

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

AUGUST 23, 2007

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, August 23, 2007, at 7:00 P.M., at the Chapel Hill Town Hall.

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

OWASA staff: Ed Kerwin; John Greene; Patricia Abernathy; Sandy Beckham; Gwen Burston; Mason Crum; Patrick Davis; Greg Feller; Stephanie Glasgow; Ed Holland; Kenneth Loflin; Andrea Orbich; Dan Przybyl; Kevin Ray; Paula Thomas; and Robert Epting, Epting and Hackney.

Others present: Ray DuBose, Director of Energy Services and Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina at Chapel Hill; Milton Heath; Penny Rich, Christopher Voorhees, Mikko Rich Voorhees and Brody Rich Voorhees; Don Brewer, Lake Forest Association; Kirsten Kruhm, American Red Cross; Matt Garofalo, Daily Tar Heel; and Daniel Goldberg, Chapel Hill Herald.

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

MOTIONS ACTED UPON

1. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the "Resolution of Appreciation for Penny Rich." (Resolution so titled attached hereto and made a part of these minutes. Motion made by Braxton Foushee, seconded by Gene Pease, and carried by unanimous vote.)

2. Alan Rimer made a motion to approve the Minutes of the June 14, 2007 Board meeting with the noted change; the motion was seconded by Fred Battle and unanimously approved.

3. Alan Rimer made a motion to approve the Minutes of the July 9, 2007 Board meeting; the motion was seconded by Fred Battle and unanimously approved.

4. Alan Rimer made a motion that OWASA declare a Water Supply Advisory for OWASA's service area; the motion was seconded by Gene Pease and was approved with a vote of eight to one with Braxton Foushee voting against the motion because he believes OWASA should declare a Stage One Shortage.

5. Braxton Foushee moved that the Policy for the Collection of Fees for Water and/or Sewer Service by Orange Water and Sewer Authority be abolished on August 23, 2007. Fred Battle seconded the motion and the motion failed with a vote of three to six with Mac Clarke, Randy Kabrick, Marge Anders Limbert, Gordon Merklein, Alan Rimer and William Stott voting no.

6. Alan Rimer moved that the Policy for the Collection of Fees for Water and/or Sewer Service by Orange Water and Sewer Authority be abolished effective October 1, 2007; it was seconded by William Stott and passed with a vote of six to three with Fred Battle, Braxton Foushee and Gene Pease voting against the motion.

7. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the "Resolution of the Board of Directors of Orange Water and Sewer Authority to Amend Articles III and VIII of the Bylaws regarding Conflict of Interest and Voting." (Resolution so titled attached hereto and made a part of these minutes. Motion made by Marge Anders Limbert, seconded by William Stott, and approved with a vote of seven to two with Fred Battle and Braxton Foushee voting against the motion because they believe the Board Members with a conflict of interest should not be able to participate in the Board's deliberations.)

8. Braxton Foushee made a motion that the Board convene in a closed session for the purpose of discussing a claim out of which litigation may be expected. The motion was seconded by Marge Anders Limbert and carried by a 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.

RESOLUTION OF APPRECIATION FOR PENNY RICH, FORMER BOARD MEMBER

Mac Clarke read aloud a resolution of appreciation honoring the service of former Board Member Penny Rich.

The Board expressed its sincere appreciation to Ms. Rich for her leadership and service to OWASA and the community.

Braxton Foushee made a motion to adopt the Resolution of Appreciation for Penny Rich; seconded by Gene Pease, and carried by unanimous vote. Please see Motion No. 1 above.

UPDATE ON THE JOINT MEETING OF ORANGE AND CHATHAM COUNTY OFFICIALS

Mac Clarke said that this meeting was held on August 14, 2007, to discuss regional water issues; transportation issues; joint planning; open space and parks. One topic discussed was the potential for shared use of OWASA's land for a potential Jordan Lake Intake.

COMMITTEE MEETINGS

Gordon Merklein said the Budget and Financial Planning Committee met prior to the Board meeting. The Committee asked staff to provide additional information on how to improve expense management and budget forecasting.

Gordon Merklein said the Ad Hoc Art Committee will meet on Thursday, September 13, 2007 at 5:00 P.M. in the OWASA Boardroom with artist Jane Eckenrode to discuss the atrium art project.

Marge Anders Limbert said that she will coordinate a meeting of an Ad Hoc Committee of the Board to discuss goal setting for the organization and how those goals would relate to the Executive Director's work plan.

