

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

APRIL 27, 2006

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, April 27, 2006, at 6:00 P.M., at the Chapel Hill Town Hall.

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

Others present: Ed Kerwin, Imtiaz Ahmad, Mary Darr, Patrick Davis, Marsha Ferrington, Greg Feller, John Greene, Ed Holland, Andrea Orbich, and Kevin Ray of the OWASA staff; Robert Epting, Esquire, Epting and Hackney; and Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina at Chapel Hill.

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

MOTIONS ACTED UPON

1. Penny Rich moved to adopt the minutes of the March 23, 2006, Meeting of the Board of Directors. The motion was seconded by Marge Anders Limbert and carried by unanimous vote.

2. Penny Rich moved to adopt the minutes of the April 13, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition. The motion was seconded by Marge Anders Limbert and carried by unanimous vote.

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the "Resolution Adopting Preliminary Annual Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2006 through June 30, 2007." (Resolution so titled attached hereto and made a part of these minutes. Motion by Milton Heath, seconded by Laura Sandvik, and carried by unanimous vote.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Setting Date of May 25, 2006, for a Public Hearing on the Proposed OWASA Budget for Fiscal Year 2006-2007 and on the Capital Improvements Program for Fiscal Years 2007-2021, Including a Five-Year Capital Improvements Budget for Fiscal Years 2007-2011." (Resolution so titled attached hereto and made a part of these minutes. Motion by Milton Heath, seconded by Mark Marcoplos, and carried by unanimous vote.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Setting the Date of May 25, 2006, for a Public Hearing on Proposed Revision of Water and Sewer Rates, Fees and Charges." (Resolution so titled attached hereto and

made a part of these minutes. Motion by Laura Sandvik, seconded by Gordon Merklein, and carried by unanimous vote.)

6. Marge Anders Limbert moved that the Board recess until after the Community Outreach meeting, at which time the Board will convene in a Closed Session for the purpose of discussing land acquisition. The motion was seconded by Gordon Merklein 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 that following the Community Outreach meeting at 7:00 P.M. tonight, the Board will convene in a Closed Session for the purpose of discussing property acquisition.

CHAPEL HILL COMPREHENSIVE PLAN

Mac Clarke said that the Town of Chapel Hill Planning Department requested OWASA's review of and comments on proposed revisions to the Chapel Hill Comprehensive Plan by June 30, 2006. Mr. Clarke requested that Town staff make a presentation at the June 8, 2006, OWASA Board meeting.

COMMITTEE MEETING

Penny Rich said the Human Resources Committee will meet on Thursday, May 11, 2006, at 5:30 P.M. in the OWASA Boardroom to discuss alternative employee compensation strategies.

EARTH ACTION FEST

Greg Feller said Pat Davis will represent OWASA at the Earth Action Fest on Sunday, April 30, 2006, from 2:00 P.M. until 6:00 P.M. at Carrboro Town Hall/Town Commons.

TOWN OF CARRBORO'S COMMUNITY DAY

Greg Feller said that OWASA will participate in the Town of Carrboro's Community Day on Sunday, May 7, 2006, from 1:00 P.M. until 7:00 P.M., at the Carrboro Town Hall/Town Commons.

SEASONAL RATES

Greg Feller said that on May 1, 2006, the charge for water use will change to the "peak" seasonal rate through September, 2006.

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

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

ITEM THREE: MINUTES

Penny Rich moved to adopt the minutes of the March 23, 2006, Meeting of the Board of Directors. The motion was seconded by Marge Anders Limbert and carried by unanimous vote.

Penny Rich moved to adopt the minutes of the April 13, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition. The motion was seconded by Marge Anders Limbert and carried by unanimous vote.

ITEM FOUR: RECOMMENDED DECLARATION OF WATER SUPPLY ADVISORY

Ed Holland provided information about the current status of OWASA's water supply and demand conditions and suggested that the Board consider declaring a Water Supply Advisory due to ongoing drought conditions and below normal streamflows into OWASA's reservoirs.

The Board unanimously agreed to declare a Water Supply Advisory and directed staff to notify the Carrboro and Chapel Hill Mayors and the Chair of the Orange County Board of Commissioners of this decision and to include the information provided at the Board meeting.

ITEM FIVE: RESOLUTION ADOPTING PRELIMINARY ANNUAL BUDGET FOR ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2006 THROUGH JUNE 30, 2007

Kevin Ray highlighted key elements of the preliminary budget, which includes \$17.3 million for operating services; and \$20.7 million for capital projects, which are primarily financed with bonds. Mr. Ray said that adoption of a Preliminary Budget satisfies statutory requirements for an interim appropriation in the unlikely event that a final budget is not adopted before July 1, 2006.

Milton Heath made a motion to adopt the resolution; it was seconded by Laura Sandvik, and carried by unanimous vote. Please see Motion No. 3 above.

ITEM SIX: RESOLUTION SETTING DATE OF MAY 25, 2006 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR 2006-2007 AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS

2007-2021, INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS
BUDGET FOR FISCAL YEARS 2007-2011

Kevin Ray said that Section 159-12 of the General Statutes of North Carolina requires a Public Hearing to receive comments on the proposed Operating and Capital Improvements Budget before the final budget is adopted by the full Board. Mr. Ray asked the Board to approve a resolution setting the date of May 25, 2006, for the public hearing.

Milton Heath made a motion to adopt the resolution; it was seconded by Mark Marcoplos, and carried by unanimous vote. Please see Motion No. 4 above.

