part of completing payment of the Cost of the Project (as defined in the Order) and any Additional Project; and

WHEREAS, OWASA has determined that it is necessary to acquire and construct a certain Additional Project which is described in Appendix A to this Series Resolution (the “Additional Project”) and to pay a portion of the cost of the Additional Project by issuing an additional series of revenue bonds and using any other available funds as authorized by Section 2.08 of the Order; and

WHEREAS, OWASA has determined that it will be able to satisfy the requirements of Section 2.08 of the Order with respect to the issuance of such series of revenue bonds; and

WHEREAS, pursuant to Section 2.08 of the Order, such series of revenue bonds will have such terms and provisions as may be provided by a series resolution to be adopted by OWASA prior to the issuance thereof;

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

Section 1. Definitions. Unless otherwise required by the context, capitalized words and terms used in this Resolution (this "Series Resolution") and not otherwise defined herein shall have the same meanings in this Series Resolution as such words and terms are given in the Order, and the following words and terms shall have the following meanings:

"Average Annual Debt Service" means, at any given time of determination, the average annual Principal and Interest Requirements for the Series 2006 Bonds until their final maturity.

"Bond Registrar" means The Bank of New York Trust Company, N.A. as designated by Section 2 of this Series Resolution, or any successor.

"Bond Year" means the period commencing on July 1 of any year and ending on June 30 of the following year.

"Business Day" means a day on which the Trustee, the Bond Registrar and the New York Stock Exchange are open for the purpose of conducting their businesses.

"Closing" means the delivery of and payment for the Series 2006 Bonds.

"Closing Date" means the date of the Closing.

"Financial Security" means Financial Security Assurance Inc., a New York stock insurance company, and any successor thereto or assignee thereof, as the issuer of the Reserve Policy.

"Insurance Agreement" means the Insurance Agreement, dated as of October 26, 2006, between OWASA and Financial Security, including all amendments or supplements thereto as therein permitted.

"Interest Payment Date" means January 1, 2007, and each January 1 and July 1 thereafter, to and including the final maturity date of the Series 2006 Bonds.

"Interest Requirements" for any Bond Year means the amount that is required to pay interest on all Outstanding Series 2006 Bonds on January 1 in such Bond Year and on July 1 of the following Bond Year.

“Maximum Annual Debt Service on the Series 2006 Bonds” means, at any given time of determination, the maximum Principal and Interest Requirements for the Series 2006 Bonds for the then current or any succeeding Bond Year.

“Principal and Interest Requirements” for any Bond Year means the sum of the Principal Requirements and the Interest Requirements for such Bond Year.

“Principal Requirements” for any Bond Year means the sum of (i) the amount required to pay the principal of all Outstanding Series 2006 Bonds that are Serial Bonds, if any, on July 1 of the following Bond Year and (ii) the Sinking Fund Requirement for Series 2006 Bonds that are Term Bonds, if any, on July 1 of the following Bond Year.

“Regular Record Date” means the 15th day of the month preceding any Interest Payment Date, whether or not a Business Day.

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by Financial Security in connection with the issuance of the Series 2006 Bonds insuring certain payments with respect to the Series 2006 Bonds and subject to the limitations set forth therein. The Reserve Policy is a Reserve Alternative Instrument within the meaning of such term.

“Reserve Policy Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2006 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Reserve Policy Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such national bank as Financial Security shall designate.

“Securities Depository” means The Depository Trust Company, New York, New York, or other recognized securities depository selected by OWASA, which maintains a book-entry system in respect of the Series 2006 Bonds, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration books maintained by the Bond Registrar the Series 2006 Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book-entry system.

“Series Certificate” shall have the meaning given to such term by Section 4 of this Series Resolution.



“Series 2006 Additional Project Account” means the account in the Construction Fund created and so designated by Section 5 of this Series Resolution.

“Series 2006 Bonds” means OWASA’s Water and Sewer System Revenue Bonds, Series 2006.

“Series 2006 Special Debt Service Reserve Account” means the Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2006 Special Debt Service Reserve Account created and so designated by Section 5 of this Series Resolution.

“Series 2006 Special Debt Service Reserve Account Requirement” means the least of (A) one hundred percent (100%) of Maximum Annual Debt Service on the Series 2006 Bonds, (B) one hundred twenty-five percent (125%) of Average Annual Debt Service and (C) ten percent (10%) of the stated principal amount of the Series 2006 Bonds; provided, however, that if the Series 2006 Bonds have original issue discount or premium that exceeds two percent (2%) of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriters’ compensation, the initial offering prices to the public will be used in lieu of the stated principal amount for purposes of the ten percent (10%) limitation.

“Series 2006 Subaccount of the Interest Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2006 Subaccount of the Principal Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2006 Subaccount of the Redemption Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2006 Subaccount of the Sinking Fund Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Sinking Fund Requirement” means, with respect to the Series 2006 Bonds that are Term Bonds, if any, for any Bond Year, the principal amount fixed or computed for retirement by purchase or redemption on or prior to July 1 of the following Bond Year.

The Sinking Fund Requirements shall be initially the respective principal amounts set forth in the Series Certificate.

The aggregate amount of such Sinking Fund Requirements for the Term Bonds, together with the amount due upon the final maturity of such Term Bonds, shall be equal to the aggregate principal amount of the Term Bonds. The Sinking Fund Requirements for the Term Bonds shall begin in the Bond Year determined as provided in the Series Certificate and shall end with the Bond Year immediately preceding the maturity of such Term Bonds (such final installment being payable at maturity and not redeemed). Any principal amount of Term Bonds retired by operation of the Series 2006 Subaccount of the Sinking Fund Account by purchase in excess of

the total amount of the Sinking Fund Requirement for such Term Bonds, to and including such July 1, shall be credited against and reduce the future Sinking Fund Requirements for such Term Bonds in such manner as shall be specified in an Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

On or before the 45th day next preceding any July 1 on which Term Bonds are to be retired pursuant to the Sinking Fund Requirement, OWASA may deliver to the Trustee for cancellation Term Bonds required to be redeemed on such July 1 in any aggregate principal amount desired and receive a credit against amounts required to be transferred from the Series 2006 Subaccount of the Sinking Fund Account on account of such Term Bonds in the amount of 100% of the principal amount of any such Term Bonds so purchased. Any principal amount of Term Bonds purchased by the Trustee and cancelled in excess of the principal amount required to be redeemed on such July 1, shall be credited against and reduce the principal amount of future Sinking Fund Requirements in such manner as shall be specified in an Officer's Certificate in substantially the form of the Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

It shall be the duty of the Trustee, on or before the 15th day of July in each Bond Year, to recompute, if necessary, the Sinking Fund Requirement for such Bond Year and all subsequent Bond Years for the Term Bonds Outstanding. The Sinking Fund Requirement for such Bond Year as so recomputed shall continue to be applicable during the balance of such Bond Year and no adjustment shall be made therein by reason of Term Bonds purchased or redeemed or called for redemption during such Bond Year.