OWASA'S 25TH ANNIVERSARY OF COMMUNITY BLOOD DRIVES WITH THE AMERICAN RED CROSS

Kirsten Kruhm, from the Carolinas Region of the American Red Cross, recognized OWASA for 25 years of cooperation with the Orange County Chapter of the American Red Cross for Community Blood Drives. Ms. Kruhm also thanked OWASA, particularly OWASA employees Sandy Beckham (25 years of support for blood drives at OWASA) and Stephanie Glasgow (more than 17 years), for their leadership. Ms. Kruhm presented a plaque of appreciation for the successful blood drives at OWASA.

WALTER J. COURMAN SAFETY AWARD

Stephanie Glasgow announced that OWASA is the recipient of the 2007 N.C. American Water Works Association's Walter J. Courman Safety Award for OWASA's exemplary safety record and accomplishments at the Jones Ferry Road Water Treatment Plant. Kenneth Loflin, Water Supply and Treatment Manager, received the award for OWASA.

PATRICIA ABERNATHY

Dan Przybyl introduced Patricia Abernathy, OWASA's new Network/Database Administrator.

2006-07 REPORT ON PERFORMANCE OF THE WASTEWATER SYSTEM

Greg Feller said the 2006-07 annual report on the performance of the wastewater collection, treatment and recycling system has been distributed to the Board and OWASA customers.

SUSTAINABLE LAWN CARE WORKSHOPS

Paula Thomas announced that workshops to help customers learn more about effective and sustainable lawn care principles and practices will be held on September 11 and 12, 2007 in OWASA's Community Room.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC

Milton Heath submitted additional comments on the State's proposed water supply nutrient management strategy for the B. Everett Jordan Reservoir.

The Board referred Mr. Heath's letter to staff and general counsel.

Don Brewer petitioned the Board to pay the Lake Forest Association \$1,088.27 for water leak repair expenses related to poor workmanship by an independent contractor in December 2001.

Robert Epting said that it is appropriate for the Board to refer this matter to staff as well as continue discussion among the Board in the Closed Session at the end of the Board meeting this evening.

Alan Rimer asked staff to consider acting as an advocate for the Lake Forest Association in trying to collect the money.

The Board referred the petition to staff.

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 THE STAFF

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

ITEM FIVE: EQUAL EMPLOYMENT OPPORTUNITY/AFFIRMATIVE ACTION REPORT FOR FY 06

Fred Battle requested that staff include demographics from local cities in this report.

ITEM SIX: EMPLOYEE RECOGNITION AND SUGGESTION REPORT – FISCAL YEAR FROM JULY 1, 2006 – JUNE 30, 2007

The Board received this report as an information item.

ITEM SEVEN: FY 2007 ANNUAL REPORT ON EMERGENCY WATER LOSS ADJUSTMENTS OF BILLING CHARGES TO CUSTOMER ACCOUNTS

The Board received this report as an information item.

ITEM EIGHT: ANNUAL REPORT TO THE BOARD ON THE TASTE OF HOPE CUSTOMER ASSISTANCE PROGRAM

The Board received this report as an information item.

ITEM NINE: STATUS REPORT ON THE MASON FARM WASTEWATER TREATMENT PLANT EXPANSION

The Board received this report as an information item.

ITEM TEN: MINUTES

Mac Clarke noted a minor change in the Minutes of the June 14, 2007 Meeting of the Board of Directors as follows:

RESOLUTION OF APPRECIATION

Kevin Ray and the Board expressed sincere appreciation to Marie Moss McLaughlin for her dedicated service to OWASA for ~~33 years~~ more than 30 years.

Alan Rimer made a motion to approve the Minutes of the June 14, 2007 Board meeting with the noted change; the motion was seconded by Fred Battle and unanimously approved. Please see Motion No. 2 above.

Alan Rimer made a motion to approve the Minutes of the July 9, 2007 Board meeting; the motion was seconded by Fred Battle and unanimously approved. Please see Motion No. 3 above.

ITEM ELEVEN: VERBAL UPDATE ON RECOVERY EFFORTS RELATED TO A SMALL FIRE AT THE JONES FERRY ROAD TREATMENT PLANT

John Greene updated the Board on a small fire in the electrical room at the Jones Ferry Road Water Treatment Plant on the morning of August 8, 2007. Four of the six finished water pumps and a backwash pump were temporarily out of service due to the fire. Staff arranged to rewire one finished water pump, obtain a new backwash pump motor and control center, and installed a stand-by diesel engine pump to act as additional finished water pump back-up. By

August 15, 2007 the Water Treatment Plant's finished water pumping and filter backwash capabilities were normal.

