

ORANGE WATER AND SEWER AUTHORITY
ANNUAL MEETING OF THE BOARD OF DIRECTORS

SEPTEMBER 27, 2007

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held their Annual Meeting on Thursday, September 27, 2007, at 7:00 P.M., at Chapel Hill Town Hall.

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

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Elonnie Alston; Jan Bryant-Berry; Stuart Carson; Patrick Davis; Greg Feller; Vishnu Gangadharan; Walter Gottschalk; Alexandra Jones; Anthony Jones; Dawn Jones; Andrea Orbich; Kevin Ray; Paula Thomas; and Robert Epting, Epting and Hackney.

Others present: Victor Blackburn, McGladrey and Pullen; Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina at Chapel Hill; Brandon Murrill; and Ginny Hoyle, 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 Elonnie Alston." (Resolution so titled attached hereto and made a part of these minutes. Motion made by Braxton Foushee, seconded by Fred Battle, and carried by unanimous vote.)

2. Fred Battle made a motion to elect the following officers for 2007-08: Randolph M. Kabrick, P.E., Chair; Gordon Merklein, Vice Chair; and Braxton Foushee, Secretary. The motion was seconded by Marge Anders Limbert and carried by unanimous vote.

3. Alan Rimer made a motion to approve the Minutes of the August 23, 2007 Board meeting; the motion was seconded by Mac Clarke and unanimously approved.

4. Alan Rimer made a motion to approve the Minutes of the September 13, 2007 Closed Session of Board for the purpose of discussing a human resources matter; the motion was seconded by Mac Clarke and unanimously approved.

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the "Resolution Adopting a Revised Purchasing and Contracting Policy Dated September 27, 2007." (Resolution so titled attached hereto and made a part of these minutes. Motion made by Alan Rimer, seconded by Mac Clarke, and carried by unanimous vote.)

6. Alan Rimer made a motion that OWASA declare a Stage One Water Shortage for OWASA's service area effective Friday, September 28, 2007; the motion was seconded by Fred Battle and was approved by a vote of eight to one with Braxton Foushee voting against the motion because he would like to declare a Stage Two Shortage.

7. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the "Resolution Reappointing Robert Epting as General Counsel to the Orange Water and Sewer Authority." (Resolution so titled attached hereto and made a part of these minutes. Motion made by Marge Anders Limbert, seconded by Braxton Foushee, and carried by unanimous vote.)

8. Braxton Foushee made a motion that the Board convene in a closed session for the purpose of discussing a human resources matter. The motion was seconded by Mac Clarke, 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 ELONNIE ALSTON, OWASA SOLIDS HANDLING SUPERVISOR

Mac Clarke read aloud the Resolution of Appreciation honoring the service of OWASA employee Elonnie Alston, OWASA's Solids Handling Supervisor.

The Board and staff expressed sincere appreciation to Mr. Alston for his leadership and service to OWASA.

Braxton Foushee made a motion to adopt the Resolution of Appreciation for Elonnie Alston; seconded by Fred Battle, and carried by unanimous vote. Please see Motion No. 1 above.

UPDATE ON THE SEPTEMBER 20, 2007 ASSEMBLY OF GOVERNMENTS MEETING

Mac Clarke said that he, Ed Kerwin, Pat Davis and Ed Holland attended this meeting on September 20, 2007 to talk about Chatham County's interest in access to Jordan Lake water and the City of Durham's request that OWASA receive wastewater from the Blenheim Woods Subdivision.

COMMITTEE MEETINGS

Gordon Merklein said the Budget and Financial Planning Committee met before the Board meeting to discuss the Strategic and Financial Planning and Management document. Staff will report back to the Committee in the next month or so to discuss key elements of the plan that directly impact the annual budget process. The Committee also received an update from staff that the purchase order commitment software update will be implemented within the next six months barring no unforeseen issues, and certainly by the end of the fiscal year should issues emerge.

Gordon Merklein said the Ad Hoc Art Committee is scheduled to meet on Thursday, October 11, 2007 at 5:00 P.M. in the OWASA Boardroom to discuss the Atrium Art project.

ANNUAL RATE CHANGES

Greg Feller said that the new rates and fees which the Board adopted on June 14, 2007, will go into effect on October 1st (6.25% increase monthly water rates and 13.75% increase monthly sewer rates for an overall increase of about 9.5%).

