

ORANGE WATER AND SEWER AUTHORITY

PUBLIC HEARINGS AND MEETING OF THE BOARD OF DIRECTORS

MAY 27, 2010

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held Public Hearings and a regular Business Meeting on Thursday, May 27, 2010, at 7:00 PM, at the Chapel Hill Town Hall.

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 Amy Witsil. Board member absent: William R. Stott, III.

OWASA staff: Ed Kerwin; John Greene; Stuart Carson; Stephanie Glasgow; Patrick Davis; Greg Feller; Ed Holland; Rachel Monschein; Andrea Orbich; Kevin Ray; Stephen Winters; 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); Terry Meyers and Shannon Brommett, General Services Corporation; and Pat Garavaglia, Orange County Department of Social Services.

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

MOTIONS ACTED UPON

1. Braxton Foushee moved to close the concurrent Public Hearings on the Draft Operations and Maintenance Budget; Draft Capital Improvements Program Budget; and the proposed Adjustments to Rates, Fees and Charges. The motion was seconded by Fred Battle, and carried by unanimous vote.

2. Braxton Foushee made a motion to approve the Minutes of the April 22, 2010 Board Meeting; the motion was 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 of Orange Water and Sewer Authority to Eliminate the Human Resources Director Position and to Reclassify the Safety and Training Administrator Position." (Resolution so titled attached hereto and made a part of these minutes. Motion by Mac Clarke, seconded by Fred Battle, and carried by unanimous vote.)

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.

COMMITTEE MEETINGS

Braxton Foushee said that the Human Resources (HR) Committee met on May 19, 2010 and agreed to support staff's recommendation to eliminate the vacant Human Resources Director position and reclassify the existing Safety and Training Administrator position to the new position of Human Resources and Safety Manager. This recommendation is a discussion and action item on tonight's agenda. The Committee also reviewed and agreed to discuss with the full Board on June 10, 2010, the Draft Succession Plan for OWASA's Executive Director as well as health and dental insurance contracts. Mr. Foushee reported that Blue Cross Blue Shield's health insurance is expected to increase 7.2 percent while dental insurance will decrease eight (8) percent. Finally, the HR Committee recommends that the Fiscal Year 2011 budget include a 2.5 percent average merit pool increase for employees.

Mac Clarke said the Nominating Committee met prior to the Board meeting tonight to discuss the nominees for the election of Chair, Vice Chair and Secretary on June 10, 2010. The following Board members are the proposed officers for corporate year 2010-2011: Gordon Merklein, Chair; Alan Rimer, Vice Chair; and Braxton Foushee, Secretary. Mr. Clarke said that any other Board member who wishes to be considered for a position should inform a member of the Nominating Committee as soon as possible. Dates of service for new officers will be July 1, 2010 through June 30, 2011.

Alan Rimer said that the Natural Resources/Technical Systems Committee (NRTS) met on May 19, 2010, to discuss land management issues and the implementation of the recently approved Water Supply Plan. Mr. Rimer said the Committee reviewed and prioritized a staff developed list of OWASA-owned properties to determine which properties are essential to OWASA's core mission. Discussions will continue, however, the Committee requested staff prepare recommendations to the full Board on the 74-acre tract in the University Lake watershed (Ray Property) and the 490-acre tract in the Cane Creek watershed (Mitigation Land).

Mr. Rimer said that staff also proposed an implementation plan for the recently adopted Water Supply Plan that will focus on three areas. First is the development of expanded Quarry Reservoir after mining operations end in 2030. Second is the development of water purchase trigger conditions and/or "trigger" tables that will be used to guide future decisions on when to declare mandatory water use restrictions as part of OWASA's *Water Shortage Response Plan*. Third is to continue discussions with the Jordan Lake Partnership. The Committee and staff will continue to focus on ensuring how OWASA will retain the five (5) percent water supply storage allocation through secure and permanent agreements with nearby utilities.

WATER QUALITY REPORT CARD

Rachel Monschein reported that OWASA has met the standards under the Federal Safe Drinking Water Act and related State rules for drinking water. OWASA's report includes information about where OWASA water comes from, how it is treated and a summary of our test results. Last year we provided 2.2 billion gallons of drinking water to the Carrboro-Chapel Hill community and tested the drinking water for more than 150 contaminants. The 2009 water quality report card was mailed to our customers this spring and as well as posted on OWASA's website at www.owasa.org.

ITEM TWO: PETITIONS AND REQUESTS

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

ITEM THREE: CONCURRENT PUBLIC HEARINGS ON THE DRAFT ANNUAL BUDGET AND PROPOSED ADJUSTMENTS TO RATES, FEES AND CHARGES

Randy Kabrick opened the concurrent Public Hearings on the Draft Operations and Maintenance (O&M) Budget, Draft Capital Improvements Program (CIP), and the proposed Adjustments to Rates, Fees and Charges.