Mr. Greene noted that reports are forthcoming from OWASA's consultant engineer and insurance carrier. Staff is also reviewing the possibility of adding more smoke detectors and other fire detection/suppression systems.

Mr. Greene expressed his thanks to the fire departments that responded as well as Hazen & Sawyer, Via Electric, UNC Electric and OWASA staff.

ITEM TWELVE: RECOMMENDED DECLARATION OF WATER SUPPLY ADVISORY

Ed Holland updated the Board on the current water supply and customer demand and recommended that the Board declare a Water Supply Advisory per OWASA's Water Conservation Standards adopted in 2003.

Gene Pease requested that staff update the Board on water supply and demand on a monthly basis.

Braxton Foushee recommended that OWASA declare a Stage One Shortage.

Alan Rimer moved that OWASA declare a Water Supply Advisory for OWASA's service area; the motion was seconded by Gene Pease, and approved with a vote of eight to one with Braxton Foushee voting against the motion because he believes a Stage One Shortage should be declared. Please see Motion No. 4 above.

ITEM THIRTEEN: RECOMMENDED OWASA POLICY AND APPROACH REGARDING THE USE OF RAINWATER HARVESTING AND OTHER NON-POTABLE WATER SUPPLY SYSTEMS WITH POTENTIAL TO DISCHARGE TO THE OWASA SANITARY SEWER SYSTEM

Paula Thomas summarized staff's written response to the Board's July 9, 2007 questions regarding the use of rainwater harvesting systems and other non-potable water systems that result in discharges to the sewer system. Ms. Thomas referred to staff's new draft resolution (page 10.11) for the Board's consideration.

Mac Clarke asked how OWASA would know when there is such a system is installed in the community. Mr. Clarke said he was leaning towards the position that OWASA should not collect a fee for the wastewater discharge from these systems; he said it is desirable that people install rainwater harvesting systems as a conservation measure and the amount of money OWASA is likely to collect is small.

Ms. Thomas said that the Engineering Department has begun a project fact sheet for developers and builders who are interested in using rainwater harvesting systems.

Braxton Foushee said he feels OWASA should charge this fee, since OWASA cannot provide free service.

Alan Rimer said he agreed with Mr. Clarke's suggestion not to charge a fee for the interim period because rainwater harvesting is such a good program. Mr. Rimer stated that at some point in the future, OWASA could review the process and then decide whether or not to establish a fee system.

Alan Rimer moved to adopt the resolution with a modification to not charge a fee for this service for a period of five years.

William Stott said he would like to see the word "permaculture" incorporated into this agenda item, as rainwater harvesting and other small-scale strategies are important to achieving sustainability.

Marge Anders Limbert said that if there is no fee, the resolution may not be needed.

Patrick Davis noted that while some small scale systems are coming in, there are other larger systems already built, under construction or design. An example is the Greenbridge project, which would serve 100 condominium units that have two bathrooms per unit. If rainwater is used for toilet flushing, and the resolution as proposed by Mr. Rimer is approved, the sewer service associated with flushing rainwater would be provided free of charge.

Robert Epting said that this is a service and OWASA should charge for the service.

Gene Pease suggested that this information be remanded to staff and updated for a future Board meeting with the concerns of the Board addressed.

Mr. Rimer withdrew his initial motion.

The Board agreed to continue this discussion at a future meeting.

ITEM FOURTEEN: FOLLOW-UP ON PREVIOUS DISCUSSIONS RELATING TO
EVALUATION OF THE OWASA POLICY THAT ALLOWS
PREPAYMENT OF WATER AND SEWER SERVICE AVAILABILITY
(CONNECTION) FEES

Mason Crum summarized the potential revenue loss from allowing prepayment of water and sewer service availability (connection) fees by the University as well as other developers.

Braxton Foushee moved that the Policy for the Collection of Fees for Water and/or Sewer Service by Orange Water and Sewer Authority be abolished on August 23, 2007. Fred Battle seconded the motion, and the motion failed with a vote of three to six with Mac Clarke, Randy Kabrick, Marge Anders Limbert, Gordon Merklein, Alan Rimer and William Stott voting no. Please see Motion No. 5 above.