If any Term Bonds are paid or redeemed by operation of the Series 2006 Subaccount of the Redemption Account, the Trustee shall reduce future Sinking Fund Requirements therefor in such manner as shall be specified in an Officer's Certificate in substantially the form of the Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

Section 2. Authorization of the Series 2006 Bonds Pursuant to the Order. (A) Series 2006 Bonds. Pursuant to the Act and Section 2.08 of the Order, OWASA hereby authorizes the issuance of revenue bonds of OWASA, designated "Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2006" (the "Series 2006 Bonds") in an aggregate principal amount not exceeding \$23,355,000 for the purpose of providing funds, together with other available funds, to (1) pay a portion of the Cost of the Additional Project, (2) make a deposit to the credit of the Series 2006 Special Debt Service Reserve Account in the form of the Reserve Policy in an amount equal to the Series 2006 Special Debt Service Reserve Account Requirement and (3) pay certain expenses incurred in connection with the issuance of the Series 2006 Bonds. Each Series 2006 Bond shall be dated the date of its delivery.

(B) Bond Provisions. The Series 2006 Bonds may consist of Serial Bonds and Term Bonds, shall bear interest at the rates, and shall mature, subject to any optional and mandatory sinking fund redemption, in the amounts and on the dates, all as hereinafter provided.

(C) Details; Interest Payment Dates. The Series 2006 Bonds shall be numbered consecutively from R2006-1 upward, shall be in the denomination of five thousand dollars (\$5,000) and integral multiples thereof and shall be registered and exchangeable, and the transfer

thereof may be registered, all in accordance with the provisions of the Order. Interest on the Series 2006 Bonds shall be payable semiannually on each January 1 and July 1, commencing on January 1, 2007, until the maturity thereof.

(D) Book-Entry. The Series 2006 Bonds shall be issued by means of a book-entry system with no physical distribution of bond certificates to be made except as hereinafter provided. One bond certificate with respect to each date on which the Series 2006 Bonds are stated to mature, in the aggregate principal amount of the Series 2006 Bonds stated to mature on such date and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), will be issued. The book entry system will evidence ownership of the Series 2006 Bonds in the principal amount of \$5,000 or any multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of and any redemption premium on each Series 2006 Bond and interest with respect thereto shall be payable to Cede & Co., or any other person appearing on the registration books maintained by the Bond Registrar, as the registered owner of such Series 2006 Bond or its registered assigns or legal representatives. Transfer of principal, interest and any redemption premium payments to participants of DTC will be the responsibility of DTC, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2006 Bonds by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. OWASA, the Bond Registrar and the Trustee shall not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as Securities Depository for the Series 2006 Bonds or (b) OWASA determines that continuation of the book-entry system of evidence and transfer of ownership of the Series 2006 Bonds would adversely affect the interests of the beneficial owners of the Series 2006 Bonds, OWASA shall discontinue the book-entry system with DTC. If OWASA identifies another qualified Securities Depository to replace DTC, OWASA shall make arrangements with DTC and such other Securities Depository to effect such replacement and deliver replacement Series 2006 Bonds registered in the name of such other Securities Depository or its Securities Depository Nominee in exchange for the outstanding Series 2006 Bonds, and the references to DTC or Cede & Co. in this Series Resolution shall thereupon be deemed to mean such other Securities Depository or its Securities Depository Nominee. If OWASA fails to identify another qualified Securities Depository to replace DTC, OWASA shall deliver replacement Series 2006 Bonds in the form of fully registered certificates in the denomination of \$5,000 or any multiple thereof in exchange for the outstanding Series 2006 Bonds as required by DTC.

(E) Bond Registrar. The Bank of New York Trust Company, N.A. is hereby appointed Bond Registrar for the Series 2006 Bonds.

Section 3. Delegation and Standards. OWASA hereby delegates to the Chair, Vice-Chair, the Executive Director or the Director of Finance and Customer Service of OWASA, subject to the limitations contained herein, the power to determine and carry out the following with respect to the Series 2006 Bonds:

(A) Principal Amount. To determine the aggregate principal amount of the Series 2006 Bonds, such principal amount, not to exceed \$23,355,000, to be sufficient for the purposes described in Section 2(A) of this Series Resolution;

(B) Interest Rates. To determine the interest rate or rates on the Series 2006 Bonds, no such rate to exceed seven percent (7.00%) per annum;

(C) Maturities and Maturity Amounts. To determine the maturities and maturity amounts of the Series 2006 Bonds, no such maturity to extend beyond July 1, 2031;

(D) Serial and Term Bonds. To determine which Series 2006 Bonds are Serial Bonds, if any, and which Series 2006 Bonds are Term Bonds, if any, and the Sinking Fund Requirements for any such Term Bonds;

(E) Redemption Provisions. To determine the optional redemption provisions for the Series 2006 Bonds; provided, however, that the Series 2006 Bonds shall be made callable not later than 10½ years from their date and that the redemption price shall not exceed 103% of the face amount of the Series 2006 Bonds to be redeemed;

(F) Date of Sale. To determine the date of the sale of the Series 2006 Bonds;

(G) Negotiated Sale. To approve the sale of the Series 2006 Bonds in a negotiated sale in accordance with the provisions of Section 17 of this Series Resolution; provided, however, that the true interest cost for the Series 2006 Bonds shall not exceed four and four-tenths percent (4.40%) per annum and, provided further, that the price for the Series 2006 Bonds shall not be less than ninety-nine and forty-five one-hundredths percent (99.45%) of the par amount of the Series 2006 Bonds, less the amount of original issue discount, if any, plus the amount of original issue premium on the Series 2006 Bonds, if any; and

(H) Other Provisions. To determine any other provisions deemed advisable and not in conflict with the provisions of this Series Resolution or the Order.

Section 4. Series Certificate. The Chair, the Vice-Chair, the Executive Director or the Director of Finance and Customer Service of OWASA shall execute a certificate or certificates (collectively, the "Series Certificate") evidencing the determinations or other actions taken by him pursuant to the authority granted in this Series Resolution, and any such Series Certificate shall be conclusive evidence of the action taken.

Section 5. Establishment of Accounts and Subaccounts. The following accounts and subaccounts are hereby established:

- (a) Series 2006 Subaccount of the Interest Account;
- (b) Series 2006 Subaccount of the Principal Account;
- (c) Series 2006 Subaccount of the Redemption Account;
- (d) Series 2006 Subaccount of the Sinking Fund Account;

(e) Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2006 Special Debt Service Reserve Account, which account constitutes a Special Reserve Account within the meaning of the Order; and

(f) Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2006 Additional Project Account, which account constitutes an Additional Project Account within the meaning of the Order.

The accounts and subaccounts mentioned above shall be established with and held by the Trustee pursuant to the Order and this Series Resolution.

Section 6. Sinking Fund Redemption Provisions for the Series 2006 Bonds. The Series 2006 Bonds that are Term Bonds, if any, shall be subject to mandatory redemption in part on each July 1, as specified in the Series Certificate required by Section 4 of this Series Resolution.

