

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

DECEMBER 10, 2009

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, December 10, 2009, at 7:00 P.M. in OWASA's Community Room.

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

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

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, UNC; Kate Dixon, Executive Director of Friends of Mountains-to-Sea Trail; Jim Suiter, Friends of Mountains-to-Sea Trail; Shawn Willis, Friends of Mountains-to-Sea Trail; and Rick Shaw, Land Conservation Manager for Orange County Environment and Resource Conservation Department.

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

MOTIONS ACTED UPON

1. Mac Clarke made a motion to approve the Minutes of the November 12, 2009 Meeting of the Board of Directors; the motion was seconded by William Stott and carried by unanimous vote.

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Authorizing the Executive Director to enter into Short-term, Emergency, Mutual Aid Water Sale and Purchase Agreements with the City of Durham and the Town of Cary." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer; seconded by Mac Clarke and carried by unanimous vote.)

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Setting the Date for Public Hearing and Authorizing Publication and Provision of Notice Regarding Draft Reclaimed Water Service Policies and Rates and Fees Applicable to Non-UNC Customers." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer; seconded 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.

CHATHAM/ORANGE JOINT PLANNING TASK FORCE MEETING

Randy Kabrick said that he, Ed Kerwin, Ed Holland and Joy Preslar attended the first Chatham/Orange Joint Planning Task Force meeting. The Task Force will be involved with Transportation Planning, Land Use Planning and the Jordan Lake Partnership. The main focus will be Land Use Planning and the elected Co-Chairs of the Task Force are Sally Kost, Chatham County Commissioner and Bernadette Pelissier, Orange County Commissioner. The Task Force will meet on a bimonthly basis.

NATURAL RESOURCES/TECHNICAL SYSTEMS (NRTS) COMMITTEE

Alan Rimer reported that the NRTS Committee met on December 8, 2009 to discuss OWASA's Draft Long-Range Water Supply Plan, Mountains-to-Sea Trail, Forestry Stewardship Plan, Automated Meter Reading, and Biosolids Management.

The Committee addressed three substantive comments that had been raised in public feedback received since the Draft Water Supply Plan Update report was issued in July. The Committee agreed with the following staff recommendations:

- Future demand forecasts should remain unchanged from those presented in the draft report;
- Anticipated revenue reductions should be excluded from the net present value life-cycle cost calculations of demand management strategies, such as reclaimed water, mandatory water restrictions, etc; and
- The recommendation to purchase water before declaring future Water Supply Shortages should remain in the Final Report, but the text should acknowledge other opinions were received from elected officials.

The Committee noted that the eventual development and execution of secure long-term agreements to purchase or sell water will likely require modifications to the Water and Sewer Management, Planning and Boundary Agreement to which OWASA is a member. Further discussion of the Draft Long-Range Water Supply Plan is planned for the January 14, 2010 and action on the report may occur at the Board's January 28, 2010 meeting.

The Committee supports the Mountains-to-Sea Trail initiative that will be presented to the full Board tonight. The presentation will include a brief update from Mason Crum, as well as comments from Kate Dixon, Executive Director of the Friends of the Mountains-to-Sea Trail.

The Committee received an update from staff on developing a Forestry Stewardship Plan for OWASA properties. Staff recommended beginning active forest management on OWASA's Buckhorn Game Land. The Committee directed staff to schedule a presentation on both of these initiatives at a January Board meeting.

The Committee received an update on staff's biosolids management efforts to optimize OWASA's liquid land application and dewatered biosolids operations. Additional information will be provided to the Committee after Hazen and Sawyer completes the Treatment and Hydraulic Capacity Study for the wastewater treatment plant.

Discussion of Automated Meter Reading was deferred to a future meeting due to lack of time.

#### STEPHEN WINTERS

Ed Kerwin introduced Stephen Winters, CPA, OWASA's new Director of Finance and Customer Service.

