

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

MARCH 24, 2011

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular Business Meeting on Thursday, March 24, 2011, at 7:00 P.M. at Chapel Hill Town Hall.

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

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Patrick Davis; Greg Feller; Heidi Lamay; Andrea Orbich; Kevin Ray; Stephen Winters; 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; Kelsey Snell, UNC Journalism student; Samuel and Ethan Merklein.

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

MOTIONS ACTED UPON

1. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Authorizing Executive Director to Renew Public Officials and Employees Liability Insurance for One Year Period for \$2,000,000 of Coverage with National Union Fire Insurance Company of Pittsburgh, PA." (Resolution so titled attached hereto and made a part of these minutes. Motion by Braxton Foushee, second by Mac Clarke, and unanimously approved.)

ITEM ONE: OATH OF OFFICE

Andrea Orbich administered the Oath of Office to Town of Chapel Hill appointee, Mr. John A. Young.

ITEM TWO: 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.

WATER AND SEWER MANAGEMENT, PLANNING AND BOUNDARY AGREEMENT

Gordon Merklein said that a key finding of OWASA's 2010 Long-Range Water Supply Plan is the need to secure the permanent ability to cost-effectively access OWASA's 5 million gallon per day allocation from Jordan Lake. The Board agreed to work with elected Boards to resolve constraints that may exist in the 2001 Water and Sewer Management, Planning and Boundary Agreement (WSMPBA). On December 9, 2010, the OWASA Board formally requested that certain language in the WSMPBA be clarified regarding access to and use of OWASA'S Jordan Lake allocation. The Chapel Hill Town Council, Orange County Board of Commissioners, and Hillsborough Town Board approved this request, but the Carrboro Board of Aldermen did not. Although no immediate action is planned, this matter is important and it is expected that the OWASA Board will soon begin discussing our next steps.

APRIL 14, 2011 BOARD MEETING

Gordon Merklein announced that the April 14, 2011, Board of Directors' meeting is cancelled.

COMMITTEE MEETINGS

Mac Clarke reported that the Finance Committee met prior to the Board meeting tonight to discuss the process for selecting an independent financial audit firm, options for funding post-employment health care benefits, and the Fiscal Year 2012 budget and potential rate adjustment; the latter will be discussed later in the agenda.

Gordon Merklein said that a meeting between Chapel Hill Town Council representatives and Chapel Hill appointees to the OWASA Board is tentatively scheduled for April 7, 2011, pending confirmation from the Chapel Hill Council representatives.

RECREATION AT OWASA RESERVOIRS

John Greene announced that the reservoirs will reopen for recreation on Saturday, March 26, 2011. University Lake will be open Fridays through Sundays from 6:30 A.M. until 6:00 P.M. and the Cane Creek reservoir will be open on Saturdays from 6:30 A.M. until 6:00 P.M.

ITEM THREE: PETITIONS AND REQUESTS

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

ITEM FOUR: RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO RENEW PUBLIC OFFICIALS AND EMPLOYEE LIABILITY INSURANCE FOR ONE YEAR PERIOD FOR \$2,000,000 OF COVERAGE WITH NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

Braxton Foushee made a motion to approve the resolution; the motion was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 1 above.

ITEM FIVE: FISCAL YEAR 2012 BUDGET AND POTENTIAL RATE ADJUSTMENT INFORMATION

Stephen Winters presented information about the budget for the upcoming fiscal year (FY 2012) and alternatives for a potential rate adjustment. The financial outlook for FY 2012 is significantly improved compared to what was previously expected. A key factor in the improved financial projection is an expected projected increase in the demand for drinking water. Rate adjustment options under consideration at this time are: no rate increase in FY 2012 followed by a potential three percent increase in FY 2013; or rate increases of two percent in FY 2012 and FY 2013.

Mac Clarke noted that the Board's Finance Committee prefers the second option: a two percent rate increase each year. Revenue from drinking water sales and certain operating costs can be volatile and the Committee believes that even a small two percent rate increase in FY 2012 will help serve as a hedge against this volatility.

There being no further business to come before the Board, the meeting was adjourned at 7:21 P.M.

Enclosure

**RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO RENEW PUBLIC
OFFICIALS AND EMPLOYEES LIABILITY INSURANCE FOR A ONE-YEAR
PERIOD FOR \$2,000,000 OF COVERAGE WITH NATIONAL UNION FIRE
INSURANCE COMPANY OF PITTSBURGH, PA**

WHEREAS, the policy for Public Officials & Employees Liability Insurance with National Union Fire Insurance Company of Pittsburgh, PA for the period of April 20, 2010 through April 19, 2011 expires April, 20, 2011; and

WHEREAS, a renewal offer has been received from National Union Fire Insurance Company of Pittsburgh, PA., for \$2,000,000 of coverage, at an annual premium of \$25,004.00; and

WHEREAS, it is to the advantage of the Authority to maintain continuity of coverage;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors of Orange Water and Sewer Authority has determined to renew the Public Officials and Employees Liability Insurance policy with National Union Fire Insurance Company of Pittsburgh, PA for a period of one year, for \$2,000,000 of coverage, at a total premium of \$25,004.00.

2. That the Executive Director be, and he hereby is, authorized and directed to renew the Public Officials and Employees Liability Insurance Policy.

Adopted this 24th day of March, 2011.