

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

FEBRUARY 28, 2008

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, February 28, 2008, at 7:00 P.M., at the Chapel Hill Town Hall.

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

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

Others present: Ray DuBose, Director of Energy Services, Ben Poulson, Associate Director of Energy Services, Meg Holton, Water, Wastewater, and Stormwater Manager, and Willie Scroggs of the University of North Carolina at Chapel Hill; Lauren Hills, NBC 17; Tara Onthank, Scott Hunter, and Veronica Gadbois, Rising Sun Pools; Robin Burk; David Crow, Daily Tar Heel; Dickie Dickinson, Dickinson Garden Center; Doug Chapman, NC Green Industry Council; Frank Robertson, Plantworks Nursery; Emily Stephenson, UNC student; Corey Inscoe, UNC student; Hugh Proctor, Jr. and Hugh Proctor, III of Providence Glen; Nicole Duncan, UNC student; Cathy Barrett, Exchange Club Pool Association President; Tom Tucker; Adam Rhew, WCHL-AM; Bill and Lisa Stuckey, Triangle Pool & Spa Company; Anash Hicks, UNC Daily Tar Heel; Sheryl Forbis; Beth Velliquette, Chapel Hill Herald; Robin Cutson; Shannon Brummett, GSC; Dace Berger, Chapel Hill Fire Department; Brian Curran, Chief of Police, Town of Chapel Hill; Kim Crum; Brooke Hayes; Julie McClintock; Bryan Kerwin; Lauren Kirsch; Bill Madden; and Core Voten.

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

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MOTIONS ACTED UPON

1. Gene Pease made a motion to approve the Minutes of the January 24, 2008 Board Meeting; the motion was seconded by Mac Clarke and unanimously approved.

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Authorizing the Executive Director to Renew Public Officials and Employees Liability Insurance for a One-Year Period for \$2,000,000 of Coverage with American International Group, Inc." (Resolution so titled attached hereto and made a part of these minutes. Motion by Gene Pease, second by Mac Clarke, and carried by unanimous vote.)

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Declaring a Stage Three Water Shortage." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer, second by William Stott, and carried by unanimous vote.)

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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.

CANCELED BOARD MEETING

Randy Kabrick said the March 13, 2008 Board meeting has been canceled. The next regular meeting will be on Thursday, March 27, 2008.

BOARD RETREAT

Gene Pease announced that Board is scheduled to meet Thursday, March 13, 2008 from 3:30 PM until 9:00 PM for a Board retreat in OWASA's Community Room. The public is invited to attend.

UNIVERSITY LAKE

John Greene announced that the 2008 lake recreation season will begin with opening day on Saturday, March 22, 2008. Cane Creek Reservoir will not open at this time because the lake level is 16 feet below normal and the bank at the boating access area is too steep for safe access. University Lake will open for recreation on Saturday, March 22, 2008.

MONTHLY DROUGHT UPDATES

Ed Kerwin said that OWASA staff will provide a drought update to the Chapel Hill Town Council on Monday March 3, 2008 and to the Carrboro Board of Aldermen on Tuesday, March, 4, 2008. Mr. Kerwin also expressed appreciation to the Town Managers and their staff for their continued support and work during this ongoing drought.

OWASA ORIENTATION

Randy Kabrick said that on Monday, February 25, 2008, Ed Kerwin and he had an OWASA Orientation with new Carrboro Alderman Lydia Lavelle and new Chapel Hill Town

Council Member Matt Czajkowski. Mr. Kabrick said the meeting was productive and encouraged Board Members to keep the lines of communication open with their elected officials.

ITEM TWO: PETITIONS AND REQUESTS

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

ITEM THREE: SEMIANNUAL PERFORMANCE MEASUREMENT REPORT

The Board received this report as an information item.

ITEM FOUR: 2007 ANNUAL RECREATION REPORT FOR UNIVERSITY LAKE AND CANE CREEK RESERVOIR

The Board received this report as an information item.

ITEM FIVE: MINUTES

Gene Pease made a motion to approve the Minutes of the January 24, 2008 Board Meeting; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 1 above.

ITEM SIX: RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO RENEW PUBLIC OFFICIALS AND EMPLOYEES LIABILITY INSURANCE FOR A ONE-YEAR PERIOD FOR \$2,000,000 OF COVERAGE WITH AMERICAN INTERNATIONAL GROUP, INC.

Gene Pease made a motion to approve the resolution; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 2 above.

ITEM SEVEN: CONSIDERATION OF A STAGE THREE WATER SHORTAGE DECLARATION

Ed Holland provided a review and presentation of staff's recommendation that the Board declare a Stage Three Water Shortage.

