

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

MARCH 12, 2009

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, March 12, 2009, at 7:00 P.M., in OWASA's Community Room, 400 Jones Ferry Road, Carrboro.

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

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

Others present: Ben Poulson, Associate Director of Energy Services and Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina at Chapel Hill; and Madison Crum.

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

MOTIONS ACTED UPON

1. Alan Rimer made a motion to approve the Minutes of the January 22, 2009 Board Meeting; the motion was seconded by Fred Battle, and carried by unanimous vote.

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Awarding a Contract for Professional Services with Municipal & Financial Services Group to Perform a Financial Management and Reporting System Review" (Resolution so titled attached hereto and made a part of these minutes. Motion by Fred Battle; seconded by William Stott and carried by unanimous vote.)

3. Gordon Merklein made a motion to send a letter to Orange County reaffirming that OWASA's land is not for sale; the motion was seconded by Alan Rimer and approved with a vote of seven to one, with Fred Battle opposing.

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.

RECLAIMED WATER SYSTEM DEDICATION

Randy Kabrick said that there will be a Reclaimed Water System Dedication Ceremony on Monday, May 11, 2009, 10:00 A.M., at the Gary R. Tompkins Chilled Water Operations Center and invited the Board to attend. Guest speakers include David Price, U.S. House of Representatives; UNC Chancellor Holden Thorpe; and Philip Baddour, N.C. Clean Water Management Trust Fund.

COMMITTEE MEETINGS

Gordon Merklein said that the Finance Committee met on February 26, 2009 to review the draft operating budget and capital programs as well as budget and rate modeling for the coming fiscal year. He said that two Finance Committee meetings are scheduled for 5:00 P.M. in the OWASA Boardroom. The first meeting is scheduled for Wednesday, March 18, 2009 to meet with the consultant who will conduct an independent review of OWASA's financial management and reporting system. The second meeting is scheduled for Monday, March 30, 2009 to review staff's recommendations regarding rate adjustments in Fiscal Year 2010.

Braxton Foushee said that the Human Resources Committee met on March 10, 2009 to discuss employee compensation and the employee benefit survey. Board members will receive a copy of the survey in the next Board mailing. Mr. Foushee also said that there is currently a placeholder in the budget for health insurance for a 15 percent increase, however it is very likely that the actual number will be less than 10 percent.

Alan Rimer said that a tour will be scheduled in early April to visit OWASA-owned property with staff of the U.S. Forestry Service and N.C. Wildlife Management to discuss management of OWASA's forest properties. Mr. Rimer requested that Board members let staff know if they can attend.

Mr. Rimer stated that the Natural Resources/Technical Systems (NRTS) Committee will meet on Wednesday, March 25, 2009 at 8:00 A.M. to discuss timber management, the Long-Range Water Supply Plan update and NRTS Committee priorities.

Mr. Rimer reported that Ed Kerwin and he attended the Carrboro Board of Aldermen's meeting on Tuesday, March 10th to present OWASA's proposed Water Conservation Standards, which were well received by the Board of Aldermen.

ITEM TWO: PETITIONS AND REQUESTS

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

ITEM THREE: PERFORMANCE MEASUREMENT REPORT THROUGH FISCAL YEARS 2005-2009

Mac Clarke reminded staff that he did request that the performance measurement report be referred to a committee for further review to decide what items are useful and necessary as well as to evaluation of the standards.

Ed Kerwin said he was aware of Mr. Clarke's request but was uncertain if that was the consensus of the Board. Staff believes the information in the report is useful and important for the Board to know, however if the Board would like to assign this report to a committee, staff will assist.

ITEM FOUR: QUARTERLY REPORT ON ATTENDANCE AT BOARD OF DIRECTORS' MEETINGS

The Board received this report as an information item.

ITEM FIVE: 2008 ANNUAL RECREATION REPORT FOR UNIVERSITY LAKE AND CANE CREEK RESERVOIR

Braxton Foushee said he received a call from a citizen who requested that Cane Creek be open for additional days during the week, even if it means hiring additional part-time help to keep the lake open.

John Greene said that the current budget does not allow hiring additional part-time help at either reservoir. Also, most visitors for Cane Creek are out-of-county users.

William Stott said that he was contacted by citizens who live near University Lake and these people are interested in access to walking trails around University Lake and are concerned as naturalist about the prohibition on using the trails.

Ed Kerwin said that it is OWASA's practice and policy that there is no access along the shores of the lake. However, if the Board would like to review that policy, staff is happy to do so.

Robert Epting said that the University leases the lake to OWASA and OWASA does not own the lake.

ITEM SIX: QUARTERLY FINANCIAL REPORT FOR QUARTER ENDED DECEMBER 31, 2008

Mac Clarke said that Quarterly Financial Report is an important document and should always be on the regular agenda with a summarized report from staff. Mr. Clarke requested that staff add a separate line for water volume on the report. Staff agreed.

Alan Rimer asked that staff establish a short list of useable information at an executive level for the Board.

Ed Kerwin said that one of the important functions of the consultant who will be doing the review of our financial reporting will be to perform a needs assessment of the type of information that the Board desires.

