

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

APRIL 13, 2006

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, April 13, 2006, at 7:00 P.M., in the OWASA Community Room.

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

Others present: Ed Kerwin, Imtiaz Ahmad, Sandra Bradshaw, Jan Bryant-Berry, Stuart Carson, Patrick Davis, Greg Feller, Stephanie Glasgow, Walter Gottschalk, John Greene, Ed Holland, Johnny Johnson, Andrea Orbich, Kevin Ray, Bob Russell, Todd Spencer, Doug Terry, Judy Weller and Steve Woolley of the OWASA staff; Robert Epting, Esquire, Epting and Hackney; Meg Holton, Water, Wastewater, and Stormwater Manager, UNC; and Elizabeth Colini, Cam Hill and Patti Hucks of the Cane Creek Rowing Association.

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

MOTIONS ACTED UPON

1. Penny Rich made a motion to adopt the minutes of the March 9, 2006, Meeting of the Board of Directors. The motion was seconded by Gordon Merklein, and carried by unanimous vote.

2. Penny Rich made a motion to adopt the minutes of the March 23, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition. The motion was seconded by Gordon Merklein, and carried by unanimous vote.

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the Resolution Authorizing Executive Director to renew Public Officials & Employee Liability Insurance for a One Year Period for \$2,000,000 of Coverage with American International Specialty Lines Insurance Company. (Resolution so titled attached hereto and made a part of these minutes. Motion by Penny Rich, seconded by Milton Heath, and carried by unanimous vote.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the Resolution Supporting OWASA's Participation in the Local Greenhouse Gas Inventory and Reduction Plan and potential membership in the International Council of Local Environmental Initiatives – Local Governments for Sustainability and Cities for Climate Protection Campaign.

(Resolution so titled attached hereto and made a part of these minutes. Motion by Terri Buckner, seconded by Penny Rich, and carried by unanimous vote.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the Resolution Awarding a Construction Contract for the Completion of the Expansion and Upgrade Improvements for the Stone Quarry Reservoir Pump Station Project. (Resolution so titled attached hereto and made a part of these minutes. Motion by Laura Sandvik, seconded by Milton Heath, and carried by unanimous vote.)

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the Resolution Approving Audit Contract to McGladrey & Pullen, LLC and Authorizing Chair of the Board of Directors and the Finance Officer to Execute Said Contract. (Resolution so titled attached hereto and made a part of these minutes. Motion by Terri Buckner, seconded by Laura Sandvik, and carried by unanimous vote.)

7. Penny Rich moved that the Board to go into a Closed Session regarding a pending claim that may lead to litigation. Motion was seconded by Laura Sandvik, 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.

CLOSED SESSION

Mac Clarke said following the Board meeting, the Board will convene in a Closed Session for the purpose of discussing a pending claim that may lead to litigation.

RATE STUDY

Mac Clarke said the Rate Study is scheduled to begin on April 13, 2006, and asked if any Board member has any a specific question or topic relevant to the Rate Study that Burton and Associates could explore and address. Mr. Clarke stated his concerns regarding how assets are valued as it relates to connection charges. He said he would also like to review the desirability of continuing the current monthly service fee and possibly moving from the fixed charge every month for water and sewer to a rate based on the cost per gallons used.

Milton Heath agreed with Mr. Clarke's concerns about the effect of rate increases on low income customers.

COMMUNITY OUTREACH MEETING

Mark Marcoplos announced that OWASA will hold the second Community Outreach meeting on Thursday, April 27, 2006 at 7:00 P.M. at Chapel Hill Town Hall.

UPDATE OF THE WATER SUPPLY AND DEMAND CONDITIONS

Ed Kerwin updated the Board on the current drought and water supply and demand conditions. OWASA's lakes are 91 percent full, but streamflows into the Cane Creek Reservoir and University Lake are substantially below normal. These low streamflows reflect the current severe drought conditions affecting the North Carolina Piedmont, as reported by the N.C. Drought Advisory Council. Mr. Kerwin said staff will likely recommend the Board declare a Water Supply Advisory at the April 27th Board meeting to increase public awareness of the drought and about the need to conserve water.

