

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

MAY 10, 2007

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, May 10, 2007, at 7:00 P.M., in OWASA's Community Room.

Directors present: Michael A. (Mac) Clarke, Chair; Gordon Merklein, Secretary; Fred Battle; Braxton Foushee; Marge Anders Limbert; and Gene Pease. Directors absent: Randolph M. Kabrick, P.E., Vice Chair; Penny Rich; and William R. Stott

OWASA staff: Ed Kerwin; John Greene; Patrick Davis; Greg Feller; Andrea Orbich; Kevin Ray; and Robert Epting, Epting and Hackney.

Others present: Meg Holton, UNC Water, Wastewater, and Stormwater Manager; Ben Poulson, Acting-Associate Director of Energy Services; Baylor and Margaret Gibson, Chapel Hill.

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

Andrea Orbich administered the oath of office to the Town of Chapel Hill Appointee, Mr. Gene Pease.

MOTIONS ACTED UPON

1. Marge Anders Limbert made a motion to approve the Minutes of the Board's April 12, 2007 meeting; it was seconded by Gordon Merklein and unanimously approved.

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt a *Resolution Authorizing Renewal of Property, Liability, Workers' Compensation, Inland Marine, Automobile, Boiler and Machinery, Crime and Excess Liability Insurance Policies through the North Carolina League of Municipalities Risk Management Services and Public Officials Liabilities through American International Specialty Lines.* (Motion by Marge Anders Limbert; seconded by Gordon Merklein, and carried by unanimous vote.)

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.

MEETINGS WITH LOCAL OFFICIALS ON PROPOSED RATES

Mac Clarke said representatives of OWASA will meet local officials to discuss OWASA's proposed rates, fees and charges to be effective October 1, 2007. The dates are as follows: Town of Carrboro Board of Aldermen on Tuesday, May 15, 2007 at 7:30 PM at Carrboro Town Hall; and Orange County Board of County Commissioners that was originally scheduled for Tuesday, May 15, 2007, was rescheduled due to an agenda conflict for Tuesday, June 12, 2007, at 7:30 PM at the Courthouse in Hillsborough. OWASA representatives will also meet with the Chapel Hill Town Council on Monday, May 21, 2007 at 7:00 PM at Chapel Hill Town Hall to discuss OWASA's proposed rates and report on odor elimination at the Mason Farm Wastewater Treatment Plant.

COMMITTEE MEETINGS

Gordon Merklein reported on the Budget and Financial Planning Committee's meeting on Wednesday, May 9, 2007 to review the draft Rate Study Report from Burton and Associates. The Board will also receive comments tonight from citizens on the proposed rates as well as at the Public Hearing on May 24, 2007.

Ed Kerwin said that the Human Resources Committee will meet on Thursday, May 24, 2007, at 5:30 PM in the First Floor Conference Room at Chapel Hill Town Hall to continue reviewing possible changes to OWASA's Personnel Policy.

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

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

ITEM THREE: SITE CLEANUP AT FORMER RAY FAMILY PROPERTY

The Board received the report on site cleanup at the former Ray Family property as an information item.

ITEM FOUR: MINUTES

Marge Anders Limbert made a motion to approve the Minutes of the April 12, 2007 Board meeting; it was seconded by Gordon Merklein and unanimously approved. See Motion No. 1 above.

ITEM FIVE: RESOLUTION AUTHORIZING RENEWAL OF PROPERTY, LIABILITY, WORKERS' COMPENSATION, INLAND MARINE, AUTOMOBILE, BOILER AND MACHINERY, CRIME AND EXCESS LIABILITY INSURANCE POLICIES THROUGH THE NORTH CAROLINA LEAGUE OF MUNICIPALITIES RISK MANAGEMENT SERVICES AND PUBLIC OFFICIALS LIABILITIES THROUGH AMERICAN INTERNATIONAL SPECIALTY LINES

Marge Anders Limbert made a motion to approve the resolution; the motion was seconded by Gordon Merklein and unanimously approved. See Motion No. 2 above.

ITEM SIX: PRESENTATION AND PUBLIC COMMENT ON PROPOSED CHANGES TO OWASA RATES, FEES AND CHARGES EFFECTIVE OCTOBER 1, 2007

Kevin Ray provided an overview of the rates, fees and charges proposed to be effective October 1, 2007. He noted that an amended memorandum dated May 10, 2007 and replacement pages are provided as an update and finalization of calculations that were not previously available. The Board also received additional comments from customers since the agenda materials for the May 10, 2007 meeting were delivered to the Board.

Baylor Gibson expressed concern that large families would be negatively impacted by the proposed rates.

Meg Holton said she was concerned with the discontinuance of the six-month period regarding advance payment of service availability fees. Ms. Holton asked the Board to not end OWASA's current practice of allowing pre-payment of water and sewer service availability fees.

Gene Pease said he would like to understand Ms. Holton's concern; staff will follow-up with the University.

Braxton Foushee asked why there are surcharges for water use when there are various levels of water use restrictions in effect during a water shortage.

Mac Clarke said the reason for the surcharge is to discourage unnecessary water use during a shortage.

Mr. Clarke and Ed Kerwin stated that OWASA is required to have cost-of-service rates under and the Sale and Purchase Agreements with the Towns of Chapel Hill and Carrboro and the University.

