

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

OCTOBER 27, 2011

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular business Meeting on Thursday, October 27, 2011, at 7:00 P.M., at the Chapel Hill Town Hall, 405 Martin Luther King Jr. Boulevard.

Directors present: Gordon Merklein, Chair; Alan Rimer, Vice Chair; Amy Witsil, Secretary; Fred Battle; Terri Buckner; Will Raymond; Dana Stidham; William Stott; and John A. Young.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Denise Battle; Donald Boggs; Mary Darr; Patrick Davis; Greg Feller; Robert Herring; Ed Holland; Stephanie Glasgow; Heidi Lamay; Kenneth Loflin; Andrea Orbich; Kevin Ray; Kelly Satterfield; Alan Smith; 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 of the University of North Carolina at Chapel Hill; Mac Clarke; and Madison Crum.

There being a quorum present, Chair Gordon Merklein called the meeting to order.

MOTIONS ACTED UPON

1. Alan Rimer made a motion to approve the Minutes of the September 8, 2011 Board meeting; the motion was seconded by William Stott, and carried by unanimous vote.

2. Alan Rimer made a motion to approve the Minutes of the September 22, 2011 annual meeting of the Board; the motion was seconded by William Stott, and carried by unanimous vote.

3. Alan Rimer made a motion to approve the Minutes of the September 22, 2011 closed session of the Board for the purpose of discussing a personnel matter; the motion was seconded by William Stott, and carried by unanimous vote.

4. Fred Battle made a motion that the Board convene in a Closed Session for the purpose of discussing a personnel matter; the motion was second by Will Raymond, and carried by unanimous vote.

ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Gordon Merklein 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.

OCTOBER 24, 2011 MEETING

Gordon Merklein said that the Chapel Hill Town Council representatives and Chapel Hill appointees to the OWASA Board of Directors met on October 24, 2011 to discuss OWASA's request to clarify the Water and Sewer Management, Planning and Boundary Agreement regarding OWASA's use of its Jordan Lake allocation. Mr. Merklein said all present agreed to defer consideration of this matter at the October 26, 2011 Chapel Hill Town Council meeting and that the group will meet in the near future to discuss OWASA's proposal before it returns to the Council's agenda. The matter was referred to the Board's Natural Resources/Technical Systems Committee, which will provide recommendations to the Board at a future meeting.

FINANCE COMMITTEE

Amy Witsil, Chair of the Finance Committee, said the Committee met prior to the Board meeting to review the financial report for the three-month period ended September 30, 2011; plans for the upcoming rate study; and plans for updating OWASA's strategic plan. The financial report is included in the Board's agenda and will be covered later tonight. Staff presented recommendations for the scope and timing of the rate study which is included in this year's budget. Ms. Witsil said it is unlikely there will be significant changes to the rate structure. However, a few issues to be included in the study are: verification that the current structure is still accomplishing our conservation and financial goals; options for addressing affordability; and an analysis of our approach to sewer service charges. Staff will begin working with consultants in December and updates will be reported to the Finance Committee and Board throughout the process. Finally, the Committee and staff suggest that the Strategic Plan be updated every two years as part of the budget planning process.

NORTH CAROLINA WATER TREATMENT PLANT OPERATOR OF THE YEAR –
KENNETH LOFLIN

John Greene announced that Kenneth Loflin, OWASA Water Supply and Treatment Manager, was named 2011 Water Treatment Plant Operator of the Year for the North Carolina Waterworks Association.

ASSOCIATION OF METROPOLITAN WATER AGENCIES

Ed Kerwin announced that OWASA received the Platinum Award for Utility Excellence from the Association of Metropolitan Water Agencies (AMWA). AMWA is an organization of

the largest public drinking water systems in the United States and its membership serves more than 130 million people. To be eligible for the Platinum award, utilities must show sustainable continuous improvement over a 5-year period in following 10 areas of effective utility management: product quality; customer satisfaction; employee and leadership development; operational optimization; financial viability; infrastructure stability; operational resiliency; community sustainability; water resource adequacy; and stakeholder understanding and support. OWASA's achievements include:

- Customer base grew 3.6% over the last 5 years, water demand dropped 18%.
- Reclaimed water system will meet 12% of overall water demand for the coming year.
- Average annual number of service interruptions has averaged 8 per 100 miles of pipe, which puts us in the top quartile.
- OWASA reduced positions by 15% without a loss of service to customers.
- OWASA did a good job sustaining its infrastructure and financial resources.
- Became the ninth utility in the country and first in North Carolina to receive the Partnership for Safe Water's Award for Excellence in Water Treatment.

Mr. Kerwin said he is very proud of the OWASA Team and appreciates the support of our customers.

OWASA EMPLOYEE SERVICE AWARDS

Ed Kerwin said that it is good to acknowledge OWASA's employees who have served for 10, 15, 25 and 30 years at OWASA. The following employees received service awards:

- 10-Year: Nathan Barnhardt, Brett Bradshaw, Terry Burkhardt, Robert Herring*, Anthony Montero, Allen Smith*, Pam Whitmore,
15-Year: Denise Battle*, Donald Boggs*, Ed Kerwin*
25-Year: Roy Blackwood, Jerry McNair
30 Years: Hal (Doc) Crawford, John Greene*

*These employees attended the Board of Directors' meeting and were recognized and appreciated by their supervisors and the Board.

On behalf of the Board of Directors, Gordon Merklein thanked all the employees for their service and hard work to OWASA and the community.

ITEM TWO: PETITIONS AND REQUESTS

Gordon Merklein asked for petitions and requests from public, Board and staff; there were none.

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

The Board received this item as an information item.

ITEM FOUR: MINUTES

Alan Rimer made a motion to approve the Minutes of the September 8, 2011, meeting of the Board of Directors; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 1 above.

Alan Rimer made a motion to approve the Minutes of the September 22, 2011, annual meeting of the Board of Directors; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 2 above.

Alan Rimer made a motion to approve the Minutes of the September 22, 2011, Closed Session of the Board of Directors for the purpose of discussing a personnel matter; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 3 above.

ITEM FIVE: FINANCIAL REPORT FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

The Board received this item as an information item.

ITEM SIX: ANNUAL REVIEW AND UPDATE OF STRATEGIC TRENDS AND MASTER PLAN ISSUES

The Board received this item as an information item.

ITEM SEVEN: CLOSED SESSION

Fred Battle made a motion that the Board convene in a Closed Session for the purpose of discussing a personnel matter; the motion was seconded by Will Raymond, and carried by unanimous vote. Please see Motion No. 4 above.

There being no further business to come before the Board, the meeting was adjourned at 9:05 P.M.