#### MEETING WITH CARRBORO

Randy Kabrick announced that he and Ed Kerwin would meet with Carrboro Mayor Mark Chilton on Friday, December 11, 2009 at 1:30 P.M. to discuss the resolution which the Carrboro Board of Aldermen adopted on December 8, 2009 regarding OWASA's Draft Long-Range Water Supply Plan Update.

#### ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC, BOARD AND STAFF

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

#### ITEM THREE: MINUTES

Mac Clarke made a motion to approve the Minutes of the November 12, 2009 Board of Directors' meeting; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 1 above.

#### ITEM FOUR: RESPONSE TO ORANGE COUNTY'S REQUEST FOR OWASA'S POSITION ON WHETHER THE MOUNTAINS-TO-SEA TRIAL WILL BE ALLOWED TO CROSS OWASA-OWNED PROPERTY IN THE VICINITY OF THE CANE CREEK RESERVOIR

Mason Crum made a presentation on the Friends of Mountains-to-Sea (FMTS) Trail and stated that OWASA staff will require FMTS to post signs at each end of the trail on OWASA property that clearly state the rules for using the trail on the OWASA-owned property. OWASA will stipulate the rules, but will not pay for the signs. Rules include the following:

- No camping, parking, fires, picnic areas, trash receptacles or emergency vehicle access points will be allowed
- Hours of operation will be 365 days/year, dusk to dawn
- A key step in the process will be developing a Memorandum of Agreement (MOA) with the FMST.

Mr. Crum stated that staff will work with OWASA's attorney, Robert Epting, to ensure OWASA's long-term interests are protected that includes a provision in an MOA that allows OWASA to terminate said MOA at OWASA's convenience or if FMST ends.

Mr. Crum then introduced Ms. Kate Dixon, Executive Director of Friends of Mountains-to-Sea Trail, who expressed her appreciation to the Board for the possible use of OWASA property for FMTS Trail.

Joy Preslar asked if the trail will be adjacent to the Cane Creek Reservoir.

Ms. Dixon said that the OWASA would make the final decision on where the trail is located.

Alan Rimer asked how the trail will look.

Ms. Dixon stated that the trail is a natural surface trail, two feet wide and built by hand.

Randy Kabrick asked if FMST operated through the State Historic Preservation office with a permit in the event that Indian ruins' are found.

Ms. Dixon said that FMTS works closely with the property owner for FMTS trails investigating possibilities in advance of trail construction and if an archeological survey is needed it would be done before construction. If the Board would like an archeological survey, FMTS would look into it.

Mr. Kabrick then asked Mr. Epting if OWASA would have a legal arrangement with FMTS for the trail.

Mr. Epting said that OWASA is granting a license to FMST for the use of OWASA owned property and the agreement would be one that is terminable if the arrangement is found to be unacceptable to OWASA as is noted in the staff report.

Mr. Crum said that a formal written agreement is forthcoming.

Gordon Merklein said he supports this initiative and wondered if the trail would also be used for non-motorized vehicles, horses, etc.

Ms. Dixon said that when the trail was originally envisioned, it was for a hiking trail. However, the property owners/land manager decides the ultimate use and there are sections of the trail that are multi-use. A horse trail called Sauratown Trail is north of Winston-Salem; a trail is open to bikes in the watershed section of Greensboro; and Raleigh's Neuse River Greenway section will be a paved, multi-use trail.

The Board unanimously agreed to send a letter to Orange County expressing OWASA's support for the FMST initiative and allowing the use of OWASA-owned property in the vicinity of the Cane Creek Reservoir for the trail with the conditions outlined in the letter.

ITEM FIVE: APPROVAL OF RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO SHORT-TERM, EMERGENCY, MUTUAL AID WATER SALE AND PURCHASE AGREEMENTS WITH THE CITY OF DURHAM AND THE TOWN OF CARY

Alan Rimer made a motion to approve the resolution; the motion was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 2 above.