U.S. ENVIRONMENTAL PROTECTION AGENCY'S WATERSENSE PROGRAM

Greg Feller said that OWASA recently became a partner in the WaterSense Program, which provides information about certified water conserving devices and irrigation contractors, etc.

FESTIFALL STREET FAIR

Greg Feller said the Town of Chapel Hill will hold its annual Festifall Street Fair on Sunday, October 8, 2006, from 1:00 P.M. until 6:00 P.M. on West Franklin Street and OWASA will have a booth promoting water conservation as well as the Taste of Hope customer assistance program.

WORKSHOP ON SUSTAINABILITY

Greg Feller said that OWASA will provide information in a sustainability workshop organized by the Foundation for a Sustainable Community on October 4th at the Chapel Hill Library. The OWASA presentations will cover indoor water conservation items such as the water and dollar savings from replacing old, inefficient toilets.

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: ELECTION OF OFFICERS

Marge Anders Limbert reported on behalf of the Nominating Committee that the Committee proposes the following slate of officers for 2007-2008:

Randolph M. Kabrick, P.E., Chair
Gordon Merklein, Vice Chair
Braxton Foushee, Secretary

Mac Clarke opened the floor for discussion. There was no discussion.

Fred Battle moved to elect the officers proposed by the Nominating Committee for 2007-08. Marge Anders Limbert seconded the motion and carried by unanimous vote. (Please see Motion No. 2 above.)

ITEM FOUR: PRESENTATION OF ANNUAL REPORT

Ed Kerwin said that the major OWASA accomplishments in the fiscal year that ended on June 30, 2007 include the substantial completion of improvements for the Mason Farm Wastewater Treatment Plant. Mr. Kerwin said that design is nearly complete for the reclaimed water line that will serve the University of North Carolina at Chapel Hill by 2009. Mr. Kerwin also said that OWASA successfully completed a comprehensive rate study during the past year.

Kevin Ray, OWASA's Director of Finance and Customer Service, summarized the Comprehensive Annual Financial Report (CAFR). Mr. Ray indicated that the CAFR is still in draft form and that editorial changes may occur, but the dollar amounts in the draft CAFR will not materially change. Mr. Ray stated that fiscal performance for FY 2006-07 as measured by the bottom-line was slightly better than projected.

Mr. Victor Blackburn, the independent auditor with McGladrey & Pullen, said OWASA received an unqualified opinion that the financial statements will fairly present OWASA's financial operations and position.

ITEM FIVE: UPDATE ON PLANS FOR CAROLINA NORTH – IMPLICATIONS FOR OWASA

The Board received this report as an information item.

ITEM SIX: MINUTES

Alan Rimer made a motion to approve the Minutes of the August 23, 2007 Board meeting; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 2 above.

Alan Rimer made a motion to approve the Minutes of the September 13, 2007 Closed Session of the Board for the purpose of discussing a human resources matter; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 3 above.

ITEM SEVEN: RESOLUTION ADOPTING A REVISED PURCHASING AND CONTRACTING POLICY, DATED SEPTEMBER 27, 2007

Alan Rimer made a motion to approve the resolution; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 4 above.

ITEM EIGHT: MEETING OF THE WATERS INTERCEPTOR AND RECLAIMED WATER SYSTEM UPDATE

Alexandra Jones gave a presentation to the Board to update them on the Meeting of the Waters Interceptor and Reclaimed Water System projects.

Mac Clarke asked if the time line for the reclaimed water project is accurate and inquired if the University has provided a cost limit for the project.

Ms. Jones said that timeline is ambitious but workable and that no firm number has been provided.

Fred Battle requested information on diversity among the subcontractors as it pertains to African Americans.

Ms. Jones said that OWASA's standard goal is ten percent and prime contractors have already been prequalified; however we plan to advertise for bids twice, so that subcontractors can submit bids to prime contractors.

ITEM NINE: UPDATE ON INSTALLATION OF NEW BIOSOLIDS DEWATERING SYSTEM AND BIOSOLIDS COMPOSTING SERVICES AGREEMENT WITH MCGILL ENVIRONMENTAL

Vishnu Gangadharan gave a presentation to the Board on OWASA's new Biosolids Dewatering System at the Mason Farm Wastewater Treatment Plant, and the Biosolids Composting Services Agreement with McGill Environmental Systems.