Money held in the Series 2006 Subaccount of the Sinking Fund Account shall be applied during each Bond Year to the purchase or retirement of Term Bonds then Outstanding as follows:

(a) The Trustee shall, at the request of OWASA, endeavor to purchase and cancel Term Bonds or portions thereof subject to redemption by operation of the Series 2006 Subaccount of the Sinking Fund Account or maturing on the next ensuing July 1 at the most advantageous price obtainable with reasonable diligence. The purchase price of each such Term Bond shall not exceed par plus accrued interest to the date of purchase. The Trustee shall pay the interest accrued on such Term Bonds to the date of settlement therefor from the Series 2006 Subaccount of the Interest Account or other funds provided by OWASA and the balance of the purchase price from the Series 2006 Subaccount of the Sinking Fund Account, but no such purchase shall be made by the Trustee from money in the Series 2006 Subaccount of the Sinking Fund Account within the period of forty-five (45) days immediately preceding any July 1 on which such Term Bonds are subject to redemption. The aggregate purchase price of Term Bonds, exclusive of accrued interest, during such Bond Year shall not exceed the amount deposited in the Series 2006 Subaccount of the Sinking Fund Account on account of the Sinking Fund Requirement for the Term Bonds for such Bond Year. If in any Bond Year the sum of the amount on deposit in the Series 2006 Subaccount of the Sinking Fund Account for the payment of any Term Bonds and the principal amount of the Term Bonds that were purchased during such Bond Year pursuant to the provisions of this paragraph (a) or delivered during such Bond Year to the Trustee by OWASA exceeds the Sinking Fund Requirement for the Outstanding Term Bonds for such Bond Year, the Trustee shall endeavor to purchase Outstanding Term Bonds with such excess money; and

(b) The Trustee shall call for redemption on July 1 immediately following the then current Bond Year the Term Bonds then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Term Bonds for such Bond Year, less the principal amount of any such Term Bonds retired during such Bond Year by purchase pursuant to paragraph (a) of this Section or delivered during such Bond Year to the Trustee by OWASA. If such July 1 is the stated maturity date of any such Term Bonds, the Trustee shall not call such

Term Bonds for redemption but, on such maturity date, shall withdraw from the Sinking Fund Account and, not later than 10:00 A.M. on such date, remit by wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the amount required for paying the principal of such Term Bonds when due and payable. Not later than 10:00 A.M. on each such redemption date, the Trustee shall withdraw from the Series 2006 Subaccount of the Sinking Fund Account and remit by wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the respective amounts required for paying the Redemption Price of the Term Bonds or portions thereof so called for redemption.

If, in any Bond Year, by the application of money in the Series 2006 Subaccount of the Sinking Fund Account, the Trustee should purchase or receive from OWASA and cancel Term Bonds in excess of the aggregate Sinking Fund Requirement for such Bond Year, the Trustee shall file with OWASA not later than the twentieth (20th) day prior to the next July 1 on which Term Bonds are to be redeemed, a statement identifying the Term Bonds purchased or delivered during such Bond Year and the amount of such excess. OWASA shall thereafter cause an Officer's Certificate to be filed with the Trustee not later than the tenth (10th) day prior to such July 1, setting forth with respect to the amount of such excess the Bond Years in which the Sinking Fund Requirements with respect to Term Bonds are to be reduced and the amount by which the Sinking Fund Requirements so determined are to be reduced.

Upon the retirement of any Term Bonds by purchase or redemption pursuant to the provisions of this Section, the Trustee shall file with OWASA a statement identifying such Term Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Term Bonds, and the amount paid as interest thereon. The expenses incurred in connection with the purchase or redemption of any such Term Bonds shall be paid by OWASA as Current Expenses or from any other available moneys.

Section 7. Selection of Series 2006 Bonds for Redemption. The Series 2006 Bonds shall be redeemed only in whole multiples of five thousand dollars (\$5,000). If less than all of the Series 2006 Bonds are to be called for redemption, the Series 2006 Bonds to be so redeemed shall be called for redemption in the manner that OWASA shall determine as set forth in an Officer's Certificate filed with the Trustee.

If less than all of the Series 2006 Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2006 Bonds to be redeemed by lot, each five thousand dollar (\$5,000) portion of principal being counted as one Series 2006 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2006 Bonds is a Securities Depository Nominee, such selection shall be made by the Securities Depository.

Section 8. Redemption Notice. Not less than thirty (30) days but not more than sixty (60) days prior to the redemption date of any Series 2006 Bonds to be redeemed, whether such redemption be in whole or in part, the Bond Registrar shall cause a notice of any such redemption signed by the Bond Registrar to be mailed, first class, postage prepaid, to all Owners of Series 2006 Bonds to be redeemed in whole or in part, provided that notice to any Securities Depository shall be sent by registered or certified mail and provided further that failure to mail any such notice to any Owner or any defect in such notice shall not affect the validity of the proceedings for such redemption as to the Series 2006 Bonds of any other Owner to whom such

notice has been properly given. The Bond Registrar shall also give such notice of redemption, by certified or registered mail, to the Local Government Commission of North Carolina, at least one securities depository and at least two national information services which disseminate redemption information, but failure to mail such notice or any defect therein shall not affect the validity of any proceedings for the redemption of any Series 2006 Bonds.

Each such notice shall set forth the designation and date of the Series 2006 Bonds, the CUSIP numbers of the Series 2006 Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the address and phone number of the Trustee and Bond Registrar, the date of the redemption notice, the maturities of the Series 2006 Bonds to be redeemed and, if less than all of the Series 2006 Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2006 Bonds to be redeemed and, in the case of Series 2006 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2006 Bond is to be redeemed in part only, the notice of redemption shall also state also that on or after the redemption date, upon surrender of such Series 2006 Bond, a new Series 2006 Bond in principal amount equal to the unredeemed portion of such Series 2006 Bond will be issued.

Any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Trustee or Bond Registrar, on or prior to the redemption date, of moneys sufficient to pay the Redemption Price of and interest on the Series 2006 Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 2006 Bonds shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the Redemption Price of and interest on such Series 2006 Bonds are not received by the Trustee or Bond Registrar on or prior to the redemption date, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 9. Series 2006 Subaccount of the Redemption Account. The Trustee shall apply money in the Series 2006 Subaccount of the Redemption Account to the purchase or redemption of Series 2006 Bonds as follows:

(a) Subject to the provisions of paragraph (c) of this Section, the Trustee shall endeavor to purchase and cancel Series 2006 Bonds or portions thereof, regardless of whether such Series 2006 Bonds or portions thereof are then subject to redemption, at the most advantageous price obtainable with reasonable diligence, provided that the purchase price of each Series 2006 Bond shall not exceed the Redemption Price that would be payable on the next redemption date to the Owner of such Series 2006 Bond under the provisions of the Series Certificate. The Trustee shall pay the interest accrued on such Series 2006 Bonds or portions thereof to the date of settlement from the Series 2006 Subaccount of the Interest Account or other funds provided by OWASA and the balance of the purchase price from the Series 2006 Subaccount of the Redemption Account, but no such purchase shall be made by the Trustee from money in the Series 2006 Subaccount of the Redemption Account within the period of forty-five (45) days immediately preceding any date on which such Series 2006 Bonds or portions thereof are to be redeemed.

(b) Subject to the provisions of paragraph (c) of this Section, the Trustee shall call for redemption on a date permitted by this Series Resolution and the Series Certificate such amount of Series 2006 Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then held in the Series 2006 Subaccount of the Redemption Account as nearly as may be practicable; provided, however, that not less than Fifty Thousand Dollars (\$50,000) in principal amount of the Series 2006 Bonds shall be called for redemption at any one time unless the Trustee is so instructed by OWASA. The Trustee shall pay the accrued interest on the Series 2006 Bonds or portions thereof to be redeemed to the date of redemption from the Series 2006 Subaccount of the Interest Account or other funds provided by OWASA and the Redemption Price of such Series 2006 Bonds or portions thereof from the Series 2006 Subaccount of the Redemption Account. The Trustee shall withdraw from the Series 2006 Subaccount of the Redemption Account and set aside the amount required to pay the Redemption Price of the Series 2006 Bonds or portions thereof so called for redemption.