Alan Rimer moved that the Policy for the Collection of Fees for Water and/or Sewer Service by Orange Water and Sewer Authority be abolished effective October 1, 2007; the motion was seconded by William Stott and passed with a vote of six to three with Fred Battle, Braxton Foushee and Gene Pease voting against the motion. Please see Motion No. 6 above.

ITEM FIFTEEN: PROPOSED AMENDMENT TO THE OWASA BYLAWS REGARDING CONFLICTS OF INTEREST AND VOTING

Fred Battle said that he believes if a Board Member is going to be recused from a vote then the Board Member should not participate in the Board's deliberations.

Marge Anders Limbert made a motion to adopt a Resolution of the Board of Directors of Orange Water and Sewer Authority to Amend Articles III and VIII of the Bylaws regarding Conflicts of Interest and Voting; the motion was seconded by William Stott and was approved with a vote of seven to two, with Fred Battle and Braxton Foushee voting against the motion because they believe Board Members with a conflict of interest should not be able to participate in the Board's deliberation of an issue in which they cannot vote. Please see Motion No. 7 above.

ITEM SIXTEEN: APPOINTMENT OF THE NOMINATING COMMITTEE

Mac Clarke appointed the following Board Members to the Committee to make nominations for the upcoming election of officers:

- Marge Anders Limbert, Chair
- Mac Clarke
- William Stott

The Board agreed with the proposed Nominating Committee and the election of new officers will occur at the Annual Meeting of the Board of Directors on September 27, 2007.

ITEM SEVENTEEN: PROPOSED TRANSFER OF WASTEWATER FROM THE CITY OF DURHAM TO OWASA FOR THE BLENHEIM WOODS DEVELOPMENT

The Board asked staff to report back on whether additional developments in Durham may be connected to OWASA's sewer system if OWASA agrees to receive wastewater from the Blenheim Woods development.

ITEM EIGHTEEN: CLOSED SESSION

Braxton Foushee made a motion that the Board convene in a closed session for the purpose of discussing a claim out of which litigation may be expected. The motion was seconded by Marge Anders Limbert and carried by unanimous vote. Please see Motion No. 8 above.

Orange Water and Sewer Authority

August 23, 2007

Page 9

There being no further business to come before the Board, the meeting was adjourned at 10:30 P.M.

Enclosures

RESOLUTION OF APPRECIATION FOR PENNY RICH, FORMER MEMBER OF THE BOARD OF DIRECTORS OF ORANGE WATER AND SEWER AUTHORITY

WHEREAS, Penny Rich was appointed by the Town Council of Chapel Hill to serve as a Member of the Board of Directors of Orange Water and Sewer Authority; and

WHEREAS, from July 26, 2001 to June 30, 2007, Penny diligently served as a Member of the Board of Directors of Orange Water and Sewer Authority; from October 9, 2003 to September 22, 2005 as Secretary-Treasurer of the Board; and from October 13, 2005 to September 28, 2006 as Vice Chair of the Board; and

WHEREAS, Penny Rich Chaired the OWASA Board's Human Resources Committee and her strong advocacy for employees included enhancing family health insurance, updating human resources policies to keep them progressive and easy for all employees to understand, and recognizing employees' excellent work and contributions to our community; and

WHEREAS, Penny Rich has given freely of her time, energy, and talents with unselfish dedication of abilities, practical leadership, responsive stewardship, and compassionate concern while serving the citizens of the community and the customers of Orange Water and Sewer Authority;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors of the Orange Water and Sewer Authority, acting through its Members, (Fred Battle, Michael A. (Mac) Clarke, Braxton Foushee, Randy Kabrick, Marge Anders Limbert, Gordon Merklein, Gene Pease, Alan Rimer and William R. Stott, III), now takes this means of expressing to Penny Rich, the Board's sincere appreciation and deep gratitude for her faithful service, able leadership, and stewardship; and the Board wishes for Ms. Rich and her family much happiness in the years ahead.

2. Let this resolution be spread on the Minutes of this meeting the 23rd day of August, 2007; a copy of this resolution be transmitted to the Town of Chapel Hill; and with proper exposition a copy of this resolution be presented to Penny Rich.

Adopted by the Board of Directors of Orange Water and Sewer Authority this 23rd day of August, 2007.