Marge Anders Limbert asked what percent of biosolids will be processed through this new equipment and what McGill does with the biosolids.

Mr. Gangadharan said that an exact percentage has not yet been determined.

Ed Kerwin said the compost produced at the McGill facility is commercially marketed as a viable compost product by McGill.

Alan Rimer asked whether we are meeting the biosolids needs of our farmers; whether a marginal cost analysis was done in looking at dewatering because of the cost involved; and what is the relative balance of that cost.

Mr. Kerwin said that we are meeting the farmers' demands with our current staff and permitted biosolids application sites. He also said that staff is doing a cost analysis now; there are no answers currently but staff continues to work on OWASA's Biosolids Master Plan.

Braxton Foushee asked whether a backup system was in place in case of failure of this new equipment or a total loss of power.

Mr. Gangadharan said that the press has six channels that can be placed into service individually in the event of failure of one of the channels. He also said that in the event of failure of the entire equipment we would revert to the liquid biosolids hauling and disposal program.

Mr. Kerwin said that the entire plant has backup generators in the event of a loss of electric power.

Randy Kabrick thanked Mr. Gangadharan for his leadership on this project because it represents state-of-the-art equipment.

ITEM TEN: UPDATE ON WATER SUPPLY AND DEMAND

Ed Kerwin updated the Board on the current water supply and customer demand conditions and recommended that the Board declare a Stage One Water Shortage but defer implementing the water rate surcharges applicable to residential customers using more than 10,000 gallons per month for one month so that staff can launch an aggressive educational campaign to inform customers about the new rates and surcharges.

Ed Kerwin said there will be a brochure distributed to customers that specifically addresses Stage One Water Use Restrictions.

Alan Rimer said education is a key for this process and that OWASA should wait a couple of months to implement the water rate surcharges.

Braxton Foushee said he does not want to wait 60 days to implement a surcharge but is okay with a 30 day grace period.

Mac Clarke said he favors of the surcharges now not later.

Fred Battle said that for those customers with fixed incomes, the surcharges may have a devastating impact on their budget, he and is not in favor of the surcharges now.

Gordon Merklein reiterated that the surcharges are only for those customers who use 11,000 or more gallons per month and they should not affect fixed income customers. He supported Stage One Water Restrictions and implementing surcharges as is customary with Stage One.

Marge Anders Limbert said she is willing to wait 30 or 60 days to implement the surcharges.

Alan Rimer made a motion that OWASA declare a Stage One Water Shortage for OWASA's service area effective Friday, September 28, 2007; the motion was seconded by Fred Battle and was approved by a vote of eight to one with Braxton Foushee voting against the motion because he would like to declare a Stage Two Shortage. Please see Motion No. 5 above.

ITEM ELEVEN: RESOLUTION REAPPOINTING ROBERT EPTING AS GENERAL COUNSEL TO THE ORANGE WATER AND SEWER AUTHORITY

On behalf of the Board, Marge Anders Limbert expressed appreciation and gratitude to Robert Epting for serving as OWASA's attorney.

Marge Anders Limbert made a motion to adopt the resolution; the motion was seconded by Braxton Foushee, and carried by unanimous vote. Please see Motion No. 6 above.

ITEM TWELVE: CLOSED SESSION

Braxton Foushee made a motion that the Board go into Closed Session for the purpose of discussing a human resources matter. The motion was seconded by Mac Clarke, and carried by unanimous vote. (Please see Motion No. 7 above.)

There being no further business to come before the Board, the meeting was adjourned at 9:00 P.M.

Enclosures

RESOLUTION OF APPRECIATION FOR ELONNIE ALSTON

WHEREAS, Elonnie Alston began his career in public service as an Equipment Operator in Chapel Hill's Public Works Department on July 26, 1976, when the Towns and the University owned the water and sewer systems for the Chapel Hill-Carrboro community; and

WHEREAS, Mr. Alston transferred to the Orange Water and Sewer Authority (OWASA) on February 16, 1977, when OWASA began serving the community; and

WHEREAS, Mr. Alston was promoted to Line Crew Leader on January 28, 1980; he became a Crew Leader in Wastewater Treatment on January 26, 1981; and on April 18, 1983 he was promoted to the position of Solids Handling Supervisor in Wastewater Treatment; and