(c) Money in the Series 2006 Subaccount of the Redemption Account shall be applied by the Trustee in each Fiscal Year to the purchase or the redemption of Series 2006 Bonds then Outstanding in accordance with the latest Officer's Certificate filed with the Trustee designating the Series 2006 Bonds to be redeemed. In the event no such certificate is filed (i) the Trustee shall apply such money to the purchase of Series 2006 Bonds bearing the highest rate of interest, (ii) if Series 2006 Bonds of more than one maturity bear the same interest rate, the Trustee shall redeem such Series 2006 Bonds in the inverse order of maturities, and (iii) if the Series 2006 Bonds bearing the highest rate of interest are Term Bonds, the Trustee shall reduce the Sinking Fund Requirements for such Term Bonds in inverse order of the scheduled redemption of such Term Bonds.

Upon the retirement of any Series 2006 Bonds by purchase or redemption pursuant to the provisions of this Section, the Trustee shall file with OWASA a statement identifying such Series 2006 Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses incurred by the Trustee in connection with the purchase or redemption of any such Series 2006 Bonds shall be paid by OWASA from the Revenue Account as Current Expenses or from any other available moneys.

Section 10. Form of Series 2006 Bond. The Series 2006 Bonds and the Certificate of the North Carolina Local Government Commission and the Certificate of Authentication to be endorsed on all the Series 2006 Bonds shall be substantially in the following forms, with such variations, omissions and insertions as are required or permitted by the Order or this Series Resolution:



[Form of Series 2006 Bond]

No. R2006-\_\_

\$ \_\_\_\_\_

United States of America  
State of North Carolina

ORANGE WATER AND SEWER AUTHORITY

Water and Sewer System Revenue Bond,  
Series 2006

<u>Maturity Date</u>	<u>Dated Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
July 1, 20__	October 26, 2006	____%	_____

Principal Amount: \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_)

Registered Owner:

The Orange Water and Sewer Authority (the "Authority"), a public body and body politic and corporate of the State of North Carolina, is justly indebted and for value received hereby promises to pay, solely from the sources and in the manner hereinafter set forth, to the Registered Owner shown above or registered assigns or legal representative, on the maturity date specified above (or earlier as stated hereinafter), upon the presentation and surrender hereof at the corporate trust office of The Bank of New York Trust Company, N.A., in East Syracuse, New York, or any successor bond registrar (the "Bond Registrar"), the principal amount shown above, and to pay, solely from such sources, to the person in whose name this bond (or one or more Predecessor Bonds, as defined in the Order hereinafter mentioned) is registered at the close of business on the regular record date for such interest, which shall be the 15th day of the calendar month next preceding an interest payment date (the "Regular Record Date"), interest on this bond from the interest payment date next preceding the date on which it is authenticated, unless it is authenticated on an interest payment date, in which event it shall bear interest from such date, or it is authenticated prior to January 1, 2007, in which event it shall bear interest from its date, payable on January 1, 2007 and semiannually thereafter on January 1 and July 1 of each year, at the rate per annum specified above until the principal sum hereof is paid. Any such interest not so punctually paid shall forthwith cease to be payable to the person who was the registered owner on such Regular Record Date and may be paid to the person in whose name this bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date, as defined in the Order, for the payment of such defaulted interest to be fixed by the Trustee hereinafter mentioned, notice whereof being given to registered owners not more than fifteen (15) days and not less than ten (10) days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of applicable law or any securities exchange on which the bonds may be listed and upon such notice as may be required by such law or exchange, all as more fully provided in the Order. All such payments shall be made in the lawful money of the United States of America.

This bond is one of a duly authorized series of revenue bonds of the Authority, designated "Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2006" (the "Series 2006 Bonds"), and issued for the purpose of providing funds, together with any other available funds, to (i) pay a portion of the cost of acquiring certain real property for watershed protection and acquiring and constructing certain improvements to the Water and Sewer System (as defined in the Order) of the Authority, (ii) make a deposit to the credit of the Series 2006 Special Debt Service Reserve Account (as defined in the Series Resolution hereinafter mentioned) in the form of a municipal bond debt service reserve insurance policy in an amount equal to the Series 2006 Special Debt Service Reserve Account Requirement (as defined in the Series Resolution) and (iii) pay certain expenses incurred in connection with the issuance of the Series 2006 Bonds.

The Series 2006 Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Series Resolution. One Series 2006 Bond certificate with respect to each date on which the Series 2006 Bonds are stated to mature, registered in the name of the Securities Depository Nominee (as defined in the Series Resolution), is being issued and required to be deposited with the Securities Depository (as defined in the Series Resolution) and immobilized in its custody. The book-entry system will evidence positions held in the Series 2006 Bonds by the Securities Depository's participants, beneficial ownership of the Series 2006 Bonds in the principal amount of \$5,000 or any integral multiple thereof being evidenced in the records of such participants. Transfers of ownership will be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The Authority, the Bond Registrar and the Trustee will recognize the Securities Depository Nominee, while the registered owner of this Series 2006 Bond, as the owner of this Series 2006 Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Series 2006 Bond, (ii) notices and (iii) voting. Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2006 Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The Authority, the Bond Registrar and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, the Securities Depository's participants or persons acting through such participants. While the Securities Depository Nominee is the registered owner of this Series 2006 Bond, notwithstanding the provisions hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Series 2006 Bond shall be made in accordance with existing arrangements between the Bond Registrar or its successors under the Series Resolution and the Securities Depository.

The Series 2006 Bonds are being issued under and pursuant to the Constitution and laws of the State of North Carolina, including the North Carolina Water and Sewer Authorities Act, as amended, and The State and Local Government Revenue Bond Act, as amended (collectively, the "Act"), an amended and restated bond order duly adopted by the Authority on September 13, 2001 (said amended and restated bond order, together with all orders supplemental and

amendatory thereto as therein permitted, being herein called the "Order") and a series resolution duly adopted by the Authority on October 12, 2006 (the "Series Resolution"). The Authority has heretofore issued and secured under the Order \$32,165,000 original aggregate principal amount of its Water and Sewer System Revenue and Revenue Refunding Bonds, Series 1993, \$15,120,000 original aggregate principal amount of its Water and Sewer System Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), \$34,540,000 original aggregate principal amount of its Water and Sewer System Revenue Bonds, Series 2001 (the "Series 2001 Bonds"), \$13,875,000 original aggregate principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds"), \$21,265,000 original aggregate principal amount of its Water and Sewer System Revenue Bonds, Series 2004A (the "Series 2004A Bonds"), \$20,000,000 original aggregate principal amount of its Water and Sewer System Revenue Bonds, Series 2004B (the "Series 2004B Bonds") and \$18,675,000 original aggregate principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2005 (the "Series 2005 Bonds"). The Order provides for the issuance from time to time under the conditions, limitations and restrictions therein set forth of additional bonds to provide funds for paying all or any part of the cost of any Additional Project (as defined in the Order), to provide funds for completing payment of the cost of the Project (as defined in the Order) and any Additional Project, and to provide funds to pay the cost (including financing costs) of refunding any bonds issued under the Order, Parity Debt (as defined in the Order) or Subordinated Indebtedness (as defined in the Order) (such additional bonds, the Series 2006 Bonds, the outstanding Series 2005 Bonds, the outstanding Series 2004A Bonds, the outstanding Series 2004B Bonds, the outstanding Series 2003 Bonds, the outstanding Series 2001 Bonds and the outstanding Series 1999 Bonds being herein collectively called the "Bonds"). Copies of the Order and the Series Resolution are on file at the corporate trust office of The Bank of New York Trust Company, N.A. (the "Trustee") in Jacksonville, Florida. By the acceptance of this bond, the registered owner hereof assents to all of the provisions of the Order and the Series Resolution.