COMMITTEE MEETING

Ed Kerwin said that Budget and Financial Planning Committee will meet on Wednesday, April 19, 2006 at 8:30 A.M., in the OWASA Boardroom to review the results of OWASA's 15-Year Financial Model as it pertains to the next Fiscal Year and beyond.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC

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

ITEM THREE: PETITIONS AND REQUESTS FROM THE BOARD

Mac Clarke asked for petitions and requests from the Board.

Laura Sandvik inquired about an OWASA customer, Theodore Sampson, whose basement was flooded. She asked whether OWASA has a procedure in place so that situation would not occur again.

Ed Kerwin said that there is a procedure, but precautions were not taken by staff to prevent flooding. Mr. Kerwin said staff will be retrained regarding these requirements.

ITEM FOUR: PETITIONS AND REQUESTS FROM THE STAFF

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

ITEM FIVE: REPORT ON EXTENSION OF THE UNC COGENERATION FACILITY'S SEWER DISCHARGE AGREEMENT

The Board received the April 6, 2006 update on the extension of the UNC Cogeneration facility's sewer discharge agreement.

ITEM SIX: COMMUNICATIONS PLANNING FOR WATER REUSE

Penny Rich asked who at OWASA would be taking questions regarding water reuse system.

Greg Feller said that Patrick Davis would receive the calls, as well as Ed Kerwin and himself.

Terri Buckner proposed that because of the different types of reuse practiced in our service area, OWASA could title the highly treated wastewater from the Mason Farm Wastewater Treatment Plant (WWTP) as "reclaimed" and refer to the schools' collection of stormwater as "reuse" to avoid misinterpretation of the two water reuses.

ITEM SEVEN: DECONSTRUCTION AND DEMOLITION OF THE CANE CREEK STANFORD HOUSE

The Board received the April 4, 2006 report on the deconstruction and demolition of the Cane Creek Stanford house as an information item.

ITEM EIGHT: MINUTES

Penny Rich made a motion to adopt the minutes of the March 9, 2006, Meeting of the Board of Directors. The motion was seconded by Gordon Merklein, and carried by unanimous vote. Please see Motion No. 1 above.

Penny Rich made a motion to adopt the minutes of the March 23, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition. The motion was seconded by Gordon Merklein, and carried by unanimous vote. Please see Motion No. 2 above.

ITEM NINE: RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO RENEW PUBLIC OFFICIALS & EMPLOYEE LIABILITY INSURANCE FOR A ONE YEAR PERIOD FOR \$2,000,000 OF COVERAGE WITH AMERICAN INTERNATIONAL SPECIALTY LINES INSURANCE COMPANY

Milton Heath asked for clarification of the kind of coverage this insurance provides for Board members and for the rationale for covering Board members.

Robert Epting and Kevin Ray said that this coverage is for Board members and staff and it applies to actions taken in an official capacity for OWASA.

Penny Rich moved to adopt the resolution; the motion was seconded by Milton Heath and carried by unanimous vote. Please see Motion No. 3 above.

ITEM TEN: RESPONSE TO A PETITION FROM CANE CREEK ROWING ASSOCIATION

John Greene presented information to the Board regarding the petition.

Robert Epting said that he had provided advice regarding specific questions asked by OWASA staff, and that his comments should not be interpreted as meaning that he opposes the Cane Creek Rowing Association's (CCRA) request or that approving it would be illegal.

Mark Marcoplos said the CCRA's request involves low risk and that OWASA should allow this activity.

Milton Heath said that having no supervision of citizens' use of the reservoir involves more risks than with allowing supervised lake use after the normal recreation season.

Mr. Cam Hill, a representative of the CCRA, said that there is risk inherent in everything, that rowing is a worthwhile activity and that the risk to OWASA is minimal. Mr. Hill said the CCRA appreciates the Board's willingness to continue discussing their request.

Ed Kerwin encouraged the Board to keep in mind that OWASA's primary mission is public water supply. He said three primary areas to consider are: first, the precedent set if the request is granted and the potential for similar requests from other organizations; second, that OWASA should seek and consider the views of Cane Creek Reservoir neighbors before making a decision on the request; and finally, that costs incurred by OWASA if the request is approved should be covered by parties other than OWASA ratepayers.

