

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

JANUARY 22, 2009

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, January 22, 2009, at 7:00 PM at the Chapel Hill Town Hall.

Directors present: Randy Kabrick, P.E., Chair; Gordon Merklein, Vice Chair; Braxton Foushee, Secretary; Michael A. (Mac) Clarke; Gene Pease; Joyce C. Preslar; Alan Rimer; Alan Rimer; and William R. Stott. Director absent: Fred Battle.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Alexandra Jones; Stuart Carson; Patrick Davis; Greg Feller; Ed Holland; Heidi Lamay; Andrea Orbich; 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.

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

MOTIONS ACTED UPON

1. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Authorizing Executive Director to Execute Lease Agreement on behalf of Orange Water and Sewer Authority with the University of North Carolina at Chapel Hill for the Warden's House and adjoining property at University Lake." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer, seconded by Mac Clarke, and unanimously approved.)

2. Alan Rimer made a motion to reaffirm that the OWASA land near NC 54 west of Carrboro is not for sale and to deny Orange County's request to do a land survey but to extend an opportunity to walk the property with OWASA staff; the motion was seconded by William Stott and unanimously approved.

3. Alan Rimer made a motion that the Board approve the Draft Water Conservation Standards with one revision under Article IV – Determination of a Water Supply Shortage or Emergency, IV. A. Drought Condition Shortage, second paragraph: "*A Stage One Water Shortage declaration will be considered when there is generally correspond to a two percent (or greater) risk that reservoir levels will decline to 20% or less of total storage capacity with the next 12 months.*" The motion was seconded by Mac Clarke and passed unanimously.

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.

LIQUID ASSETS

Randy Kabrick said that WUNC-TV will air the 90 minute documentary "*Liquid Assets, the Story of our Water Infrastructure*," on Tuesday, January 27, 2009 starting at 9:00 PM. WUNC-TV also invites the public to attend a screening of this documentary on Thursday, January 29, 2009 at 6:00 PM at the North Carolina Museum of Natural Science in Raleigh. After the screening, there will be a panel discussion of water resource experts including Ed Kerwin and Randy Kabrick.

AMENDMENT TO THE AGENDA

Randy Kabrick said that the agenda item, Report and Discussion Regarding the January 20, 2009 Natural Resources Technical Systems (NRTS) Committee meeting, has changed due to the cancellation of the NRTS Committee meeting that was originally scheduled for Tuesday, January 20th. The Board will address the draft revisions to the proposed OWASA Water Conservation Standards to comply with new State requirements for local water shortage response plans without a recommendation from the NRTS Committee. Mr. Kabrick said that the Board will receive a report on the Water Supply Plan Update Project and the NRTS Committee's priorities at a later date.

COMMITTEE MEETINGS

Gordon Merklein said the Finance Committee will meet on Thursday, February 12, 2009 at 5:00 PM in the OWASA Boardroom to review the quarterly financial report and cost containment measures.

Alan Rimer said the NRTS Committee will meet on Wednesday, February 4, 2009 at 8:00 AM in the OWASA Boardroom to discuss the long-range water supply update and the proposed changes in OWASA's Water Conservation Standards. Mr. Rimer also said that OWASA will host a joint meeting with local elected officials on Wednesday, February 25, 2009 at 7:30 PM to discuss OWASA's proposed changes to the Water Conservation Standards.

Gene Pease said the Community Outreach Committee met before the Board meeting tonight to focus on top level communications to consumers and consistency in communications (letters, forms, logos, font sizes, tag forms, etc.). The Committee and staff agreed to discuss developing a research program on what OWASA consumers think.

ITEM TWO: PETITIONS AND REQUESTS

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

ITEM THREE: MERIT PAY DISTRIBUTION REPORT

The Board received this report as an information item.

ITEM FOUR: VISION CARE PLAN REPORT

The Board received this report as an information item.

ITEM FIVE: SEMIANNUAL CONTRACTOR AND CONSULTANT PERFORMANCE REPORT

The Board received this report as an information item.

ITEM SIX: RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO EXECUTE LEASE AGREEMENT ON BEHALF OF ORANGE WATER AND SEWER AUTHORITY WITH THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL FOR THE WARDEN'S HOUSE AND ADJOINING PROPERTY AT UNIVERSITY LAKE

Alan Rimer made a motion adopt the resolution; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 1 above.

ITEM SEVEN: VERBAL UPDATE ON ORANGE COUNTY'S REQUEST FOR ACCESS TO OWASA PROPERTY NEAR HIGHWAY 54 WEST AS PART OF THE COUNTY'S SOLID WASTE TRANSFER STATION SITING PROCESS

Ed Kerwin said that he has met with Orange County Manager Laura Blackmon and members of her staff to better understand the request by the County. Information they requested pertained to land application of biosolids on the OWASA property, which is a matter of public record and OWASA staff provided same. Regarding access, the County wants to walk the site and survey the land. OWASA staff has no objection with their request but that this request would need to be approved by the OWASA Board.