The Series 2006 Bonds are special obligations of the Authority secured by a pledge, charge and lien upon Net Receipts (as defined in the Order). The Authority is not obligated to pay the principal of or the interest on the Series 2006 Bonds except, as provided in the Order, from Net Receipts or certain other monies made available therefor under the Order, and neither the faith and credit nor the taxing power of the State of North Carolina or any political subdivision thereof or the Authority is pledged to the payment of the principal of and the interest on the Series 2006 Bonds. The Order provides for the issuance or incurrence from time to time under the conditions, limitations and restrictions therein set forth of Bonds and Parity Debt (as defined in the Order) secured on a parity as to the pledge of Net Receipts.

Reference is made to the Order and the Series Resolution for a more complete statement of the provisions thereof and of the rights of the Authority, the Trustee and the registered owners of the Series 2006 Bonds.

The Order provides for the creation of a special fund designated "Orange Water and Sewer Authority Water and Sewer System Revenue Bonds Bond Fund" (the "Bond Fund"). Pursuant to the Series Resolution, special subaccounts have been created within the various accounts of the Bond Fund with respect to the Series 2006 Bonds (the "Subaccounts"), which Subaccounts are pledged to and charged with the payment of the principal of and the interest on

the Series 2006 Bonds. The Series Resolution also provides for the deposit of Net Receipts to the credit of the Subaccounts to the extent and in the manner provided in the Order and the Series Resolution. The Series 2006 Bonds are additionally secured by a Reserve Alternative Instrument (as defined in the Order) deposited to the credit of the Series 2006 Special Debt Service Reserve Account created and so designated by the Series Resolution.

The Series 2006 Bonds are issuable as registered bonds without coupons, in denominations of \$5,000 or any integral multiple thereof. At the principal corporate trust office of the Bond Registrar, in the manner and subject to the limitations and conditions provided in the Order, Series 2006 Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity, of authorized denominations and bearing interest at the same rate.

The transfer of this bond is registrable by the registered owner hereof in person or by his attorney or legal representative at the principal corporate trust office of the Bond Registrar but only in the manner and subject to the limitations and conditions provided in the Order and upon surrender and cancellation of this bond. Upon any such registration of transfer the Authority shall execute and the Bond Registrar shall authenticate and deliver in exchange for this bond a new Series 2006 Bond or Series 2006 Bonds, registered in the name of the transferee, of authorized denominations, in aggregate principal amount equal to the principal amount of this bond, of the same maturity and bearing interest at the same rate. The Authority or the Bond Registrar may make a charge for every such exchange or registration of transfer of Series 2006 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any registered owner for the privilege of exchanging or registering the transfer of Series 2006 Bonds. Neither the Authority nor the Bond Registrar shall be required to make any such exchange or registration of transfer of Series 2006 Bonds during the fifteen (15) days immediately preceding the date of first giving of notice of any redemption of Series 2006 Bonds or any portion thereof or of any Series 2006 Bond after such Series 2006 Bond or any portion thereof has been selected for redemption.

The Series 2006 Bonds maturing on or after July 1, 20\_\_ are subject to redemption, at the option of the Authority, on or after July 1, 20\_\_, in whole or in part (by lot within a maturity) at any time. Any such redemption will be at the redemption prices (expressed as a percentage of the principal amount of Series 2006 Bonds to be redeemed), plus accrued interest thereon to the redemption date, all as set forth in the following table:

<u>Redemption Periods</u>	<u>Redemption Prices</u>
July 1, 20__ through June 30, 20__	%
July 1, 20__ through June 30, 20__	
July 1, 20__ and thereafter	

The Series 2006 Bonds at the time outstanding that are stated to mature on July 1, 20\_\_ are required to be redeemed in part by lot on July 1, 20\_\_ and on each July 1 thereafter, in accordance with the Sinking Fund Requirements (as defined in the Series Resolution) therefor, from moneys deposited with the Trustee for such purpose. Such redemption shall be at a

redemption price equal to 100% of the principal amount of the Series 2006 Bonds to be redeemed, plus accrued interest thereon to the redemption date.

If less than all of the Series 2006 Bonds are to be called for redemption, the Series 2006 Bonds to be so redeemed shall be called for redemption in the manner that the Authority shall determine as set forth in an Officer's Certificate filed with the Trustee. If less than all of the Series 2006 Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2006 Bonds to be redeemed by lot, each \$5,000 portion of principal being counted as one Series 2006 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2006 Bonds is the Securities Depository Nominee, such selection shall be made by the Securities Depository.

Not less than thirty (30) days but not more than sixty (60) days prior to the redemption date of any Series 2006 Bonds, either in whole or in part, the Bond Registrar shall cause a notice of any such redemption, signed by the Bond Registrar, to be mailed, first class, postage prepaid, to all registered owners of Series 2006 Bonds or portions of Series 2006 Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Bond Registrar, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption as to any registered owners to whom such notice was given as so required. The Bond Registrar shall also cause a notice of any such redemption to be given to such other parties as provided in the Series Resolution. On the date designated for redemption, notice having been given as aforesaid, the Series 2006 Bonds or portions of Series 2006 Bonds so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Series 2006 Bonds or portions thereof on such date, and, if the moneys for payment of the redemption price and the accrued interest are held by the Bond Registrar, as provided in the Order, interest on such Series 2006 Bonds or portions thereof shall cease to accrue, such Series 2006 Bonds or portions thereof shall cease to be entitled to any benefit or security under the Order, and the registered owners thereof shall have no rights in respect of such Series 2006 Bonds or portions thereof except to receive payment of the redemption price thereof and the accrued interest so held by the Bond Registrar. If a portion of this bond shall be called for redemption, a new Series 2006 Bond or Series 2006 Bonds in principal amount equal to the unredeemed portion hereof will be issued to the registered owner upon surrender hereof.

With respect to any notice of redemption of Series 2006 Bonds (other than a notice given with respect to a mandatory sinking fund redemption), such notice may state that such redemption shall be conditional upon the receipt by the Trustee or the Bond Registrar, on or prior to the date fixed for such redemption, of moneys sufficient to pay the redemption price of and accrued interest on such Series 2006 Bonds to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect and the Authority shall not be required to redeem such Series 2006 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

The registered owner of this bond shall have no rights to enforce the provisions of the Order or to institute action to enforce the covenants therein, or to take any action with respect to

any event of default under the Order or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Order.