Mr. Marcoplos said he is persuaded by the thorough and thoughtful response from CCRA. He also said that input from the neighbors is important and should be considered before a final decision, and that the Board should address the issue of cost.

Penny Rich said she would like to see the lakes used more, but OWASA should proceed slowly and receive a plan from CCRA as well as feedback from neighbors of the Cane Creek Reservoir before a decision is made.

Mr. Heath suggested holding a public hearing on the issue. He said parking would be an issue; that the number of rowers using the lake on a year-round basis is a concern when our lakes are only open to the public from March through October; and that structures and a separate private entrance would need to be built. He said these would set a precedent and OWASA should possibly conduct a trial run on a limited basis during the existing recreation season.

Marge Anders Limbert said that if OWASA considers allowing unsupervised lake use, OWASA would need to address security concerns.

Gordon Merklein said that if there were to be more recreation on the lake, this would be the type of recreation OWASA would want because we already have it on University Lake without any problems.

Mac Clarke requested clarification of the physical limits on boating use at the lake at one time, and asked whether the present limit under the State permit granted to OWASA can be increased. He asked for more information about impacts of allowing a separate facility away from the OWASA building at Cane Creek; and about whether OWASA should allow greater lake use by members of a private club.

The Board requested more information from staff and directed staff to present it to the Board at a future meeting.

ITEM ELEVEN: STAFF PRESENTATION ON ANTICIPATED OPERATIONS AND MAINTENANCE BUDGET VARIANCES FOR FISCAL YEAR 2006-2007

Kevin Ray said that he and Ed Kerwin met with each department manager to discuss departmental budget requests for the new fiscal year, and that the Budget and Financial Planning Committee has also reviewed appropriation requests. The proposed operating budget variances will be included in the preliminary budget for fiscal year 2006-2007 which will be presented at the Board meeting on April 27, 2005. Mr. Ray said that the initial appropriation request is expected to exceed the current year's appropriation by approximately eight percent.

Department managers and the Board discussed variances in the proposed budget.

ITEM TWELVE: DISCUSSION OF PROPOSAL FROM THE AD HOC ART COMMITTEE

The Board was in agreement with the April 6, 2006 proposal from the Ad Hoc Art Committee and directed staff to move forward with process.

ITEM THIRTEEN: OWASA PARTICIPATION IN LOCAL GREENHOUSE GAS INVENTORY AND REDUCTION PLAN AND POTENTIAL MEMBERSHIP IN THE INTERNATIONAL COUNCIL OF LOCAL ENVIRONMENTAL INITIATIVES – LOCAL GOVERNMENTS FOR SUSTAINABILITY

Patrick Davis presented information to the Board on OWASA's involvement with the Local Greenhouse Gas Inventory and Reduction Plan and potential membership in the International Council of Local Environmental Initiatives (ICLEI) – Local Governments for Sustainability.

Mac Clarke inquired if there would be a demand on Mr. Davis' time or any other staff member.

Mr. Davis said that the time commitment would not be any more than is already required.

Terri Buckner asked if participation in this project would include information on a prior petition regarding alternative fuel.

Mr. Davis said yes, this study includes an assessment of all types of energy use in OWASA operations – electrical, natural gas and fuel including our current and potential use of alternative fuels.

Terri Buckner moved to adopt the Resolution Supporting OWASA's Participation in the ICLEI – Local Governments for Sustainability and Cities for Climate Protection Campaign. The motion was seconded by Penny Rich and carried by unanimous vote. Please see Motion No. 4 above.

ITEM FOURTEEN: RESOLUTION AWARDING A CONSTRUCTION CONTRACT FOR THE COMPLETION OF THE EXPANSION AND UPGRADE IMPROVEMENTS FOR THE STONE QUARRY RESERVOIR PUMP STATION PROJECT

Stuart Carson gave information to the Board on a construction contract for the completion of the expansion and upgrade improvement for the Stone Quarry Pump Station project.

Laura Sandvik moved to adopt the resolution; the motion was seconded by Milton Heath, and carried by unanimous vote. Please see Motion No. 5 above.