Tara Onthank, co-owner of Rising Sun Pools and Vice President of the Association of Pool and Spa Professionals of North Carolina, requested the Board allow topping off of pools.

Doug Chapman, North Carolina Green Industry, commented that Stage Two and Stage Three have one-half inch irrigation but in Stage Three the only watering method is by hose which is the least efficient way of application. Mr. Chapman recommended that efforts be focused on in-house water efficiency such as retrofitting plumbing, incentives and rebates. Mr. Chapman reiterated the Green Industry's commitment to be part of the solution for many of the

water issues in the Piedmont and invited the Board to attend a water efficiency model workshop scheduled for the middle of March. The Green Industry supports: creating water budgets based on science and historical inside water use data; providing the water that everyone needs, not wants; removing water providers from the enforcement burden; and providing funds from water wasters that can be used to offer rebates and incentives for conservation.

Ray DuBose, Director of Energy Services, University of North Carolina at Chapel Hill, said that the University has reduced water consumption every year since 2001. Mr. DuBose noted three impacts that Stage Three restrictions will have on the University: first, the cost will be significant; second, construction cannot stop on campus – the University will need to know where they can purchase water to replace water they will use for flushing new water lines; and, third, while the Athletic Department is conserving potable water by using alternative sources including stormwater stored in underground cisterns, it is essential that the athletic fields be watered to ensure the health and safety of the student athletes, not the fields' appearance.

Mr. DuBose said the reclaimed water system is scheduled to be substantially complete by February 2009 and the first phase of this project will save 600,000 gallons of potable water each day. He also stated that the University is still willing to pay for the temporary aboveground piping to enable use of reclaimed water; however, OWASA staff has not supported this option.

Alan Rimer commended the University on their conservation and reuse efforts. He also noted that according to information provided by OWASA staff, the University has done a good job of water reduction except for student housing/other. Perhaps the University can review this information and identify the reason for the increase in use.

Mr. DuBose noted that consumption has increased due to the number of beds (increased by more than 2,000). The specific cause from this year to last year is not known, but the University staff will review the data with OWASA staff.

Mr. Rimer said he believes that if the University is willing to pay for the construction of an aboveground reclaimed water line, the University should be allowed to do so. He also requested staff address this issue.

Robin Cutson said the water crisis was not an unforeseeable event because the Towns and County have approved, and continue to approve, high density development and this should be stopped.

Frank Robertson, Plantwork Nursery, requested the Board not adopt the Stage Three resolution. He requested that OWASA meet with the Green Industry.

Julie McClintock thanked the Board for OWASA's conservation work over the years and suggested that the next time water conservation ordinances are updated, there should be a forum for public participation. She also suggested providing the projected water supply and demand slides available on the OWASA website as well as sending this information to the elected Boards to keep them apprised of the current conditions.

Marge Anders Limbert noted that the staff updates the water supply and demand information daily at www.owasa.org.

Mr. Rimer requested that staff work with the Towns to address and possibly modify special use permits for those who are required to install plantings to receive building occupancy during a drought.

Gene Pease requested that at a future meeting staff provide an explanation as to the basis for deciding that the Haw River option would be implemented when remaining supply reaches 15 percent of capacity.

Randy Kabrick said that the proposed resolution, if adopted, would mean:

1. That the OWASA Board of Directors declares a Stage Three Water Shortage, and hereby requests the Mayors of the Towns of Carrboro and Chapel Hill and the Chair of the Orange County Board of Commissioners to issue Proclamations of the Stage Three Water Shortage.

2. That all Stage Three water use restrictions, as set forth in OWASA's Water Conservation Standards and in the respective conservation ordinances of the Towns and County, shall be in effect as of March 1, 2008.

3. That Stage Three water commodity surcharges, as set forth in OWASA's current Schedule of Rates, Fees, and Charges, shall be in effect as of March 17, 2008 and continue until the Stage Three Water Shortage declaration is rescinded by OWASA.

4. That subsequent decisions to rescind the Stage Three Water Shortage declaration or to otherwise change the Water Shortage status to more or less stringent levels during the months ahead shall be guided by current and projected water supply and demand conditions, availability of water from neighboring utilities, meteorological forecasts, the Board's awareness of the hardship and inconvenience imposed on OWASA's customers by Water Shortage restrictions, and other factors that the Board may deem appropriate.

Gene Pease requested that staff assist local businesses and industries with formal information on alternative water sources and other information regarding the implementation of Stage Three.

