

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

JUNE 14, 2012

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular meeting on Thursday, June 14, 2012, at 7:00 P.M. in OWASA's Community Room at 400 Jones Ferry Road, Carrboro.

Directors present: Gordon Merklein, Chair; Alan Rimer, Vice Chair; Amy Witsil, Secretary; Terri Buckner; Will Raymond; Dana Stidham; William Stott (arrived at 7:20 P.M.); and John A. Young. Director absent: Fred Battle.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Patrick Davis; Greg Feller; Heidi Lamay; Andrea Orbich; Kelly Satterfield; 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; Chapel Hill resident – Mac Clarke; Carrboro residents – Maggi Grace, Bryan Maxwell, Jen Liu, Susan Clements, Tom Hartwell, Chris Carlson, Pat Gingrich and Susan Spalt.

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

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MOTIONS ACTED UPON

1. Alan Rimer made a motion to approve the Minutes of the May 10, 2012 Board meeting; 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 Adopting Schedule of Rates, Fees and Charges Applicable to All Customers on and after October 1, 2012. (Resolution so titled, attached hereto, and made a part of these minutes. Motion by Will Raymond, second by Amy Witsil and carried by unanimous vote.)

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled, Resolution Adopting the Annual Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2012 through June 30, 2013. (Resolution so titled, attached hereto, and made a part of these minutes. Motion by William Stott, second by Will Raymond and carried by unanimous vote.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled, Resolution Approving Capital Improvements Program and Budget for Fiscal

Years 2013-2017. (Resolution so titled, attached hereto, and made a part of these minutes. Motion by Alan Rimer, second by Will Raymond and carried by unanimous vote.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled, Capital Project Resolution for Fiscal Year 2013 Infrastructure Improvements. (Resolution so titled, attached hereto, and made a part of these minutes. Motion by John Young, second by Alan Rimer and carried by unanimous vote.)

6. William Stott made a motion to elect Alan Rimer, P.E., as Chair of the Board of Directors for corporate year 2012-13; the motion was seconded by Terri Buckner and carried by unanimous vote.

7. Terri Buckner made a motion to elect John Young as Vice Chair of the Board of Directors for corporate year 2012-13; the motion was seconded by Amy Witsil and carried by unanimous vote.

8. Will Raymond made a motion to elect Amy Witsil as Secretary of the Board of Directors for corporate year 2012-13; the motion was seconded by John Young and carried by unanimous vote.

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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.

TOWN OF CARRBORO – OWASA SUBCOMMITTEE

Ed Kerwin stated that he was advised by Carrboro Town staff yesterday that Carrboro's OWASA Subcommittee recently held their first meeting and they will have their next meeting with the Carrboro appointees to the OWASA Board. If possible, they would like to have this meeting before the end of June, but after their June 19th Board meeting, when they are expected to make an appointment to the OWASA Board. The Town staff will schedule this meeting.

Additionally, Carrboro Town staff provided several questions pertaining to OWASA's water resources which will be answered by the OWASA staff by June 20th and shared with the OWASA Board.

Mr. Kerwin also noted that on June 12th Gordon Merklein emailed Town of Chapel Hill OWASA Committee and the OWASA Board in part to see if there was interest in scheduling a joint meeting between the Town of Chapel Hill's OWASA Committee and Carrboro's OWASA Subcommittee to discuss our draft Drought Response Operating Protocol.

OWASA AUDITORS

Stephen Winters said that OWASA's auditors, Martin Starnes and Associates, CPAs, P.A., request that Board members complete a brief questionnaire that is part of the audit firm's compliance with auditing standards related to detecting fraud. The questionnaire was distributed along with instructions for communicating the responses back to Martin Starnes.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC

Ms. Maggie Grace presented a petition to the Board of Directors requesting that OWASA assume responsibility for damage done at her home as a result of two separate sewer backups.

The Board of Directors declined to accept responsibility for the sewer backups, and instead referred Ms. Grace to OWASA's liability insurance claims process.