ITEM FIFTEEN: RESOLUTION APPROVING AUDIT CONTRACT TO MCGLADREY & PULLEN, LLC AND AUTHORIZING CHAIR OF THE BOARD OF DIRECTORS AND THE FINANCE OFFICER TO EXECUTE SAID CONTRACT

Mac Clarke commented that while he will support McGladrey and Pullen as OWASA's Auditor, it is important to periodically change audit firms.

Terri Buckner moved to adopt the resolution; the motion was seconded by Laura Sandvik and carried by unanimous vote. Please see Motion No. 6 above.

ITEM SIXTEEN: CLOSED SESSION

Penny Rich moved that the Board go into a Closed Session for the purpose of discussing a pending claim that may lead to litigation. The motion was seconded by Laura Sandvik, and carried by unanimous vote. Please see Motion No. 7 above.

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There being no further business to come before the Board, the meeting was adjourned at 9:40 P.M.

RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO RENEW
PUBLIC OFFICIALS AND EMPLOYEES LIABILITY INSURANCE FOR A
ONE YEAR PERIOD FOR \$2,000,000 OF COVERAGE WITH
AMERICAN INTERNATIONAL SPECIALTY LINES INSURANCE COMPANY

WHEREAS, the policy for Public Officials & Employees Liability Insurance with United General Insurance Company expires on April 20, 2006; and

WHEREAS, an offer has been received from American International Specialty Lines Insurance Company for \$2,000,000 of coverage, at an annual premium of \$27,739.40; and

WHEREAS, it is to the advantage of the Authority to maintain continuity of coverage;

NOW, THEREFORE, BE IT RESOLVED:

1. That Orange Water and Sewer Authority renew the Public Officials and Employees Liability Insurance policy with American International Specialty Lines Insurance Company for a period of one year, for \$2,000,000 of coverage, at a total premium of \$27,739.40 through George S. Williams, CPCU, Raleigh, North Carolina.

2. That the Executive Director be, and he hereby is, authorized and directed to renew the Public Officials and Employees Liability Insurance Policy.

Adopted this 13th day of April, 2006.

**RESOLUTION SUPPORTING ORANGE WATER AND SEWER AUTHORITY'S
(OWASA) PARTICIPATION IN THE ICLEI – LOCAL GOVERNMENTS FOR
SUSTAINABILITY AND CITIES FOR CLIMATE PROTECTION CAMPAIGN**

WHEREAS, scientific consensus has developed that carbon dioxide and other greenhouse gases released into the atmosphere have a profound effect on the Earth's climate; and

WHEREAS, the U.S. Conference of Mayors endorsed the 2005 U.S. Mayors Climate Protection Agreement signed by 221 mayors in the USA; and

WHEREAS, the Urban Environmental Accords adopted by local government delegates during United Nations World Environment Day 2005 call for reduced emissions through energy-efficiency, land use and transportation planning, waste reduction, and wiser energy management; and

WHEREAS, in 2003 the American Geophysical Union adopted a Statement noting that human activities are increasingly altering the Earth's climate and that natural influences cannot explain the rapid increase in near-surface temperatures observed during the second half of the 20th century; and

WHEREAS, in 2001, at the request of the Administration, the National Academy of Sciences reviewed and declared global warming a real problem caused in part by the actions of humankind; and

WHEREAS, the 2001 Third Assessment Report from the International Panel on Climate Change and the 2000 U.S. Global Change Research Program's First National Assessment indicate that global warming has begun; and

WHEREAS, 162 countries including the U.S. pledged under the United Nations Framework Convention on Climate Change to reduce their greenhouse gas emissions; and

WHEREAS, energy consumption, specifically the burning of fossil fuels, is estimated to account for more than 80 percent of U.S. greenhouse gas emissions; and

WHEREAS, local government actions taken to reduce greenhouse gas emissions and increase energy efficiency provide multiple local benefits by decreasing air pollution, creating jobs, reducing energy expenditures, and saving money for the local government, its residents, and businesses; and

WHEREAS, the Cities for Climate Protection Campaign sponsored by ICLEI Local Governments for Sustainability (ICLEI) has invited OWASA to join ICLEI and become a partner in the Cities for Climate Protection Campaign; and

WHEREAS, ICLEI provides member local governments and agencies with important technical assistance, information and technology transfer, and other services and support on issues relating to sustainability;

NOW THEREFORE, BE IT RESOLVED:

1. That the OWASA Board of Directors hereby agrees that OWASA should pursue membership in ICLEI – Local Governments for Sustainability in order to benefit from the services and support that membership in ICLEI has to offer to local governments on issues relating to sustainability.