Alan Rimer made a motion to approve the resolution; the motion was seconded by William Stott and unanimously approved. Please see Motion No. 3 above.

Patrick Davis noted a one page hand-out provided to the Board from staff with information on rain barrels, alternative water sources for swimming pools, and the use of reclaimed water for certain non-drinking purposes. Mr. Davis also announced that OWASA received a notice today from the North Carolina Division of Water Quality that the Division will

modify OWASA's reclaimed water permit to expand the allowable uses for bulk reclaimed water such as power washing.

Gordon Merklein suggested that it would good to have some case studies available for the public on uses of reclaimed water.

ITEM EIGHT: STAFF PROPOSAL TO NO LONGER CONSIDER CHANGES TO SUNDAY RECREATIONAL HOURS AT THE CANE CREEK RESERVOIR

Mr. Greene noted that in light of comments received from neighbors of the Cane Creek Reservoir, staff recommends that the option of expanding the recreation hours at Cane Creek Reservoir to include Sunday morning be removed from further consideration.

The Board agreed with staff's recommendation.

ITEM NINE: REPORT ON RECENT DISCUSSIONS REGARDING THE POTENTIAL JOINT USE OF JORDAN LAKE WATER SUPPLY

Pat Davis summarized recent discussions among OWASA, Orange County, the City of Durham and Chatham County staffs regarding this topic. Durham has proposed to take a leadership role, and is requesting participation from neighboring water utilities including OWASA. Staff recommends that OWASA participate in those discussions and requests direction from the Board.

Julie McClintock said she is pleased that OWASA is considering Jordan Lake as a supplemental water supply option. She also encouraged the Board to work closely with local elected officials and boards on this topic and suggested that a public facilities ordinance for water be developed as was done for linking development approvals to school capacity.

Mac Clarke said staff should proceed with discussions with the City of Durham, Chatham and Orange County and find out the financial impact of developing facilities to get water from Jordan Lake.

Alan Rimer said that the OWASA Board has consistently indicated that Jordan Lake would be the last water resource tapped and only used during droughts and other similar events; OWASA currently holds a Level II allocation of five (5) million gallons per day, which could supplement long-term needs if current projections (demand and supply) are not sufficient for long-term needs based on re-evaluation of safe yield of current resources. The current "exceptional" drought and uncertainties related to climate change reinforce the need for flexibility and keeping all options open.

Mr. Rimer suggested that the Board support staff's participation in the discussions regarding potential joint use of Jordan Lake water supply. He requested that staff present to the Board a strategy for participation in the discussions on the Jordan Lake intake project. Staff

should note anticipated checkpoints where Board involvement in the decision making may be necessary, and develop estimates of the OWASA cost share in any project. Mr. Rimer said OWASA should update the long-term Water Supply Plan, including revisiting the comprehensive plan data on all water resource safe yields; updating population projections and community build-out scenarios to ascertain water resource needs over the planning horizon; evaluating the widespread use of reclaimed water, a new water resource which was not considered in the previous plan; updating the benefit/cost evaluation of conservation; and tying all data together and presenting a comparison of the utilization of existing water resources, conservation, broad extension of the use of reclaimed water, and options for using Jordan Lake.

William Stott asked about the role of State agencies on this issue.

Mr. Davis said the State establishes which allocations will be made and how they can be used through facility development, and may serve in a facilitation role.

Mr. Stott wondered if the Board should have a role in advising local governing boards on what we think is responsible based on the best science we have, and in strongly promoting conservation and sustainable management of our water resources.

Gene Pease stated he supports a regional approach and the Board and staff entering into discussions with the City of Durham, Chatham County and Orange County. He also believes that this is a complicated issue and when OWASA agrees to sell water to its neighbors, they should have similar water conservation restrictions in effect.

Mac Clarke also supported a regional approach. He also said the Board should be careful since the OWASA Board is appointed, not an elected Board. As such, OWASA can only provide facts on what a proposed development could do – not whether it should be developed.

Mr. Stott stated that the OWASA Board could be an advocate for responsible use of water.

Marge Anders Limbert agreed with Mr. Rimer's proposal.

Gordon Merklein said he would be disappointed to see a pipe conveying Jordan Lake water go past OWASA's service area, without benefiting OWASA. Mr. Merklein supports Mr. Rimer's motion.

Randy Kabrick reiterated the Board's support of continuing discussions with the City of Durham, Chatham County and Orange County to evaluate possible future joint use of Jordan Lake water from a potential intake on the west side of the reservoir near US 64. Mr. Kabrick requested that the Board's Natural Resources and Technical Systems Committee take the lead in reviewing information regarding the costs and benefits of conservation as well as the expanded use of reclaimed water and other options for meeting future water needs.