**RESOLUTION OF THE BOARD OF DIRECTORS OF ORANGE WATER AND
SEWER AUTHORITY TO AMEND ARTICLES III AND VIII OF THE BYLAWS
REGARDING CONFLICTS OF INTEREST AND VOTING**

WHEREAS, the Executive Committee has reviewed provisions of OWASA's Bylaws regarding conflicts of interest and voting, and recommends that the Board adopt certain revisions;

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

1. Amends SECTION 7, DUTY TO VOTE, of ARTICLE III, MEETINGS, of the Bylaws to read as follows:

ARTICLE III. MEETINGS

7. DUTY TO VOTE. No Director shall be excused from voting, except on matters involving consideration of his or her own official conduct, or where his or her financial or personal interests are involved.

Any Board member, upon disclosure of circumstances he or she considers create a conflict of interest, may request that the Board of Directors recuse him or her from the duty to vote on any issue before the Board.

The Board of Directors shall excuse a Board member from voting upon any issue wherein it determines the Board member has either an announced or unannounced conflict of interest, when it determines the Board member's vote would create the appearance of substantial impropriety. However, in its discretion, the Board may permit the recused Board member to participate in preparation, discussion, or presentations concerning the issue if it determines in its discretion that such participation may be beneficial and is not likely to cause any appearance of substantial impropriety.

2. Amends ARTICLE VIII, CONFLICT OF INTEREST; DUTY TO MAKE DISCLOSURE of the Bylaws to read as follows:

ARTICLE VIII. CONFLICT OF INTEREST; DUTY TO MAKE DISCLOSURE

No Director, officer, or employee of the Authority shall have any personal or pecuniary interest direct or indirect in any contract or proposed contract or purchase order for materials, services, equipment, or property of any kind to be furnished to or used by the Authority. If any such Director, officer, or

employee owns or controls an interest direct or indirect in any such materials, services, equipment, or property included or proposed to be furnished to or acquired by the Authority, he or she shall immediately disclose the same in writing to the Authority and such disclosure shall be entered upon the Minutes of the Authority. Failure to so disclose such interest shall constitute misconduct in office or in employment.

Board members should disclose all circumstances and relationships that may reasonably be perceived as presenting conflicts of interest, either with respect to their own benefit or interests, or those known to them to involve any other Board member.

Adopted this the 23rd day of August, 2007.

**RESOLUTION ABOLISHING OWASA'S POLICY FOR THE COLLECTION
OF FEES FOR WATER AND SEWER SERVICE AS OF OCTOBER 1, 2008**

WHEREAS, on December 17, 1986, the OWASA Board of Directors approved a Resolution adopting the attached policy on Collection of Fees for Water and Sewer Services; and

WHEREAS, the said policy allows applicants a period of six months after fees have been paid and accepted to have the water and/or sewer service connection work completed; and

WHEREAS, the OWASA Agreements of Sale and Purchase with the Town of Carrboro, Town of Chapel Hill, and the University of North Carolina specifically require OWASA to set rates and fees based on the cost-of-service principle; that is, customers are charged the full cost of the services they receive;

NOW, THEREFORE, BE IT RESOLVED:

1. That the policy regarding Collection of Fees for Water and Sewer Services adopted by Resolution by the OWASA Board of Directors on December 17, 1986 is hereby rescinded effective October 1, 2008.

2. That parties who pay service availability, connection, tap, service installation, and other related fees and charges to OWASA on or after October 1, 2008 shall be required to pay such charges in full at the then-current rates.

3. That the Executive Director is hereby authorized and directed to interpret and administer this policy in a manner consistent with the Board of Directors' stated intent, and to review and revise where necessary related procedures and documents; and propose for the Board's consideration amendments to other related policies referring to the payment of availability fees and other connection charges to ensure consistency with the provisions of this resolution.

Adopted this the 23rd day of August, 2007.

ORANGE WATER AND SEWER AUTHORITY
CLOSED SESSION OF THE BOARD OF DIRECTORS

AUGUST 23, 2007

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in closed session following the Board meeting on Thursday, August 23, 2007, in the First Floor Conference Room at Chapel Hill Town Hall.

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

OWASA Staff: Ed Kerwin; John Greene; Mason Crum; and Robert Epting, General Counsel.

ITEM ONE

The Board of Directors met in a closed session for the purpose of conferring with General Counsel and Staff to discuss a claim from the Lake Forest Association that may lead to litigation.

No action was taken.