In certain events, on the conditions, in the manner and with the effect set forth in the Order, the principal of all the Bonds and Parity Debt then outstanding under the Order may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

Modifications or alterations of the Order may be made by the Authority only to the extent and in the circumstances permitted by the Order.

As declared by the Act, this bond, subject only to the provisions for registration and registration of transfer stated herein and contained in the Order, is an investment security within the meaning of and for all the purposes of Article 8 of the Uniform Commercial Code of the State of North Carolina.

This bond is issued with the intent that the laws of the State of North Carolina shall govern its construction.

All acts, conditions and things required by the Constitution and laws of the State of North Carolina, the Order and the Series Resolution to happen, exist and be performed precedent to and in the issuance of this bond have happened, exist and have been performed as so required.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Order until this bond shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, the Orange Water and Sewer Authority has caused this bond to be signed by its Chair and its Secretary-Treasurer and the corporate seal of the Authority to be impressed hereon, all as of the 26th day of October, 2006.

[Seal]

ORANGE WATER AND SEWER AUTHORITY

By: \_\_\_\_\_  
Chair

By: \_\_\_\_\_  
Secretary

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issuance of the within bond has been approved under the provisions of The State and Local Government Revenue Bond Act of North Carolina.

\_\_\_\_\_  
Secretary, Local Government Commission  
of North Carolina

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds of the series designated therein and issued under the provisions of the within mentioned Order and Series Resolution.

THE BANK OF NEW YORK TRUST  
COMPANY, N.A.,  
as Bond Registrar

By: \_\_\_\_\_  
Vice President

Date of authentication: \_\_\_\_\_

ASSIGNMENT

FOR VALUE RECEIVED the undersigned registered owner thereof hereby sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

[Please Print or Typewrite Name and Address of Transferee]

the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to register the transfer of said Bond on the books kept for registration thereof, with full power of substitution in the premises

Dated: \_\_\_\_\_

\_\_\_\_\_  
NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

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NOTICE: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion program (STAMP) or similar program.

Section 11. Series 2006 Special Debt Service Reserve Account; Reserve Policy. On the Closing Date, OWASA shall cause to be deposited to the credit of the Series 2006 Special Debt Service Reserve Account the Reserve Policy in an amount equal to the Series 2006 Special Debt Service Reserve Account Requirement. All amounts in the Series 2006 Special Debt Service Reserve Account shall be held in trust and applied for the further security of the Owners of the Series 2006 Bonds as provided in this Series Resolution.

The Trustee shall draw on the Reserve Policy or any other Reserve Alternative Instrument delivered to the Trustee in the future for deposit in the Series 2006 Special Debt Service Reserve Account and shall use any cash and Investment Obligations in the Series 2006 Special Debt Service Reserve Account to make transfers to the Series 2006 Subaccount of the Interest Account, the Series 2006 Subaccount of the Principal Account or the Series 2006 Subaccount of the Sinking Fund Account to the extent necessary to pay interest on and principal of (whether at maturity, by acceleration or in satisfaction of the Sinking Fund Requirement therefor) the Series 2006 Bonds, whenever and to the extent that the money on deposit in the Series 2006 Subaccount of the Interest Account, the Series 2006 Subaccount of the Principal Account or the Series 2006 Subaccount of the Sinking Fund Account is insufficient for such purposes and OWASA has failed to cure such deficiency.

If (i) there shall be cash and Investment Obligations on deposit in the Series 2006 Special Debt Service Reserve Account and (ii) on any date of valuation the amount held in the Series 2006 Special Debt Service Reserve Account, including the interest earnings on such Account, exceeds for any reason the Series 2006 Special Debt Service Reserve Account Requirement, an amount equal to such excess shall be transferred by the Trustee, (A) to the Series 2006 Subaccount of the Interest Account, the Series 2006 Subaccount of the Principal Account or the Series 2006 Subaccount of the Sinking Fund Account, as OWASA shall direct, or (B) if OWASA shall deliver to the Trustee a written statement setting forth the use which OWASA proposes to make of such excess amount, accompanied by an opinion of bond counsel to OWASA addressed to the Trustee to the effect that such proposed use will not cause the interest on the Series 2006 Bonds to be includable in the gross income of the owners thereof for purposes of federal income taxation, to OWASA.

So long as a Reserve Alternative Instrument shall be in effect, the Trustee shall give such notices and execute such documents as shall be required to assure that funds are available in such amounts and at such times to assure timely payment of principal of and interest on the Series 2006 Bonds.

The Trustee shall ascertain the necessity for a claim upon the Reserve Policy and provide notice to Financial Security in accordance with the terms of the Reserve Policy at least five (5)



Business Days prior to each date upon which interest or principal is due on the Series 2006 Bonds.

OWASA shall pay Financial Security (i) the principal amount of any draws under the Reserve Policy, (ii) all related reasonable expenses incurred by Financial Security and (iii) accrued interest on such draws and expenses from the date of payment by Financial Security at the Reserve Policy Late Payment Rate.

Repayment of draws on the Reserve Policy and payment of expenses and the interest accrued thereon at the Reserve Policy Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each such draw, and each such monthly payment shall be in an amount equal to not less than 1/12th of the aggregate of the Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to Financial Security shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to Financial Security on account of principal due, the coverage under the Reserve Policy shall be increased by a like principal amount, subject to the terms of the Reserve Policy.

All cash and Investment Obligations, if any, deposited to the credit of the Series 2006 Special Debt Service Reserve Account after the delivery of the Reserve Policy shall be transferred to the Series 2006 Subaccount of the Interest Account, the Series 2006 Subaccount of the Principal Account or the Series 2006 Subaccount of the Sinking Fund Account, as the case may be, for payment of debt service on the Series 2006 Bonds before any draw shall be made on the Reserve Policy or on any other Reserve Alternative Instrument on deposit to the credit of the Series 2006 Special Debt Service Reserve Account. Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Reserve Alternative Instruments on deposit to the credit of the Series 2006 Special Debt Service Reserve Account (including the Reserve Policy) on which there is available coverage shall be made on a pro rata basis (calculated by reference to coverage then available under each such Reserve Alternative Instrument on deposit to the credit of the Series 2006 Special Debt Service Reserve Account) after applying available cash and Investment Obligations on deposit to the credit of the Series 2006 Special Debt Service Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to Reserve Alternative Instruments on deposit to the credit of the Series 2006 Special Debt Service Reserve Account shall be made on a pro rata basis prior to replenishment of any cash drawn from the Series 2006 Special Debt Service Reserve Account.

If OWASA shall fail to pay any Policy Costs in accordance with the requirements of this Series Resolution and the Insurance Agreement, Financial Security shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Order and this Series Resolution, other than (i) acceleration of the maturity of the Series 2006 Bonds or (ii) remedies which would adversely affect the Owners of the Series 2006 Bonds.

The Order and this Series Resolution shall not be repealed until all Policy Costs owing to Financial Security shall have been paid in full. OWASA's obligation to pay such amounts shall expressly survive payment in full of the Series 2006 Bonds.

It is the intent of this Series Resolution and it is hereby expressly recognized and acknowledged by OWASA that the covenant set forth in Section 7.04(b) of the Order applies by its terms and provisions to the coverage of any Policy Costs then due and owing.

