

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

MARCH 10, 2011

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular Business Meeting on Thursday, March 10, 2011, at 7:00 P.M., OWASA Community Room.

Directors present: Gordon Merklein, Chair; Braxton Foushee, Secretary; Fred Battle; Michael A. (Mac) Clarke; Joyce C. Preslar; William Stott; and Amy Witsil. Directors absent: Alan Rimer, Vice Chair.

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

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager of the University of North Carolina at Chapel Hill; Ann and Stephen Aylward; and Kelsey Snell, UNC Journalism Student.

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

MOTIONS ACTED UPON

1. Mac Clarke made a motion to approve the Minutes of the December 9, 2010, Closed Session of the Board of Directors; the motion was seconded by William Stott and carried by unanimous vote.

2. Mac Clarke made a motion to approve the Minutes of the January 27, 2011, Meeting of the Board of Directors; the motion was seconded by William Stott and carried by unanimous vote.

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution to Accept Amended Offer to Purchase Tract 2 of OWASA's Ray Heirs Property." (Resolution so titled attached hereto and made a part of these minutes. Motion by Mac Clarke, seconded by William Stott, and approved with a vote of 5 to 2 with Fred Battle and Braxton Foushee opposed.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Requesting Clarification of the 2001 Water and Sewer Management, Planning and Boundary Agreement among Carrboro, Chapel Hill, Hillsborough,

Orange County and OWASA.” (Resolution so titled attached hereto and made a part of these minutes. Motion by Mac Clarke, seconded by Fred Battle, and unanimously approved.)

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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.

Randy M. Kabrick

Gordon Merklein read aloud a Resolution of Appreciation to former Board Chair Randy Kabrick.

The Board and staff expressed sincere appreciation to Mr. Kabrick for his leadership and service to OWASA.

FINANCE COMMITTEE MEETING

Mac Clarke reported that the Finance Committee met on February 24, 2011 and discussed the budget and potential water and sewer rate adjustments for Fiscal Year (FY) 2012. The Committee reviewed several rate adjustment scenarios but focused on two alternatives: 1) no rate increase for FY 2012 followed by a projected four percent increase in FY 2013; and 2) a two percent rate increase for both FY 2012 and FY 2013. The Committee’s initial preference is the latter favoring a small increase in FY 2012 to serve as a buffer for contingencies. The next Finance Committee meeting is scheduled for March 24, 2011 at 5:00 P.M. in the First Floor Conference Room at Chapel Hill Town Hall to review the proposed Capital Improvements Program as well as budget and rate adjustment information. Mr. Clarke encouraged Board member attendance at this Committee meeting

ITEM TWO: PETITIONS AND REQUESTS

Gordon Merklein asked for petitions from the public; there were none.

ITEM THREE: PETITIONS AND REQUESTS

Mac Clarke petitioned the Board to revise the compensation of Board members. He proposed that Board members receive \$50 compensation for attending a Committee meeting as well as each Board meeting and that the Chair receive a fixed monthly payment of \$250 effective July 1, 2011.

The Board agreed to consider this petition at a future Board meeting.

ITEM FOUR: PETITIONS AND REQUESTS

Gordon Merklein asked for petitions from staff; there were none.

ITEM FIVE: 2010 ANNUAL RECREATION REPORT FOR UNIVERSITY LAKE AND CANE CREEK RESERVOIR

Gordon Merklein requested that staff comment on reevaluating the hours of recreation at the lakes. Staff will follow-up.

ITEM SIX: REPORT ON OWASA'S CANE CREEK MITIGATION PROPERTY 2010 HUNTING SCHEDULE

The Board received this item as an information item.

ITEM SEVEN: MINUTES

Mac Clarke made a motion to approve the Minutes of the December 9, 2010, Closed Session of the Board of Directors; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 1 above.

Mac Clarke made a motion to approve the Minutes of the January 27, 2011, Meeting of the Board of Directors; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 2 above.

ITEM EIGHT: PROGRESS REPORT ON OWASA'S STRATEGIC PLAN

Mac Clarke said he would like the Finance Committee to be engaged in the implementation of improvements to the financial management and billing system.

The Board agreed that staff would provide an annual update.

ITEM NINE: RECOMMENDATION TO ACCEPT AMENDED OFFER TO PURCHASE TRACT 2 OF OWASA'S RAY HEIRS PROPERTY

Mac Clarke made a motion to approve the resolution; the motion was seconded by William Stott and passed with a vote of 5 to 2 with Fred Battle and Braxton Foushee opposed. Please see Motion No. 3 above.

ITEM TEN: REVISED RESOLUTION REQUESTING CLARIFICATION OF THE 2001 WATER AND SEWER MANAGEMENT, PLANNING AND BOUNDARY AGREEMENT AMONG CARRBORO, CHAPEL HILL, HILLSBOROUGH, ORANGE COUNTY AND OWASA

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Mac Clarke made a motion to approve the resolution; the motion was seconded by Fred Battle 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 7:52 P.M.