After discussion by the Board and staff, Alan Rimer made a motion to reaffirm that the OWASA land is not for sale and to deny Orange County's request to do a land survey but to extend an opportunity to walk the property with OWASA staff; the motion was seconded by William Stott and unanimously approved. Please see Motion No. 2 above.

ITEM EIGHT: REPORT AND DISCUSSION REGARDING THE JANUARY 20, 2009
NATURAL RESOURCES AND TECHNICAL SYSTEMS COMMITTEE
MEETING

The Board received a staff update on the proposed changes to OWASA's Water Conservation Standards. If approved, the proposed changes would be provided to the local elected boards for discussion at the joint meeting on February 25, 2009.

Randy Kabrick said that the first two sentences in the new paragraph of Article IV – Determination of a Water Supply Shortage or Emergency, IV. A. Drought Condition Shortage, are redundant and he was unsure of the meaning of “generally correspond.”

Patrick Davis said the wording is intended to provide OWASA flexibility to take into consideration a number of factors when making a determination of a water shortage condition. The information regarding the water shortage trigger provision was added in direct response to the NC Division of Water Resources' guidance in December 2008 based on House Bill 2499, the State's drought response bill.

Alan Rimer suggested staff change the wording as follows: “A Stage One Water Shortage declaration will *be considered when there is* ~~generally correspond to~~ a two percent (or greater) risk that reservoir levels will decline to 20% or less of total storage capacity with the next 12 months.”

Gene Pease applauded the NRTS Committee and staff on a job well done with the draft Water Conservation Standards; however, he expressed concern that under the proposal, water could be used for irrigation and filling/topping off of swimming pools during Stage Three of a declared water shortage.

William Stott asked if financial (income or outlay) considerations were evaluated.

Gordon Merklein said that financial considerations are appropriately considered in the budget and rate setting process.

Mr. Rimer asked for a progress report on efforts to promote consistency among local conservation ordinances in the region.

Mr. Davis said that progress has been achieved in making water conservation ordinances in the region more uniform with respect to year-round water conservation requirements, the number of water shortage stages, and certain water use restrictions applicable within the various stages. However, he said that since each community has a different water supply configuration and ratio of watershed to storage capacity, we will not be able to have a comprehensive uniform approach to drought trigger levels.

Mr. Davis said that pursuant to House Bill 2499 (the Drought Bill), if the State determines that a community is not implementing its Water Shortage Response Plan, or taking

effective action during a declared drought, the State can step in and impose water restrictions within that community.

Alan Rimer made a motion that the Board approve the Draft Water Conservation Standards with a revision in Article IV – Determination of a Water Supply Shortage or Emergency, IV. A. Drought Condition Shortage, second paragraph: “A *Stage One Water Shortage declaration will be considered when there is ~~generally correspond to~~ a two percent (or greater) risk that reservoir levels will decline to 20% or less of total storage capacity with the next 12 months.*” The motion was seconded by Mac Clarke and passed unanimously. Please see Motion No. 3 above.

**ITEM NINE: DRAFT SUMMARY OF CRITICAL AND STRATEGIC ISSUES AND
DRAFT PLANNING ASSUMPTIONS AND BACKGROUND
INFORMATION AND FISCAL YEAR 2010 DRAFT BUDGET CALENDAR**

Ed Kerwin gave a presentation on strategic issues, planning assumptions, and challenges for Fiscal Year (FY) 2010 budget.

William Stott asked if OWASA’s bond rating would remain the same.

Kevin Ray said the bonds are reviewed annually. He is confident the Board of Directors will act to ensure fiscal sustainability and OWASA is not currently in danger of a lower rating.

The Board received the FY 2010 Budget Calendar as an information item.

There being no further business to come before the Board, the meeting was adjourned at 8:10 PM

Enclosures

**RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO EXECUTE LEASE
AGREEMENT ON BEHALF OF ORANGE WATER AND SEWER AUTHORITY WITH
THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL FOR THE
WARDEN'S HOUSE AND ADJOINING PROPERTY AT UNIVERSITY LAKE**

WHEREAS, the Sale and Purchase Agreement under which OWASA acquired the interests of the University of North Carolina (UNC) in its water and sewer utility facilities obligated UNC to lease the Warden's House property at University Lake to OWASA for continued use for such purposes; and

WHEREAS, UNC and OWASA have regularly signed leases for such purposes since 1977, and the present lease will expire on February 14, 2009; and

WHEREAS, UNC proposes to lease the Warden's House to OWASA upon the same terms and conditions as previously, and will provide a lease in appropriate form for such purposes, but the same has not yet been received;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Executive Director of OWASA is hereby authorized to execute the lease agreement documents, including any future renewals and extensions, for and on behalf of OWASA, as may be necessary from time to time, in order to continue and extend the lease of the Warden's House for the use of the University Lake Warden.

Adopted this 22th day of January, 2009.