Ed Kerwin made the staff presentation. He noted that if the Board of Directors approves the rate increase for Fiscal Year (FY) 2011 on June 10, 2010, the rates would go into effect on October 1, 2010 with the exception of the lake recreation fees, which would take effect in March 2011. OWASA is a public, non-profit special purpose government supported by user fees and cost-of-service rates in accord with requirements in OWASA's Sale and Purchase agreements and Bond Order. OWASA's budget and rate setting strategies focus on ensuring the long-term sustainability of the community's water, sewer and reclaimed water services.

On an annual basis, OWASA provides water and sewer services to about 21,000 customer accounts and delivers approximately 2.2 billion gallons of drinking water through 391 miles of distribution pipes in the service area. Mr. Kerwin said that once the water is used, almost 3 billion gallons of wastewater is routed through 321 miles of pipe and 21 pumping stations. Wastewater is then highly treated at the Mason Farm Wastewater Treatment Plant (WWTP). In April 2009, OWASA began providing some of the highly treated wastewater (reclaimed water (RCW)) to the University of North Carolina (UNC) at Chapel Hill for use instead of potable water for their chiller facilities, irrigation and other non-potable purposes.

The proposed rate increase for FY 2011 is 9.25 percent for monthly water and sewer charges; this proposed rate is slightly lower than 9.75 percent increase projected last year. Residential customers using 5,000 gallons per month will see an increase in their monthly bill of about \$6.95. The reason for the rate increase is OWASA's responsibility to ensure there is sufficient revenue to meet operating, capital investment and debt service obligations. OWASA

is also committed to enhancing financial sustainability to maintain a financial rating that benefits our customers with lower interest rates when money is borrowed. The four key drivers for the proposed rate increase are: lower water sales; lower new service connections; the need to continue to renew and replace aging infrastructure; and increasing workload as well as operating expenses.

Since the drought of 2001/2002, the demand for drinking water decreased 25 percent. Factors contributing to this reduction are: increased conservation by customers, year-round conservation requirements; conservation pricing (increasing block water rates for residential customers and seasonal water rates for commercial customers); and further reduction in demand over the next year due to UNC's planned increase in use of RCW. For the next fiscal year, OWASA expects to sell 6.1 million gallons per day, the same amount sold in 1991 even though customer accounts have increased 50 percent since 1991.

Mr. Kerwin said that while water sales have dropped significantly since 2001, OWASA's workload continues to increase with the addition of about 2,500 new customer accounts, 68 more miles of pipe and over 1,000 new pieces of equipment to operate and maintain. The O&M budget has also been impacted by increasing costs for essential supplies and services such as chemicals and energy as well as health care for employees.

Renewing and replacing aging infrastructure is essential and over the next five years most of the CIP budget is dedicated to renew/replace aging infrastructure. It is critically important that OWASA make the necessary investment in the infrastructure to ensure high quality and reliable services. While the CIP is significantly reduced, the proposed level of spending for FY 2011 is adequate to meet customers' needs. Mr. Kerwin said that in FY 2011 dollars, OWASA's financial planning model indicates that the next borrowing event may be in FY 2014 or 2015.

OWASA's local water resources are sustainable and will meet expected demand for the next 50 years under most circumstances. OWASA's future water supply allocation from Jordan Lake is an additional option. As a result of capital improvements at the water and wastewater treatment plants during the past decade as well as the reduced demand for drinking water, the existing plants will not have to be expanded for at least 20 years. Mr. Kerwin said that projected annual rate increases over the next four years are expected to range from 8.75 to 4.0 percent. Staff will continue to work hard to reduce costs without compromising the delivery of high quality and dependable water and sewer services.

Mr. Kabrick opened the concurrent Public Hearings for public comments.

Ben Poulson, Associate Director of Energy Services of the University of North Carolina at Chapel Hill, said that OWASA provides critical water and sewer services to the UNC and UNC Hospitals. Without OWASA's services, UNC and UNC Hospitals would not be able to operate the teaching, research, health care, residential and administrative facilities. UNC does have concerns about the impact of the proposed rate adjustment; however, UNC also recognizes the current economic climate and the cost saving measures OWASA has implemented. In

closing, Mr. Poulson said UNC appreciates the quality services provided by OWASA and the working relationship with OWASA staff.

Shannon Brummet, Regional Property Manager for General Service Corporation (GSC), said 1,900 apartment units which he manages are served by OWASA and the proposed rate increase of 9.25 percent is a big concern for his company and the residents he serves. Mr. Brummet said that OWASA ranks among the highest in costs for water and sewer services in the region and the rate increases are not beneficial to his residents or industry. GSC struggles with cutbacks as do the families he serves. Mr. Brummet asked that OWASA stop the increases and look harder at the ways to reduce expenses.