Enclosures

**RESOLUTION TO ACCEPT AMENDED OFFER TO PURCHASE TRACT 2 OF
OWASA'S RAY HEIRS PROPERTY**

WHEREAS, on January 27, 2011, the Orange Water and Sewer Authority (OWASA) Board of Directors authorized and directed the Executive Director to accept a \$300,000 cash offer on behalf of OWASA as Seller, and otherwise to do all things necessary and appropriate to accomplish the closing of that transaction under terms of the Offer to Purchase; and

WHEREAS, subsequent site and soil investigations have determined that the 14.9-acre property is unsuitable for a conventional septic system, but that it can likely accommodate a highly engineered subsurface drip with pretreatment system at a substantially higher cost; and

WHEREAS, the Buyer has submitted to OWASA an amended Offer to Purchase Tract 2 for \$260,000 in cash; and

WHEREAS, OWASA's Staff, Realtor, and General Counsel have considered the amended offer and recommend that the Board of Directors authorize the Executive Director to accept said amended offer and otherwise act on OWASA's behalf as necessary and appropriate to accomplish the closing of this transaction:

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

1. That the Executive Director is hereby authorized and directed to accept the \$260,000 amended cash offer, as described above, on behalf of OWASA as Seller, and otherwise to do all things necessary and appropriate to accomplish the closing of this transaction under the terms of the Purchase Contract.
2. That the proceeds from the sale can be credited to the General Fund Balance and available for any purpose as approved by the Board.

Adopted this the 10th day of March, 2011.

RESOLUTION REQUESTING CLARIFICATION OF THE 2001 WATER AND SEWER MANAGEMENT, PLANNING AND BOUNDARY AGREEMENT AMONG CARRBORO, CHAPEL HILL, HILLSBOROUGH, ORANGE COUNTY, AND OWASA

WHEREAS, Jordan Lake is a future water supply source for Carrboro, Chapel Hill, the University of North Carolina at Chapel Hill, Hillsborough, and portions of Orange County; and

WHEREAS, OWASA, with the support of Carrboro, Chapel Hill, and Orange County, applied for and received a Jordan Lake water supply storage allocation from the North Carolina Environmental Management Commission (EMC) in 1988, for which OWASA has since paid more than \$200,000; and

WHEREAS, Orange County has a one million gallon per day allocation from the Jordan Lake water supply for which the County has paid more than \$31,000 since 1997 and from which the County intends to draw in the future; and

WHEREAS, Hillsborough intends to request a one million gallon per day allocation from the Jordan Lake water supply for future emergency water supply and potential growth; and

WHEREAS, Jordan Lake's importance as a future supply source was confirmed in OWASA's 2001 *Comprehensive Water and Sewer Master Plan* and re-affirmed in its 2010 *Long-Range Water Supply Plan*, which stated that "It is essential that OWASA retain and acquire access to its [Jordan Lake] allocation"; and

WHEREAS, OWASA, Hillsborough, and Orange County are playing an active role in the Jordan Lake Partnership, which is facilitating coordinated applications to the EMC by Triangle Area utilities who must justify their need for increasing or retaining their Jordan Lake water supply storage allocations; and

WHEREAS, unimpeded access to OWASA's, Hillsborough's, and Orange County's allocations will be an important consideration in obtaining the EMC's approval to retain or secure those allocations; and

WHEREAS, the Towns of Carrboro, Chapel Hill, and Hillsborough, Orange County, and OWASA adopted a Water and Sewer Management, Planning and Boundary Agreement (the Agreement) in 2001; and

WHEREAS, language in the Agreement is unclear about OWASA's, Hillsborough's, and Orange County's ability to access their respective Jordan Lake water supply storage allocations for use by OWASA, Hillsborough, and Orange County customers; and

WHEREAS, this lack of clarity may jeopardize OWASA's, Hillsborough's, and Orange County's ability to obtain the EMC's approval to retain or secure their allocations; and

WHEREAS, this contributes to greater uncertainty in OWASA's, Hillsborough's, and Orange County's long-range water supply and capital investment planning; and

WHEREAS, any change to the Agreement requires approval by all parties to the Agreement.

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

1. That the Agreement be clarified with the addition of the following language as a new Subsection 3 to Section VII.A (Emergency Water Transfers), and that said language also be added to the existing text of Section VII.B (Non-Emergency Water Transfers):

“The provisions in this subsection do not apply to the treatment of and transfer of water available through OWASA’s, Hillsborough’s, or Orange County’s Jordan Lake water supply storage allocations for use by OWASA, Hillsborough, or Orange County customers. Nothing herein shall be construed to prevent OWASA, Hillsborough, or Orange County from entering into agreements as necessary to provide for water transfers to afford OWASA, Hillsborough, or Orange County access to their respective Jordan Lake allocation.”

2. That this Resolution supersedes the *Resolution Requesting Clarification of the 2001 Water And Sewer Management, Planning and Boundary Agreement Among Carrboro, Chapel Hill, Hillsborough, Orange County, and OWASA* adopted by the Board on December 9, 2010.

Adopted this the 10th day of March, 2011.