In order to secure the payment obligations of OWASA with respect to any Policy Costs, the right of Financial Security to the payment of such Policy Costs shall be subordinate and junior in right of payment from Net Receipts only to the prior payment in full of the Series 2006 Bonds and any other Parity Indebtedness.

Section 12. Series 2006 Additional Project Account. On the Closing Date, OWASA shall cause to be deposited, from the proceeds of the Series 2006 Bonds, to the credit of the Series 2006 Additional Project Account in the Construction Fund, such amount as is required by Section 13 of this Series Resolution. The Series 2006 Additional Project Account shall be governed by the provisions of Article IV of the Order, and the moneys in the Series 2006 Additional Project Account shall be applied to pay the cost of the Additional Project and the costs of issuance of the Series 2006 Bonds.

Section 13. Application of Proceeds of the Series 2006 Bonds. On the Closing Date, the Trustee shall apply the proceeds of the Series 2006 Bonds as follows:

- (i) an amount equal to the premium for the Reserve Policy to be deposited in the Series 2006 Special Debt Service Reserve Account shall be transferred to Financial Security; and
- (ii) the balance of such proceeds shall be deposited to the credit of the Series 2006 Additional Project Account.

Section 14. Application of Net Receipts. On or before the dates set forth below, OWASA shall, subject to the provisions of the Order, deposit or cause to be deposited, from Net Receipts held in the Revenue Account, with the Trustee the following amounts, and the Trustee shall apply such amounts to the various subaccounts and accounts specified in this Series Resolution in the following order:

- (a) into the Series 2006 Subaccount of the Interest Account, on the Business Day immediately preceding each Interest Payment Date, an amount equal to the interest payable on the Series 2006 Bonds on such Interest Payment Date;
- (b) into the Series 2006 Subaccount of the Principal Account, on the Business Day immediately preceding each July 1, beginning in the year specified in the Series Certificate, an amount equal to the principal of all Series 2006 Bonds that are Serial Bonds, if any, due on such July 1;
- (c) into the Series 2006 Subaccount of the Sinking Fund Account, on the Business Day immediately preceding each July 1, beginning in the year specified in the Series Certificate, the amount required to retire the Series 2006 Bonds that are Term Bonds, if any, to be called by mandatory redemption or to be paid at maturity on such July 1 in accordance with the Sinking Fund Requirement therefor;

(d) so long as the Reserve Policy or any other Reserve Alternative Instrument shall be in effect, any deficiency in the Series 2006 Special Debt Service Reserve Account resulting from a draw on the Reserve Policy or such other Reserve Alternative Instrument shall be made up as provided in the Reserve Policy or such other Reserve Alternative Instrument, or the documentation relating thereto; and

(e) if the Reserve Policy or another Reserve Alternative Instrument shall not be in effect, beginning on the twenty-fifth (25th) day of the month following the month in which money is transferred from the Series 2006 Special Debt Service Reserve Account to the Series 2006 Subaccount of the Interest Account, the Series 2006 Subaccount of the Principal Account or the Series 2006 Subaccount of the Sinking Fund Account to cure a deficiency therein with respect to the Series 2006 Bonds, and continuing on the twenty-fifth (25th) day of each month thereafter, into the Series 2006 Special Debt Service Reserve Account, one-twelfth (1/12) of the amount or amounts so transferred until the amount then on deposit in the Series 2006 Special Debt Service Reserve Account is equal to the Series 2006 Special Debt Service Reserve Account Requirement; and, beginning on the twenty-fifth (25th) day of the month following a valuation made in accordance with Section 6.03 of the Order in which the amount on deposit in the Series 2006 Special Debt Service Reserve Account is less than ninety percent (90%) of the Series 2006 Special Debt Service Reserve Account Requirement due to a loss resulting from a decline in the value of Investment Obligations held for the credit of the Series 2006 Special Debt Service Reserve Account, and continuing on the twenty-fifth (25th) day of each month thereafter, into the Series 2006 Special Debt Service Reserve Account, one-sixth (1/6) of the amount by which the Series 2006 Special Debt Service Reserve Account Requirement exceeds such balance until the amount on deposit to the credit of the Series 2006 Special Debt Service Reserve Account is equal to the Series 2006 Special Debt Service Reserve Account Requirement.

In addition, the Trustee shall deposit to the credit of the Series 2006 Subaccount of the Redemption Account all amounts as shall be delivered to the Trustee by OWASA from time to time with instructions that such amounts be so deposited for the redemption of the Series 2006 Bonds.

Section 15. Investment of Money. Money held for the credit of the Series 2006 Additional Project Account, the Series 2006 Special Debt Service Reserve Account and the subaccounts established by this Series Resolution shall be continuously invested and reinvested by the Trustee in Investment Obligations to the extent practicable. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such account or subaccounts will be required for the purposes intended; provided, however, that any Investment Obligations held for the credit of the Series 2006 Special Debt Service Reserve Account may mature not later than ten (10) years from their date of deposit therein. No Investment Obligations in any such account or subaccount may mature beyond the latest maturity date of any Series 2006 Bonds Outstanding at the time such Investment Obligations are deposited.

Investment Obligations acquired with money in or credited to any account or subaccount established hereunder shall be deemed at all times to be part of such account or subaccount. Any loss realized upon the disposition or maturity of such Investment Obligations shall be charged against such account or subaccount. The interest accruing on any such Investment Obligations

and any profit realized upon the disposition or maturity of such Investment Obligations shall be credited to such account or subaccounts as follows:

<u>Accounts or Subaccounts</u>	<u>Credited to</u>
Series 2006 Additional Project Account	Series 2006 Additional Project Account
All Subaccounts	Respective Subaccounts
Series 2006 Special Debt Service Reserve Account	Series 2006 Subaccount of the Interest Account, the Principal Account or the Sinking Fund Account, as directed by OWASA

Any such interest accruing and any such profit realized shall be transferred upon the receipt thereof by OWASA or the Trustee, as the case may be, pursuant to the provisions of the Order and this Series Resolution.

An Authorized Officer shall give to the Trustee written directions respecting the investment of any money required to be invested hereunder, subject, however, to the provisions of this Section, and the Trustee shall then invest such money as so directed. The Trustee may request in writing additional direction or authorization from the Authorized Officer with respect to the proposed investment of money. Upon receipt of such directions, the Trustee shall invest, subject to the provisions of this Section, such money in accordance with such directions. The Trustee shall not be liable to OWASA for any loss suffered by OWASA as a result of or in connection with any investment in Investment Obligations made by the Trustee in good faith as instructed by or approved by an Authorized Officer.

The Trustee shall sell at the best price obtainable or, acting in a commercially reasonable manner, reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to do so in order to provide money to make any payment from any such account or subaccount. The Trustee shall not be liable or responsible for any loss resulting from any such investment.

Whenever a transfer of money between two or more of the accounts or subaccounts is permitted or required, such transfer may be made as a whole or value determined at the time of such transfer in accordance with Article VI of the Order, provided that the Investment Obligations transferred are those in which money of the receiving account or subaccount could be invested at the date of such transfer.