ITEM SEVEN: PERFORMANCE MEASUREMENT REPORT FOR FISCAL YEAR 2003-2007

Ed Kerwin summarized the condensed version of the Semi-Annual Performance Measurement Report to the Board.

Mac Clarke asked how the goals are established and asked whether they should be more challenging so they are not easy to achieve.

Gordon Merklein said that OWASA does not control whether some goals can be met but others can be achieved as an organization. He also said that some are different than industry benchmarks.

Gene Pease asked if any of the goals are directly related to any type of employee performance plan. Mr. Pease wondered if there are some goals that could be extracted from the report and turned into a management compensation plan.

Mr. Kerwin said no; employees' raises are based on merit performance.

Marge Anders Limbert asked the Board whether it would be useful for staff to include industry standards in the performance report as it relates to goals.

Mr. Clarke asked whether there are industry standards that may be applied to the OWASA parameters.

Mr. Kerwin said staff will follow-up with feedback and suggestions on applicable industry standards for OWASA.

Gene Pease said comparison of industry standards should be of best practices, not industry averages.

Fred Battle said he would like to see grievances reported differently in this report.

The Board recognized the improvements in this report and agreed that Board Committees may wish to review and improve some of the measures.

There being no further business to come before the Board, the meeting was adjourned at 8:05 P.M.

RESOLUTION OF APPRECIATION FOR MILTON S. HEATH, JR.

WHEREAS, Milton S. Heath, Jr. was appointed by the Chapel Hill Town Council to serve as a member of the Board of Directors of Orange Water and Sewer Authority, and has served from August 24, 2000 until April 30, 2007, including his service as Vice-Chair of the Board from October 9, 2003 until September 21, 2005, and as Chair of the Budget and Financial Planning Committee of the Board from October 9, 2003 through January 10, 2007; and

WHEREAS, OWASA has benefited enormously from his interests and historic experience as a Professor of Public Law and Government at the University of North Carolina, wherein he has served the State of North Carolina for more than fifty years, during which time he has been primarily responsible for the development of laws and regulations intended to protect the public health of the people, and the natural environment, of this State; and in his service to OWASA, he has given freely of his time, energy, and talents, and has provided practical leadership, responsive stewardship, and compassionate concern while serving the citizens of the community and the customers of Orange Water and Sewer Authority; and

WHEREAS, his counsel as a strong advocate for maintaining the lowest possible rates consistent with providing quality water and wastewater services to the community, and for working in collaboration with local governments to encourage the proper and effective management of stormwater as a key component of the community's overall water resources, will be of lasting benefit to this organization and the community it serves;

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

1. That acting through its members, (Fred Battle, Mac Clarke, Braxton Foushee, Randy Kabrick, Marge Anders Limbert, Gordon Merklein, Gene Pease, Penny Rich and William Stott), the Board now takes this means of expressing to Milton S. Heath, Jr., its sincere appreciation and deep gratitude for his faithful service, able leadership, stewardship, and the Board wishes for him the rewards of personal happiness in the years ahead.

2. That this resolution be spread on the Minutes of this meeting the 24th day of May, 2007; and a copy of this resolution shall be transmitted to the Town of Chapel Hill, and with proper exposition, a copy of this resolution shall be presented to Milton S. Heath, Jr.

Adopted this the 24th day of May, 2007.

RESOLUTION AUTHORIZING RENEWAL OF PROPERTY, LIABILITY, WORKERS' COMPENSATION, INLAND MARINE, AUTOMOBILE, BOILER AND MACHINERY, CRIME, EXCESS LIABILITY AND UMBRELLA LIABILITY INSURANCE POLICIES THROUGH THE NORTH CAROLINA LEAGUE OF MUNICIPALITIES RISK MANAGEMENT SERVICES AND PUBLIC OFFICIALS LIABILITY THROUGH AMERICAN INTERNATIONAL SPECIALTY LINES

WHEREAS, Property, Liability, Inland Marine, Automobile, Boiler and Machinery, Crime, Workers' Compensation, Excess Liability and Umbrella Liability insurance policies in effect for Orange Water and Sewer Authority will expire on June 30, 2007; and

WHEREAS, Section 707 of the Bond Order and prudent business practice dictate that Orange Water and Sewer Authority will maintain a practical insurance program which will afford adequate protection against damage to, or destruction of, the Water and Sewer System; and

WHEREAS, Section 707 of the Bond Order and prudent business practice dictate that Orange Water and Sewer Authority will maintain such comprehensive public liability insurance for bodily injury and property damage resulting from the operation of the Water and Sewer System, and public officials liability insurance as OWASA deems to be adequate.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS:

1. That the Board of Directors of Orange Water and Sewer Authority awards the renewal of Property, Liability, Workers' Compensation, Inland Marine, Automobile, Boiler and Machinery, Crime, Excess Liability and Umbrella Liability Insurance coverage to The North Carolina League of Municipalities Risk Management Services, in an amount not to exceed \$392,000, subject to normal audit adjustments.

2. That the Board of Directors of Orange Water and Sewer Authority awards the renewal of Public Officials Liability Insurance coverage to American International Specialty Line Insurance Company, in an amount not to exceed \$28,000.

3. That the Executive Director be, and he hereby is, authorized and directed to renew the above stated insurance policies.

Adopted this 10th day of May, 2007.