Randy Kabrick commented that one of requirements of the financial review will be to generate a "dash board" or one-page list of all the financial information the Board needs. Secondly, in the spirit of strategic planning, the Board can focus its meetings on strategic issues whereas tonight's consent agenda is information that was previously reviewed by the Finance Committee. He said that he had decided that this report should be moved to the consent agenda. Mr. Kabrick further said that staff should keep this report on the consent agenda until the consultant provides his report.

ITEM SEVEN: MINUTES

Alan Rimer made a motion to approve the Minutes of the January 22, 2009 Board Meeting; the motion was seconded by Fred Battle, and carried by unanimous vote. Please see Motion No. 1 above.

ITEM EIGHT: RESOLUTION AWARDING A CONTRACT FOR PROFESSIONAL SERVICE WITH MUNICIPAL & FINANCIAL SERVICES GROUP TO PERFORM A FINANCIAL MANAGEMENT AND REPORTING SYSTEM REVIEW

Braxton Foushee asked if staff requested bids from minority businesses, specifically black business owners.

Kevin Ray said that staff solicited bids from firms known to have expertise in this particular financial arena, and posted the request for bids on the listserves for finance and budget officers in North Carolina as well as OWASA's website.

Gordon Merklein said that the consultant selected to do the work for OWASA is a woman-owned business.

After further discussion, the Board concurred that staff should review the notification of minority- and women-owned businesses when OWASA seeks proposals and bids for any

contractual services. It was further agreed that the minority business recruitment plan be referred to the Human Resources Committee for review.

Fred Battle made a motion to adopt the resolution; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 2 above.

ITEM NINE: DISCUSSION OF INTERLOCAL MEETINGS REGARDING PROPOSED REVISIONS TO OWASA'S WATER CONSERVATION STANDARDS AND NEXT STEPS

The Board received this report as a n i n f o r m a t i o n i t e m and it will be considered for approval at the March 26, 2009 meeting. The Board also commended the Natural Resources Technical Systems Committee for the completion of the proposed Water Conservation Standards.

Randy Kabrick requested that staff provide a technical rebuttal to Dr. Donald Lauria's comments.

ITEM TEN: FINAL DRAFT FINANCIAL MANAGEMENT POLICY

The Board discussed the proposed new Financial Management Policy with fiscal performance objectives addressing the ratio of net revenue to annual debt payments, desired levels of revenue stability and operating/capital reserves, the extent of cash funding of capital projects, ratio of typical monthly bills to average household income, etc.

Ed Kerwin said that this policy will be staff's marching orders and staff will comply with objectives as directed by the Board.

Following discussion, the Board concurred with staff's recommendation to bring this policy to the Board for approval at the March 26, 2009 meeting.

ITEM ELEVEN: BOARD DISCUSSION ON A QUESTION POSED BY ORANGE COUNTY STAFF: WOULD OWASA CONSIDER A LAND-SWAP WITH ORANGE COUNTY FOR OWASA'S ROUTE 54 PROPERTY?

The Board discussed Orange County's request that OWASA consider the concept of a trade for OWASA land under consideration as a site for a solid waste transfer station north of NC Highway 54 near Orange Grove Road.

After extensive discussion, Gordon Merklein made a motion to send the letter in the following form; the motion was seconded by Alan Rimer and approved by a vote of seven to one, with Fred Battle opposing (Please see Motion No. 3 above):

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*Ms. Laura Blackmon
Orange County Manager
Post Office Box 8181
Hillsborough, NC 27278*

SUBJECT: CONSIDERATION OF A LAND-SWAP

Dear Laura:

The OWASA Board of Directors discussed Mr. Gayle Wilson's inquiry last night and voted to inform you that it has no interest in selling its property near NC 54 West and Orange Grove Road. Nor has the Board's position changed with respect to your request for access to its property for tests or surveys.

In the absence of any particular proposal for a land-swap, the Board is not interested in discussing the matter further.

Regards,

*Ed Kerwin
Executive Director*

*c: Ms. Gwen Harvey, Assistant Orange County Manager
Mr. Gayle Wilson, Orange County Director of Solid Waste
OWASA Board of Directors
Robert Epting, OWASA General Counsel*

There being no further business to come before the Board, the meeting was adjourned at 8:40 P.M.

Enclosures

**RESOLUTION AWARDING A CONTRACT FOR PROFESSIONAL SERVICES WITH
MUNICIPAL & FINANCIAL SERVICES GROUP TO PERFORM A FINANCIAL
MANAGEMENT AND REPORTING SYSTEM REVIEW**

WHEREAS, Orange Water and Sewer Authority desires to conduct an independent review of its financial management and reporting systems; and

WHEREAS, Requests for Proposal were distributed through the internet and mailed to numerous firms known to have expertise to conduct such a review; and

WHEREAS, through a competitive process Municipal & Financial Services Group was identified to be the best technically qualified consultant to conduct the review;

NOW, THEREFORE, BE IT RESOLVED:

1. That the contract between Orange Water and Sewer Authority and Municipal & Financial Services Group to perform a financial management and reporting system review, for total charges not to exceed \$35,000 is hereby approved.

2. That the Executive Director be, and hereby is, authorized to execute said contract, subject to prior approval of legal counsel, and to approve and execute change orders and such documents as may be required in connection with the contract.

Adopted this 12th day of March, 2009.