2. That OWASA commits to participate in the Cities for Climate Protection Campaign and, as a participant, pledges to take a leadership role in working with the Town of Carrboro, Town of Chapel Hill, Orange County, and others to promote public awareness about the causes and impacts of climate change.

3. That OWASA will participate in the joint interlocal project initiated by Orange County, Carrboro, and Chapel Hill to achieve the Cities for Climate Protection Program five milestones to reduce both greenhouse gas and air pollution emissions throughout the community, specifically:

- a. conduct a greenhouse gas emissions inventory and forecast to determine the source and quantity of greenhouse gas emissions in the jurisdiction;
- b. establish a greenhouse gas emissions reduction target;
- c. develop an action plan with both existing and future actions which when implemented will meet the local greenhouse gas reduction target;
- d. implement the action plan; and
- e. monitor and report progress.

4. That OWASA requests assistance from ICLEI's Cities for Climate Protection Campaign as it progresses through the milestones.

5. That OWASA requests assistance from ICLEI on other issues and efforts relating to sustainability.

Adopted this 13th day of April, 2006.

**RESOLUTION AWARDING A CONSTRUCTION CONTRACT FOR THE
COMPLETION OF THE EXPANSION AND UPGRADE IMPROVEMENTS FOR
STONE QUARRY RESERVOIR PUMP STATION PROJECT**

WHEREAS, there is a need for the completion of the expansion and upgrade improvements for the Stone Quarry Reservoir Pump Station to increase raw water supply system's safe yield and redundancy; and

WHEREAS, plans and specifications for the construction of this project have been prepared by the Hazen and Sawyer; and

WHEREAS, advertisement for bids was published in the News and Observer on December 4, 2005, and two (2) General Construction bids were received on January 26, 2006 but were not opened because state statutes require that at least three (3) bids be received for the first attempted bid opening for a formal bid; and

WHEREAS, re-advertisement for bids was placed on OWASA's Website and two (2) bids were received, opened and read aloud in accordance with State Statutes on February 7, 2006; and

WHEREAS, on June 9, 2005 the Board approved a resolution authorizing funds for Capital Projects for Water Supply, including adequate funds for this project;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Orange Water and Sewer Authority Board of Directors awards the general construction contract to Seaside Environmental Constructors, Inc., the low bidder for the completion of the Expansion and Upgrade Improvements for Stone Quarry Reservoir Pump Station, in accordance with the approved plans and specifications, in the amount of \$2,072,000 for the base bid, subject to such change orders as may apply.
2. That the Executive Director be, and hereby is, authorized to execute said contract, subject to prior approval of legal counsel, and to approve and execute change orders and such documents as may be required in connection with the construction contract.
3. That the Executive Director be, and hereby is, directed to furnish copies of said contract to the appropriate State and Federal regulatory agencies for required approval.

Adopted this 13th day of April, 2006.

RESOLUTION APPROVING AND AWARDDING AUDIT CONTRACT TO
MCGLADREY & PULLEN, LLP AND AUTHORIZING CHAIR OF THE BOARD OF
DIRECTORS AND THE FINANCE OFFICER TO EXECUTE SAID CONTRACT

WHEREAS, Orange Water and Sewer Authority is required by the General Statutes of the State of North Carolina and the Series 2001 Bond Order to have its financial records audited at the termination of each fiscal year; and

WHEREAS, in February of 2006, the Authority solicited audit proposals based upon the established criteria recommended by the North Carolina Local Government Commission;

NOW, THEREFORE, BE IT RESOLVED:

1. That the contract between Orange Water and Sewer Authority and McGladrey & Pullen, LLP, Greensboro, N.C., for financial audit for Fiscal Year Ending June 30, 2006, for total charges not to exceed \$30,125 is hereby approved subject to approval by the North Carolina Local Government Commission.

2. That the Chair of the Orange Water and Sewer Authority Board of Directors and the Finance Officer are hereby authorized to execute such contract.

Adopted this 13th day of April, 2006.