

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

FEBRUARY 14, 2008

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, February 14, 2008, at 7:00 P.M., in OWASA's Community Room.

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

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Jan Bryant-Berry; Patrick Davis; Greg Feller; Ed Holland; Andrea Orbich; Paula Thomas; Kevin Ray; and Robert Epting, Esq., Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina at Chapel Hill; Sergio Quintana and Fred Hall, NBC 17; Jim Ward, Mayor pro tem, Town of Chapel Hill; Ayo Yaycoch, Chapel Hill resident; Beth Velliquette, Chapel Hill Herald; Tricia Thompson, Daily Tar Heel; Tom Stoffel, Chapel Hill resident; Francine Warwick, Summer Wind Pools & Spas; Ethan Shapiro; James O'Mara, O'Mara Landscaping; and Sue Hinson, Southern States.

There being a quorum present, Chair Randy Kabrick called the meeting to order.

MOTIONS ACTED UPON

1. Gene Pease made a motion to deny Mr. Sherman's petition; the motion was seconded by William Stott and unanimously approved.
2. Braxton Foushee made a motion to approve the Minutes of the January 10, 2008 Board Meeting; the motion was seconded by Mac Clarke, and carried by unanimous vote.
3. Braxton Foushee made a motion to approve the Minutes of the January 10, 2007 Closed Session for the purpose of discussing pending litigation; the motion was seconded by Mac Clarke and unanimously approved.

ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Randy Kabrick 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.

BRAXTON FOUSHEE

Randy Kabrick announced that Braxton Foushee was reappointed by the Carrboro Board of Aldermen to the OWASA Board.

JOINT MEETING

Randy Kabrick announced that he and staff will attend a follow-up meeting with officials from Orange and Chatham County and the University of North Carolina at Chapel Hill on Thursday, February 21, 2008 at the Southern Human Services Center in Chapel Hill. An agenda has not yet been provided but it is likely that regional opportunities to develop a western Jordan Lake water supply will be discussed.

OWASA ORIENTATION

Randy Kabrick announced that he and Ed Kerwin will have an OWASA orientation meeting with new Carrboro Alderman Lydia Lavelle and new Chapel Hill Town Council Member Matt Czajkowski on Monday, February 25, 2008 at 9:00 AM.

BOARD RETREAT

Gene Pease announced that on Thursday, March 13, 2008 from 3:30 PM until 9:00 PM the OWASA Board and staff will meet for the purpose of a Board retreat. An agenda will be provided in advance from the UNC School of Government.

FRED BATTLE

Braxton Foushee said that Mr. Battle was admitted to the hospital due to complications from surgery he had on February 7, 2008. Mr. Foushee will provide an update to staff to be forwarded to the Board.

REGIONAL MEETINGS

Ed Kerwin announced that he and other staff members attended a meeting on February 6, 2008 to discuss potential opportunities for a regional approach to Jordan Lake water supply.

NATION-WIDE SHORTAGE OF FLUORIDE

John Greene said that it may become necessary for OWASA to stop adding fluoride to drinking water because of the nation-wide shortage of fluoride. He said that beginning last fall, staff heard about water plants having difficulty acquiring fluoride due to weather conditions in the Gulf Coast, plant shutdowns and increased demand. Some cities in the U.S. have temporarily stopped using fluoride.

OWASA has also experienced difficulty in obtaining fluoride but found a different supplier. Currently there is a two-month fluoride supply stored at OWASA, but the supplier advised staff that fluoride will continue to be limited as demand during the summer months increases. Also with the

limited supply and high demand, prices have increased significantly over the past year, with a majority of users seeing a doubling in price.

The U.S. Centers for Disease Control indicates that stopping the feed of fluoride for 2-3 months would have no effect on public health. This issue has been discussed with the N.C. State Public Water Supply staff and they approved a brief discontinuance if it becomes necessary. They also indicated there is no requirement to feed fluoride but is encouraged by the Board of Dental Health.

Mr. Greene said that if it becomes necessary that we discontinue fluoride use, OWASA will provide information to customers and the State regulators.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC

The Board received a written petition from Mr. John S. Sherman (712 Bayberry Drive, Chapel Hill, requesting that his November bill be reduced according to the 50 percent formula as stated in the OWASA Bylaws and that his December bill should be averaged at 5,000 gallons of usage and any use in excess of 5,000 gallon be deleted.