ITEM SIX: RESOLUTION SETTING DATE FOR PUBLIC HEARING AND AUTHORIZING PUBLICATION AND PROVISION OF NOTICE REGARDING DRAFT RECLAIMED WATER SERVICE POLICIES AND RATES AND FEES APPLICABLE TO NON-UNC CUSTOMERS

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

ITEM SEVEN: STAFF DRAFT STATEMENT OF STRATEGIC ISSUES AND POLICIES, DRAFT PLANNING ASSUMPTIONS AND BACKGROUND INFORMATION DOCUMENT AND FISCAL YEAR 2011 DRAFT BUDGET CALENDAR

Ed Kerwin stated that this information provides a reminder and an update of the key issues that OWASA will be addressing in developing our budgets and rates for next fiscal year and beyond. No specific Board action is requested tonight, but staff's seeks the Board's discussion and guidance. Mr. Kerwin noted that the Finance Committee will discuss the Draft Statement of Strategic Issues and Policies, Draft Planning Assumptions and Background Information Document in January, 2010.

Mr. Kerwin recommended to Gordon Merklein that staff present the preliminary information to the full Board prior to Finance Committee review so that staff may have the benefit of Board's feedback at this early stage of our budget and rate work. While much of the

detailed budget and rate development is done by the Finance Committee, it is very important to keep the full Board engaged and involved throughout the budgeting process.

Mr. Kerwin reminded the Board that our financial model indicates a 9.75 percent rate adjustment will be required for the coming year as well as for two years following. It remains a high priority to achieve greater efficiencies and cost reductions where practical, consistent with OWASA's mission to provide reliable, sustainable services to our customers.

Kevin Ray said that the financial challenges presented by significant and permanent reductions in customer demand and customer growth are the single most critical issue to be addressed in the preparing the Fiscal Year (FY) 2011 annual budget. In addition to the challenges detailed in the *Draft Statement of Strategic Issues and Policies*, Mr. Ray said the Local Government Retirement System experienced significant market losses in the Local Government Retirement Fund and will likely recoup these losses by increasing employer contributions from 4.89 to 6.35 percent of payroll for FY 2011 to potentially 11 percent by FY 2016. Such increases would result in additional annual funding requirements of about \$100,000 to over \$400,000 for OWASA. While not yet officially adopted by the retirement system governing board, the contribution increase by employers represents another potential challenge in budgeting. Mr. Ray also said that staff will not recommend changes to the rate structure until sufficient historical data are available. Mr. Ray urged the Board to maintain the newly adopted Financial Management Policy as the gauge by which to measure OWASA's financial performance in order to remain fiscally sustainable and to preserve OWASA's historically high credit ratings.

Gordon Merklein requested that for the next Finance Committee meeting, staff work with the Towns on growth and new connections and see what the State and other peers are doing with respect to the capital improvement project (CIP) inflation factor. Graphs are useful to see that information.

Randy Kabrick stated that bids for statewide construction projects have come in under engineers' cost estimates.

Mac Clarke said he has concerns about CIP deferrals and would like to know if the previous CIP estimates were flawed. He would like to see a 10 year CIP outline of projects so that a future Board does not have to make a high rate increase due to flawed projections of equipment and project needs.

Williams Stott asked what has already been done for the CIP and what the importance of the Bolin Creek sewer projects is.

Alan Rimer said that a public relations plan is needed for the upcoming budget and rate process.

Mr. Clarke requested additional information on the impact of the possible increase in the retirement contribution.

Mr. Ray clarified that the potential increases in retirement contributions are projected to occur between Fiscal Years 2011 and 2016, inclusively.

Mr. Clarke asked if equitable revenue recovery exists between the seasonal and block rate structures.

Staff will follow-up with the Board's questions at a Finance Committee meeting in January, 2010.