Section 16. Approval of Official Statement. The Preliminary Official Statement, dated October 3, 2006, relating to the Series 2006 Bonds (the "Preliminary Official Statement") is hereby approved. OWASA hereby ratifies the use and distribution of the Preliminary Official Statement by Banc of America Securities LLC and Scott & Stringfellow, trading as BB&T Capital Markets (the "Underwriters"). OWASA authorizes and consents to the preparation and distribution of a final Official Statement relating to the Series 2006 Bonds (the "Official Statement"), in substantially the form of the Preliminary Official Statement, together with such

changes as are necessary to reflect the final terms of the Series 2006 Bonds. The Chair, the Vice-Chair or the Executive Director of OWASA is hereby authorized and directed to execute and deliver the Official Statement, in substantially the form of the Preliminary Official Statement, together with such changes, specifications, and deletions as the Chair, the Vice-Chair or the Executive Director of OWASA, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization in all respects of the form and content thereof.

Section 17. LGC Requested to Award the Series 2006 Bonds. OWASA hereby requests that the Local Government Commission of North Carolina award the Series 2006 Bonds at negotiated sale without advertisement to the Underwriters in the amount and at the interest rates fixed pursuant to this Series Resolution at a price of not less than ninety-nine and forty-five one hundredths percent (99.45%) of the par amount of the Series 2006 Bonds, less the amount of any original issue discount, plus the amount of any original issue premium on the Series 2006 Bonds, subject to the approval thereof by the Chair, the Vice-Chair or Executive Director of OWASA.

Section 18. Approval of Bond Purchase Agreement and Insurance Agreement. OWASA hereby approves the Bond Purchase Agreement relating to the Series 2006 Bonds (the "Bond Purchase Agreement"), in substantially the form of the draft dated September 1, 2006, and the Insurance Agreement, in substantially the form of the draft attached as Exhibit A to the municipal bond debt service reserve commitment letter of Financial Security, dated October \_\_, 2006, and hereby authorizes the Chair, the Vice-Chair or the Executive Director of OWASA to execute the Bond Purchase Agreement and the Insurance Agreement, in substantially the forms of said drafts, together with such changes, modifications, insertions and deletions, as he, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization thereof by OWASA.

Section 19. Continuing Disclosure. OWASA hereby undertakes, for the benefit of the beneficial owners of the Series 2006 Bonds, to provide:

(A) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2006, to each nationally recognized municipal securities information repository ("NRMSIR") and to the state information depository for the State of North Carolina ("SID"), if any, audited financial statements of OWASA for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of OWASA are not available by seven months from the end of such Fiscal Year, unaudited financial statements of OWASA for such Fiscal Year to be replaced subsequently by audited financial statements of OWASA to be delivered within 15 days after such audited financial statements become available for distribution;

(B) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2006, to each NRMSIR, and to the SID, if any, (i) the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the following headings and tables in Appendix A to the

Official Statement relating to the Series 2006 Bonds to the extent such items are not included in the financial statements referred to in (A) above:

- (1) “Rates, Fees and Charges” (tables and other rate information therein, excluding tables showing comparative bills for surrounding municipalities and future rate increases);
- (2) “Customer Accounts” (tables therein); and
- (3) “Historical Operating Results” (table therein);

(C) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board (“MSRB”), and to the SID, if any, notice of any of the following events with respect to the Series 2006 Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2006 Bonds;
- (7) modification to the rights of the beneficial owners of the Series 2006 Bonds;
- (8) bond calls, other than bond calls relating to any mandatory sinking fund redemptions;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2006 Bonds; and
- (11) rating changes; and

(D) in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of a failure of OWASA to provide required annual financial information described in (A) or (B) above on or before the date specified.

If OWASA fails to comply with the undertaking described above, the Trustee or any beneficial owner of the Series 2006 Bonds then Outstanding may take action to protect and enforce the rights of beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an event of default under the Order and shall not result in any acceleration of payment of the Series 2006 Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of the beneficial owners of the Series 2006 Bonds.

OWASA reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of OWASA, provided that:

(a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of OWASA; and

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12") as of the date of the Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with OWASA (such as bond counsel or the Trustee), or by approving vote of the registered owners of not less than fifty-one percent (51%) in aggregate principal amount of the Series 2006 Bonds then Outstanding pursuant to the terms of the Order, as it may be amended from time to time.

OWASA also agrees that the annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendments and the impact of the change in the type of operating data or financial information being provided.

So long as filing with DisclosureUSA.org is recognized by the Securities and Exchange Commission as a filing with each NRMSIR and the SID, if any, for purposes of Rule 15c2-12, any filings required to be made under this Section to each NRMSIR and the SID, if any, may be made by an appropriate filing with DisclosureUSA.org through its filing system, and such filing shall be considered a filing with each NRMSIR and the SID, if any, under this Series Resolution.

The provisions of this Section shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Series 2006 Bonds.

Section 20. Authorization to OWASA Officials. The officers, agents and employees of OWASA and the officers and agents of the Trustee and the Bond Registrar are hereby authorized and directed to do all acts and things required of them by the provisions of the Series 2006 Bonds, the Order, the Bond Purchase Agreement, the Insurance Agreement, the Reserve Policy, this Series Resolution and any other related documents or agreements for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein.

Section 21. Exclusion From Gross Income Covenant. OWASA covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2006 Bonds to become includable in the gross income of the owners thereof for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

Section 22. Effective Date. This Series Resolution shall take effect immediately upon its adoption. Notwithstanding the foregoing, if the Chair, the Vice-Chair, the Executive Director or the Director of Finance and Customer Service of OWASA shall determine that no Series 2006 Bonds shall be Term Bonds, as specified in the Series Certificate required by Section 4 of this Series Resolution, the terms and provisions of this Series Resolution with respect to Term Bonds and the mandatory redemption of Term Bonds pursuant to the Sinking Fund Requirements therefor shall be of no further force and effect.

Adopted this 12<sup>th</sup> day of October, 2006.

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Michael A. (Mac) Clarke  
Chair

ATTEST:

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Gordon Merklein  
Secretary



## APPENDIX A

### DESCRIPTION OF THE ADDITIONAL PROJECT

The Additional Project consists of the following:

1. the construction and equipping of various improvements at the Mason Farm Wastewater Treatment Plant (the “WWTP”) to expand the capacity at the WWTP to at least 14.5 million gallons per day (“MGD”) by the fiscal year ending June 30, 2007 and to provide the capability of meeting new phosphorus and nitrogen discharge limits;
2. the construction and equipping of improvements at the Stone Quarry Pump Station to increase raw water pumping capacity to 6 MGD;
3. the acquisition of certain real property adjacent to University Lake and Morgan Creek for watershed protection;
4. the installation of new biosolids dewatering facilities as part of the biosolids management program;
5. the installation of approximately 1,475 line feet of 8” gravity pipe as part of the phase-out of the North Forest Hills Pump Station;
6. the installation and rehabilitation of sewer mains and manholes to reduce storm water infiltration in the Bolin Creek Sewer Basin; and
7. the upgrading and rehabilitation of the Meeting of the Waters interceptor.

# **CLOSED SESSION**

**Following the Meeting of the Board of Directors  
the Board will Convene in a Closed Session for the  
purpose of discussing issues that may lead to litigation.**

**(Robert Epting/Mason Crum/Ed Holland)**

**October 12, 2006**