Gene Pease made a motion to deny Mr. Sherman's petition; the motion was seconded by William Stott and unanimously approved. Please see Motion No. 1 above.

ITEM THREE: PETITIONS AND REQUESTS FROM THE BOARD

Randy Kabrick asked for petitions and requests from the Board. There were none.

ITEM FOUR: PETITIONS AND REQUESTS FROM THE STAFF

Randy Kabrick asked for petitions and requests from the staff. There were none.

ITEM FIVE: PUBLIC COMMUNICATION PRIORITIES IN 2008

Gene Pease suggested that staff consider three separate communication plans for commercial, residential and UNC; staff will follow-up.

ITEM SIX: ANNUAL SEWER SERVICE LATERAL REPORT

The Board received this report as an information item and agreed that this report is no longer necessary.

ITEM SEVEN: RESPONSE TO QUESTIONS/COMMENTS RELATING TO OWASA
PROCUREMENT PRACTICES POSED BY THE BOARD AT THE DECEMBER
13, 2007 OWASA BOARD MEETING

The Board received this report as an information item.

ITEM EIGHT: QUARTERLY FINANCIAL REPORT FOR THE PERIOD ENDED DECEMBER 31, 2007

The Board received this report as an information item.

ITEM NINE: MINUTES

Braxton Foushee made a motion to approve the Minutes of the January 10, 2008 Board Meeting; the motion was seconded by Mac Clarke, and carried by unanimous vote. Please see Motion No. 2 above.

Braxton Foushee made a motion to approve the Minutes of the January 10, 2007 Closed Session for the purpose of discussing pending litigation; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 3 above.

ITEM TEN: WATER SUPPLY AND DEMAND UPDATE – RECOMMENDATIONS FOR STAGE THREE WATER SHORTAGE DECLARATION

Ed Holland updated the Board on current water supply and demand conditions. He said that the staff recommends declaring a Stage Three Water Shortage if the reservoirs are not at least 45 percent full by March 1, 2008. He said the risk of reservoir storage declining to a critical level is two to three times greater with the reservoirs 45 percent full on March 1st than with the reservoirs 39 percent full on February 1st. Staff also recommends that the Board indicate its intent to formally declare a Stage Three Shortage at the February 28th meeting if the lakes are not at least 45 percent full on March 1, 2008.

Mr. Holland said staff recommends that OWASA not implement the Stage Three rate surcharges until mid-March in order to fully publicize the surcharge and notify customers.

The most significant effects of Stage Three water use restrictions will likely be on construction activities. Stage Three prohibits the use of OWASA drinking water for pressure or flow testing, disinfecting, or flushing new water and sewer lines unless that water is captured and returned to the OWASA system. Mr. Holland noted that reclaimed water is available at no cost for certain non-drinking activities.

Mr. Holland said the current drought may persist, and that staff has identified ways to maintain adequate water supply to avert a worst-case situation in which our reservoirs become dangerously depleted.

Randy Kabrick asked if anyone from the public had comments.

Sue Hinson said growers need water for plantings.

Mr. Merklein asked if farmers/growers considered using reclaimed water.

Ms. Hinson said growers have difficulty obtaining reclaimed water because they have no large trucks to haul it.

Francine Warwick, of Summer Wind Pools & Spas, said the ability to not top off a swimming pool or hot tub is unfortunate. There are many people who use swimming pools as exercise and recreation. Ms. Warwick asked if there is a way someone can store water to repair swimming pool and then put the water back in the pool. She also said that swimming pools and hot tubs actually help save water because people may not shower every night and instead swim in the pool. Ms. Warwick also noted that larger homes have bathrooms with bathtubs that can hold well over 100 gallons of water for bathing.

Tom Stoffel said he did not want established businesses to be adversely effected.

Mr. Merklein requested that staff provide information to customers on the options they have to purchase water for filling swimming pools as well as reclaimed water for non-potable purposes.

Jim Ward expressed concern that OWASA had decided not to proceed with installation of the temporary Reclaimed Water System from the Mason Farm Wastewater Treatment Plant up to the University's chillers and expressed significant concern that OWASA was not taking action to capture and recycle water that was being flushed from the distribution system in order to maintain adequate water quality. After explanations from OWASA Board and staff, Mr. Ward commented that he understood that the flushing was necessary to maintain water quality, but still took issue with the fact that OWASA was not capturing this many thousands of gallons of water while making pleas to the public that customers should not leave the water running while brushing their teeth.