ITEM EIGHT: RECOMMENDATION TO RE-EVALUATE ORANGE WATER AND SEWER AUTHORITY POLICY FOR ADJUSTMENT OF CUSTOMER ACCOUNTS FOR EMERGENCY SITUATIONS INVOLVING LOSS OF METERED WATER

Mac Clarke asked whether OWASA staff has contacted the Towns' staff to discuss the location of residential water pipes as it relates to the Towns' building codes.

Staff to follow-up and report back information received.

The meeting was adjourned at 8:00 P.M.

Enclosures

**RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO SHORT-TERM, EMERGENCY, MUTUAL AID WATER SALE AND PURCHASE AGREEMENTS WITH THE CITY OF DURHAM AND TOWN OF CARY**

**WHEREAS**, it is necessary to have contingency plans for the emergency transfer of water during periods of drought or disruption of the water supply as a result of planned or unplanned maintenance; and

**WHEREAS**, OWASA and the City of Durham have operated under an agreement for the sale and purchase of water since the 1970s; and

**WHEREAS**, the agreement for the sale and purchase of water with the City of Durham was revised in August 1988 and this agreement expired as of August 26, 2009; and

**WHEREAS**, the staffs of Durham, Cary and OWASA have worked together to developed agreements that provide for the short-term, emergency, mutual aid sale and purchase of water; and

**WHEREAS**, the agreements specifically provide that any water sale or purchase must comply with the 2001 Water and Sewer Management, Planning and Boundary Agreement between the County of Orange, Town of Carrboro, Town of Chapel Hill, Town of Hillsborough and OWASA; and

**WHEREAS**, the Durham City Council approved a water sale and purchase agreement between OWASA and the City of Durham on August 3, 2009; and

**WHEREAS**, the Cary Town Council approved a water sale and purchase agreement between OWASA and the Town of Cary at their October 8, 2009 meeting;

**NOW, THEREFORE, BE IT RESOLVED:**

1. That the Board of Directors of Orange Water and Sewer Authority authorizes the Executive Director to enter into agreements with the City of Durham and the Town of Cary that provide for the short-term, emergency, mutual aid sale and purchase of water subject to review and approval of the agreements by OWASA's legal counsel.

Adopted this 10th day of December 2009.



**RESOLUTION SETTING DATE FOR A PUBLIC HEARING AND AUTHORIZING  
PUBLICATION AND PROVISION OF NOTICE REGARDING DRAFT RECLAIMED  
WATER SERVICE POLICIES AND RATES AND FEES APPLICABLE TO NON-UNC  
CUSTOMERS**

**WHEREAS**, pursuant to the April 2006 water reuse system contract between Orange Water and Sewer Authority (OWASA) and The University of North Carolina at Chapel Hill, OWASA has installed a new reclaimed water system and began providing reclaimed water service to the University in April 2009; and

**WHEREAS**, the reclaimed water system can be extended to serve non-University customers; and

**WHEREAS**, OWASA needs to adopt reclaimed water service extension policies and rates and fees for such service;

**NOW, THEREFORE, BE IT RESOLVED:**

1. That a Public Hearing is hereby set for Thursday, January 28, 2010, at 7:00 P.M., in the Chapel Hill Town Hall, for the purpose of receiving public comment on the December 10, 2009 *Draft Policy on the Extension of Reclaimed Water Service, Draft Reclaimed Water Service Extension Regulations, and Proposed Revisions to RCW Rates and Fees in OWASA's Schedule of Rates and Fees*.

2. That any interested persons may appear in person, or by agent or attorney, and present any comments they may have regarding the proposed budget.

3. That notice of the time and place of the Public Hearing shall be advertised and mailed at least ten days prior to the date fixed above for the Public Hearing to The University of North Carolina at Chapel Hill, and to the Towns of Chapel Hill and Carrboro and to Orange County. OWASA staff shall inform the public of the proposal through news releases, electronic communications, website materials, and other appropriate and cost-effective methods.

Adopted this 10th day of December, 2009.