ITEM SEVEN: RESOLUTION SETTING THE DATE OF MAY 25, 2006 FOR A PUBLIC
HEARING ON PROPOSED REVISION OF WATER AND SEWER RATES,
FEES AND CHARGES

Kevin Ray said this resolution sets the date for a Public Hearing to receive public comments on the proposed adjustments of rates, fees and charges. The proposed rate increase of six percent for water and six and a quarter percent for sewer services, if approved, would be effective on October 1, 2006.

Mr. Ray stated that the Sale and Purchase Agreements with the University of North Carolina at Chapel Hill require that the University be provided a 90-day notice before implementation of changes in water and sewer rates, fees, and charges.

Laura Sandvik made a motion to adopt the resolution; it was seconded by Gordon Merklein, and carried by unanimous vote. Please see Motion No. 5 above.

ITEM EIGHT: CLOSED SESSIONS

Marge Anders Limbert moved that the Board recess until after the Community Outreach Meeting and then convene in a Closed Session for the purpose of discussing land acquisition. The motion was seconded by Gordon Merklein, and carried by unanimous vote. Please see Motion No. 6 above.

There being no further business to come before the Board, the meeting was adjourned at 6:35 P.M.

RESOLUTION ADOPTING PRELIMINARY BUDGET FOR ORANGE WATER AND
SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2006 THROUGH JUNE 30, 2007

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

WHEREAS, in the event that adoption of an Annual Budget is delayed until after July 1, 2006, the *Preliminary Annual Budget* fully satisfies the interim appropriation requirements of North Carolina General Statutes 159-16; and

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

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina General Statutes 159-13, the two attached sheets be, and they hereby are, adopted as the *Preliminary Annual Budget* of Orange Water and Sewer Authority for Fiscal Year July 1, 2006 through June 30, 2007.
2. That the appropriations for divisions, functions, and projects as shown in the attached budget for the respective purposes and in the respective amounts therein specified are hereby made unless and until the Annual Budget is adopted.

Adopted this 27th day of April, 2006.

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

**FY 2007
Annual Budget**

Operating Revenue

Water	\$15,423,000
Sewer	10,785,000
Service Initiation Fee	145,000
Other	<u>688,900</u>

Total Operating Revenue **27,041,900**

Operating Expense

General and Administrative Operations	4,485,881 <u>12,828,501</u>
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Total Operating Expense **17,314,382**

Net Operating Income **9,727,518**

Non-operating Revenue

Customer Fees	2,538,506
Interest	<u>1,000,000</u>

Total Net Income **13,266,024**

Debt Service

Existing	8,058,000
New	<u>1,419,000</u>

Total Debt Service **9,477,000**

Net Income Less Debt Service **\$3,789,024**

Debt Coverage Ratio **1.40**

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

**FY 2007
Annual Budget**

General Fund

Resources

Transfer From Revenue	\$	3,789,024
Assessments		27,000
Grants and Contributions		<u>0</u>

Annual Income Available for Capital **3,816,024**

Transfer from Construction Fund (Bond Proceeds) **13,827,900**

Total Available for Capital **17,643,924**

Capital Expenditures

Project ordinances		
General Fund Contribution		6,882,500
Funded by Bond Proceeds		<u>13,827,900</u>

Total Project Resolutions **20,710,400**

Capital Equipment **116,000**

Total Capital Outlay **20,826,400**

Annual General Fund Balance **(3,182,476)**

General Fund Beginning Balance **8,679,000**

General Fund Ending Balance **5,496,524**

Project Funding

Under Contract		577,485
Future Years		0
Operating Balance		<u>4,919,040</u>

5,496,524

Unallocated General Fund Balance **\$0**

RESOLUTION SETTING DATE OF MAY 25, 2006 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR 2006-2007 AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS 2007-2021 INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FISCAL YEARS 2007-2011

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

WHEREAS, in accordance with Section 7.05 of the Bond Order, the Board of Directors of Orange Water and Sewer Authority will adopt an Annual Budget for the Fiscal Year 2006-2007 on or before the first day of each Fiscal Year; and

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

NOW, THEREFORE, BE IT RESOLVED:

1. That a Public Hearing is hereby set for Thursday, May 25, 2006, at 7:00 P.M., in the Chapel Hill Town Hall, for the purpose of receiving public comment on the proposed operating budget for Fiscal Year 2006-2007, and on the Capital Improvements Program for Fiscal Years 2007-2021, including a five-year Capital Improvements Budget for Fiscal Years 2007-2011.

2. That the general public, customers of the Orange Water and Sewer Authority, the Trustee, any Holder of Bonds, and any other interested person may appear in person, or by agent or attorney, and present any comments they may have regarding the proposed budget.

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

Adopted this 27th day of April, 2006.

RESOLUTION SETTING DATE OF MAY 25, 2006 FOR PUBLIC HEARING ON
PROPOSED REVISIONS OF WATER AND SEWER RATES, FEES AND CHARGES

WHEREAS, Orange Water and Sewer Authority's 15-year financial planning model indicates the need for additional revenue to provide sufficient financial resources to fund ongoing operations and proposed capital improvements; and

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

NOW, THEREFORE, BE IT RESOLVED:

1. That a Public Hearing is hereby set for Thursday, May 25, 2006 at 7:00 P.M., at the Chapel Hill Town Hall, for the purpose of receiving public comment on the proposed adjustments of rates, fees and charges.

2. That the general public, the University of North Carolina at Chapel Hill, governmental entities, customers of Orange Water and Sewer Authority, and any other interested person may appear in person, or by agent or attorney, to present comments on the proposed modifications to the current schedule of rates, fees and charges.

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

Adopted this 27th day of April, 2006.