The Board requested that staff develop a plan to capture water when flushing water lines (under Stage Three Water Shortage restrictions).

Mason Crum updated the Board on planning efforts for OWASA's worst-case drought response, which involves the transfer of water from the Haw River to the Cane Creek Reservoir. Mr. Crum commented that staff has met with representatives of N.C. Department of Environment and Natural Resources, N.C. Department of Transportation, and contractors that install these temporary pumping systems. Because of the significant expense associated with this system and because its lack of long term capital benefit, OWASA is establishing plans to activate the project at the last possible moment. Currently, OWASA is looking at a trigger point that will require execution of contracts if the total reservoir capacity drops to 15 to 20 percent.

The Board referred the Haw River option to the Board's Budget and Financial Planning Committee for review. The Board also agreed with staff's recommendation to formally declare a Stage Three Shortage at the February 28th meeting if the lakes are not at least 45 percent full.

ITEM ELEVEN: OWASA AND LOCAL GOVERNMENTS COLLABORATIVE WATER CONSERVATION PRIORITIES AND RECOMMENDATIONS

Paula Thomas updated the Board on recent efforts between OWASA and the local governments regarding water conservation. OWASA staff met with the Town Managers and their staff to discuss the need for and the benefits of working together to communicate to citizens and customers the seriousness of the current drought and need for increased water conservation within our community. The Town

Managers asked that OWASA convene a joint staff group as soon as possible to develop core messages and devise effective mechanisms for joint dissemination of those messages. A meeting was held Thursday, February 7, 2008 and among the many ideas generated by the group, some of the following have already been put into action and others are underway:

1. The Towns now have their respective website homepages displaying OWASA's daily reservoir levels (Water Watch) as well as daily usage and the demand graph;
2. Beginning on March 3rd, OWASA staff will provide a recurring monthly drought update at the Town Council and Board of Aldermen's first meeting of the month (the first Monday for Chapel Hill at 7:00 PM and the first Tuesday for Carrboro at 7:30 PM)
3. The Towns are using their extensive databases to contact/educate/inform their citizens regarding the drought and conservation;
4. An agreement to participate in joint advertising with message(s) from both Mayors and the OWASA Chair;
5. Distributed banners for display at Town Halls and are preparing posters for use at all public buildings and commercial establishments;
6. The Towns requested magnetic signs for use on their vehicles and a supply of showerheads and flappers to be distributed by them at their Town Halls;
7. The group agreed to jointly increase enforcement measures for all reported violations of water use restrictions; and
8. The group agreed that at every public meeting an announcement would be made reiterating the need for increased water conservation.

Other strategies were identified and the group is moving forward with implementation as well as a desire to expand the joint participation to include representatives from the Chamber of Commerce, the local Homebuilders Association and Property Managers Association.

The Board's Natural Resources and Technical System (NRTS) Committee endorsed the principal recommendation of the Collaborative Water Conservation Strategies for Joint Consideration by Carrboro, Chapel Hill, Orange County and OWASA Report that: *OWASA develop performance standards and specific requirements such that all new development and redevelopment projects must install state-of-the-art water saving fixtures and devices as "conditions of receiving OWASA service"*. Additionally, the proposed recommendations include both short-term and longer-term actions. Other key points of discussion included the feasibility of applying the "conditions of use" approach to existing development and to irrigation systems.

The NRTS Committee also recommended that if the Board concurs, the local governing boards be advised in writing of the Board's position on this, and that OWASA staff be directed to work with the local government staffs to more fully develop and evaluate potential implementation strategies, a list of

proposed water use efficiency standards, roles and responsibilities, resource needs and a timetable for implementation.

Gene Pease raised concern about requiring homeowners to retrofit their homes; that perhaps there should be public discussion before this is considered.

Robert Epting agreed.

Braxton Foushee said that a time limit for resellers to update property to meet conservation standards should be considered.

Mac Clarke said that a joint effort of all entities is good but that OWASA should lead the effort.

The Board agreed with the NRTS Committee recommendations and requested that staff proceed accordingly.

ITEM TWELVE: INFORMATION AND TECHNOLOGY UPDATE

The Board received this update as an information item.

There being no further business to come before the Board, the meeting was adjourned at 9:20 P.M.