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ITEM TEN: MONTHLY REPORT OF DROUGHT IMPACT ON REVENUES, COSTS,
AND DEBT SERVICE

The Board received this report as an information item.

There being no further business to come before the Board, the meeting was adjourned at 8:55 P.M.

Enclosures

RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO RENEW PUBLIC OFFICIALS AND EMPLOYEES LIABILITY INSURANCE FOR A ONE YEAR PERIOD FOR \$2,000,000 OF COVERAGE WITH AMERICAN INTERNATIONAL GROUP

WHEREAS, the policy for Public Officials & Employees Liability Insurance with American International Group for the period of April 20, 2007 through April 19, 2008 expires April, 20, 2008; and

WHEREAS, a renewal offer has been received from American International Group, for \$2,000,000 of coverage, at an annual premium of \$25,562.00; and

WHEREAS, it is to the advantage of the Authority to maintain continuity of coverage;

NOW, THEREFORE, BE IT RESOLVED:

1. That Orange Water and Sewer Authority renew the Public Officials and Employees Liability Insurance policy with American International Group for a period of one year, for \$2,000,000 of coverage, at a total premium of \$25,562.00 through George S. Williams, CPCU, Raleigh, North Carolina.

2. That the Executive Director be, and he hereby is, authorized and directed to renew the Public Officials and Employees Liability Insurance Policy.

Adopted this 28th day of February 2008.

RESOLUTION DECLARING A STAGE THREE WATER SHORTAGE

WHEREAS, due to persistent and worsening regional drought conditions, available water supply, and customer demands levels, the Orange Water and Sewer Authority (OWASA) Board of Directors declared a Water Supply Advisory on August 23, 2007; a Stage One Water Shortage on September 27, 2007; and a Stage Two Water Shortage on October 18, 2007; and

WHEREAS, conservation among virtually all OWASA customer classes has reduced overall water consumption and helped to mitigate the risk of emergency conditions; and

WHEREAS, the OWASA Board sincerely appreciates the conservation efforts of its customers and regrets the hardship and inconvenience of mandatory water use restrictions; and

WHEREAS, notwithstanding these important demand reductions, the ongoing conditions of exceptional drought, the lack of improvement in reservoir storage, and continued forecasts for below average rainfall through the spring, indicate an increasing risk of emergency conditions later this year; and

WHEREAS, on February 14, 2008, the Board of Directors received a staff recommendation to declare a Stage Three Water Shortage if OWASA's reservoirs were not at least 45 percent full by March 1, 2008, and the Board agreed to consider this action at its February 28, 2008 meeting; and

WHEREAS, reservoir storage levels still remain at about 40 percent full; and

WHEREAS, OWASA has identified and will be prepared to implement if necessary extraordinary action, which would involve substantial expense to our customers, to ensure that our community will not run out of water;

NOW, THEREFORE, BE IT RESOLVED:

1. That the OWASA Board of Directors declares a Stage Three Water Shortage, and hereby requests the Mayors of the Towns of Carrboro and Chapel Hill and the Chair of the Orange County Board of Commissioners to issue Proclamations of the Stage Three Water Shortage.

2. That all Stage Three water use restrictions, as set forth in OWASA's Water Conservation Standards and in the respective conservation ordinances of the Towns and County, shall be in effect as of March 1, 2008.

3. That Stage Three water commodity surcharges, as set forth in OWASA's current Schedule of Rates, Fees, and Charges, shall be in effect as of March 17, 2008 and continue until the Stage Three Water Shortage declaration is rescinded by OWASA.

4. That subsequent decisions to rescind the Stage Three Water Shortage declaration or to otherwise change the Water Shortage status to more or less stringent levels during the months

ahead shall be guided by current and projected water supply and demand conditions, availability of water from neighboring utilities, meteorological forecasts, the Board's awareness of the hardship and inconvenience imposed on OWASA's customers by Water Shortage restrictions, and other factors that the Board may deem appropriate.

5. That copies of this Resolution be provided to the Carrboro Board of Aldermen, Chapel Hill Town Council, and Orange County Board of Commissioners.

6. That OWASA hereby expresses appreciation to all of its customers for their conservation efforts during the ongoing drought and throughout the year, and to the Town, of Carrboro, Town of Chapel Hill, and Orange County for their support in informing the public of the need for conservation and enforcing the water use restrictions in effect in the OWASA service area.

Adopted this the 28th day of February, 2008.