Alan Rimer suggested Mr. Brummet speak with OWASA staff and find out what other property management competitors have done to reduce water consumption.

Mr. Brummet stated that GSC has take steps to reduce water consumption, including installing water-saving devices and fixtures, but that costs continue to rise.

Pat Garavagila, member of the Department of Social Services (DSS) of Orange County and Friends of DSS, requested that the OWASA Board consider making it easier for OWASA customers to sign up as donors in the Taste of Hope Customer Assistance Program by placing a "check box" on the monthly OWASA water and sewer bill.

Stephen Winters stated that before the end of the year, Taste of Hope donors will have the option to donate more money than rounding up the donor's bill to the nearest dollar.

Mr. Kerwin added that the Taste of Hope program is a voluntary program in which about six percent of our customers have authorized OWASA to round up their bill to the next whole dollar (i.e., if the donor's bill is \$50.60, it would be rounded to \$51.00). That money is then provided to the Inter-Faith Council, which uses the funds to help families who are having difficulty paying their bills. OWASA encourages any customer to sign up for this program to assist families in need.

Mr. Kerwin said that each Board member has at their place additional email comments from customers on the proposed rate increase.

Braxton Foushee made a motion to close the concurrent Public Hearings on the draft O&M Budget, CIP and proposed rates, fees and charges; the motion was seconded by Fred Battle, and carried by unanimous vote. Please see Motion No. 1 above.

Mr. Foushee told Mr. Brummet that his comments have not fallen on deaf ears and the Board will continue to work towards reducing rate increases.

ITEM FOUR: SEMIANNUAL STATUS REPORT FOR VARIOUS CAPITAL IMPROVEMENT PROJECTS, INCLUDING SEMIANNUAL REPORT ON COMMUNICATIONS PLANS FOR CAPITAL PROJECTS

Alan Rimer conveyed concern from Penny Rich, Chapel Hill Town Council Member, that OWASA's capital improvement spending is important and that a delay in projects could cost rate-payers more money later.

ITEM FIVE: MINUTES

Braxton Foushee made a motion to approve the Minutes of the April 22, 2010 Board Meeting; the motion was seconded by Mac Clarke, and carried by unanimous vote. Please see Motion No. 2 above.

ITEM SIX: IMPROVED EFFICIENCIES FOR OWASA'S HUMAN RESOURCES' FUNCTIONS

Fred Battle asked if the new grade for the Human Resources and Safety Manager was sufficient for the duties and responsibilities of the proposed position as well as if outside research was done on the proposed reclassification.

Ed Kerwin said that the new grade for the Human Resources and Safety Manager is comparable to other OWASA manager positions and that no outside research was conducted.

Mac Clarke made a motion to approve the Resolution of Orange Water and Sewer Authority to eliminate the Human Resources Director Position and to Reclassify the Safety and Training Administrator Position; the motion was seconded by Fred Battle, and carried by unanimous vote. Please see Motion No. 3 above.

There being no further business to come before the Board, the meeting was adjourned at 7:45 P.M.

Enclosures

**RESOLUTION OF ORANGE WATER AND SEWER AUTHORITY TO
ELIMINATE THE HUMAN RESOURCES DIRECTOR POSITION
AND TO RECLASSIFY THE SAFETY AND TRAINING
ADMINISTRATOR POSITION**

WHEREAS, the Executive Director has reviewed the staffing requirements to support the organization's human resources functions; and

WHEREAS, the Executive Director has determined and the Human Resources Committee concurs that efficiencies can be achieved by eliminating the vacant Human Resources Director position and reclassifying the Safety and Training Administrator position to the new position of Human Resources and Safety Manager; and

WHEREAS, the Executive Director and staff will ensure there is no reduction of essential human resources and safety services for OWASA's employees:

**NOW THEREFORE, BE IT RESOLVED, THAT THE BOARD OF
DIRECTORS OF ORANGE WATER AND SEWER AUTHORITY:**

1. Eliminate the vacant Human Resources Director position (Grade 33; \$74,292 - \$107,723).
2. Reclassify the existing Safety and Training Administrator position (Grade 22; \$49,353 - \$71,562) to the new position of Human Resources and Safety Manager (Grade 28; \$59,326 – \$86,023).
3. That the Schedule of Employee Classification and Authorized Compensation be amended as above effective May 31, 2010.

Adopted this the 27th day of May, 2010.

Randy Kabrick, P.E., Chair

ATTESTED:

Braxton Foushee, Secretary