WHEREAS, as Solids Handling Supervisor, Mr. Alston has served the Chapel Hill-Carrboro community and numerous farmers in Orange and Chatham Counties by managing OWASA's biosolids recycling operations, and during his tenure at OWASA recycled more than 300 million gallons of biosolids for beneficial reuse on local farmlands in accord with State standards; and

WHEREAS, throughout his career Mr. Alston has demonstrated his commitment to environmental protection, public and employee health and safety, excellent customer service and hard work, and he is highly respected as a senior leader at OWASA; and

WHEREAS, Mr. Alston is well loved at OWASA for his good cheer, his sense of humor, his enthusiasm and his warmth and friendship to all, and he will be greatly missed; and

WHEREAS, Mr. Alston will retire from OWASA on October 1, 2007;

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

1. That the Board of Directors does hereby formally recognize, honor and praise Mr. Elonnie Alston for his excellent service and many achievements with the Orange Water and Sewer Authority and expresses its appreciation for his service to the Chapel Hill-Carrboro community as an outstanding professional and member of the OWASA Team.

2. That this resolution shall be recorded in the minutes of the OWASA Board of Directors, shall be part of the permanent records of OWASA and shall be presented to Mr. Alston in a public meeting of the OWASA Board.

Adopted with deep appreciation this the 27th day of September, 2007.

**RESOLUTION ADOPTING A REVISED PURCHASING AND CONTRACTING
POLICY DATED SEPTEMBER 27, 2007**

WHEREAS, OWASA's current Purchasing and Contracting Policy was adopted by the Board of Directors in May 1996, and was last amended on August 25, 2005; and

WHEREAS, the present policy reflects the previous statutory provision that formal bidding procedures must be followed for construction projects costing in excess of \$300,000; and

WHEREAS, on August 23, 2007, the Governor signed into law House Bill 73 which increases the formal bidding threshold for construction from \$300,000 to \$500,000; and

WHEREAS, the Board of Directors wishes to amend the OWASA's policy so that the bidding threshold is consistent with the recently revised statute, to make the bidding threshold \$500,000, as reflected in the Purchasing and Contracting Policy;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors adopts the revised Purchasing and Contracting Policy, effective September 27, 2007.

Adopted this 27th day of September 2007.

**RESOLUTION REAPPOINTING ROBERT EPTING AS GENERAL COUNSEL
TO THE ORANGE WATER AND SEWER AUTHORITY**

WHEREAS, the Orange Water and Sewer Authority is a public, corporate entity organized and operated under the laws and statutes of the State of North Carolina and is engaged in the provision of public water and sewer services within its service area; and

WHEREAS, the Board of Directors of Orange Water and Sewer Authority finds that it is necessary and appropriate to provide for and obtain general legal counsel and services to assist in the establishment of policy and the administration and operations of the business and affairs of OWASA so that due regard may be given to the pertinent laws, regulations, and statutes; and

WHEREAS, Robert Epting has served as General Counsel to OWASA since October 1, 1984, and has rendered competent and appropriate legal services in that regard, and the Board of Directors wishes to continue his services as General Counsel;

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

1. That Robert Epting of the firm of Epting and Hackney, Chapel Hill, N.C., is hereby reappointed General Counsel of Orange Water and Sewer Authority in accordance with the terms and conditions set out in his letter dated September 4, 2007 to the Executive Director.

2. That as General Counsel, Robert Epting will serve under the general direction of the Board of Directors and upon the request of the Executive Director, subject to his ultimate responsibility to the Board of Directors.

3. That this reappointment will be effective October 1, 2007, and shall continue, subject to annual review by the Board of Directors prior to the time of the Annual Meeting or until terminated by either the Board of Directors or Robert Epting, in accordance with the terms and conditions of the said letter dated September 4, 2007.

Adopted this 27th day of September, 2007.

ORANGE WATER AND SEWER AUTHORITY
CLOSED SESSION OF THE BOARD OF DIRECTORS
SEPTEMBER 27, 2007

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in closed session following the Board meeting on Thursday, September 27, 2007, in First Floor Conference Room at Chapel Hill Town Hall.

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

Others present: Robert Epting, General Counsel, Orange Water and Sewer Authority.

ITEM ONE

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

No official action was taken at the meeting.