ITEM THREE: PETITIONS AND REQUESTS FROM THE BOARD

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

ITEM FOUR: PETITIONS AND REQUESTS FROM THE STAFF

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

ITEM FIVE: MINUTES

Alan Rimer made a motion to approve the Minutes of the May 10, 2012, Board meeting; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 1 above.

ITEM SIX: APPROVAL OF SCHEDULE OF RATES, FEES AND CHARGES; ANNUAL BUDGET; AND 5-YEAR CAPITAL IMPROVEMENTS PROGRAM

Will Raymond made motion to adopt the resolution titled, Resolution Adopting Schedule of Rates, Fees and Charges Applicable to All Customers on and after October 1, 2012. The motion was seconded by Amy Witsil and carried by unanimous vote. Please see Motion No. 2 above.

William Stott made a motion to adopt the resolution titled, Resolution Adopting the Annual Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2012 through June 30, 2013. The motion was seconded Will Raymond and carried by unanimous vote. Please see Motion No. 3 above.

Alan Rimer made a motion to adopt the resolution titled, Resolution Approving Capital Improvements Program and Budget for Fiscal Years 2013-2017. The motion was seconded by Will Raymond and carried by unanimous vote. Please see Motion No. 4 above.

John Young made a motion to adopt the resolution titled, Capital Project Resolution for Fiscal Year 2013 Infrastructure Improvements. The motion was seconded by Alan Rimer and carried by unanimous vote. Please see Motion No. 5 above.

ITEM SEVEN: REPORT ON PROCEDURES TO NOTIFY CUSTOMERS WITH HIGH CONSUMPTION

The Board received this item as an information item.

ITEM EIGHT: REPORT OF THE NOMINATING COMMITTEE AND ELECTION OF OFFICERS

Gordon Merklein reported that the Nominating Committee proposed the following officers for corporate year 2012-2013 beginning on July 1, 2012:

Alan Rimer, P.E., Chair
John Young, Vice Chair
Amy Witsil, Secretary

Mr. Merklein opened the floor for discussion. There was no discussion.

William Stott made a motion to elect Alan Rimer, P.E., as Chair of the Board of Directors for corporate year 2012-13; the motion was seconded by Terri Buckner and carried by unanimous vote. Please see Motion No. 6 above.

Terri Buckner made a motion to elect John Young as Vice Chair of the Board of Directors for corporate year 2012-13; the motion was seconded by Amy Witsil and carried by unanimous vote. Please see Motion No. 7 above.

Will Raymond made a motion to elect Amy Witsil as Secretary of the Board of Directors for corporate year 2012-13; the motion was seconded by John Young and carried by unanimous vote. Please see Motion No. 8 above.

ITEM NINE: EXECUTIVE DIRECTOR WILL SUMMARIZE THE KEY ACTION ITEMS FROM THE BOARD MEETING AND NOTE SIGNIFICANT ITEMS FOR DISCUSSION AND/OR ACTION EXPECTED AT THE NEXT BOARD MEETING

Ed Kerwin summarized the meeting with the following action items:

- Staff will follow-up on the possibility of scheduling a joint meeting between the OWASA Board, Town of Chapel Hill OWASA Committee and the Carrboro OWASA Subcommittee regarding the Draft Drought Response Operating Protocol.

- Staff will follow-up with Ms. Grace regarding her petition and provide information on OWASA's liability insurance claims process.
- Staff will finalize the Annual Budget document and distribute it in a timely manner.

There being no further business to come before the Board, the meeting was adjourned at 8:30 P.M.

Attachments

RESOLUTION ADOPTING SCHEDULE OF RATES, FEES, AND CHARGES APPLICABLE TO ALL CUSTOMERS ON AND AFTER OCTOBER 1, 2012

WHEREAS, Orange Water and Sewer Authority has an adopted Schedule of Rates, Fees, and Charges as permitted under North Carolina General Statute 162A-9 and Section 7.04 of OWASA's Amended and Restated Bond Order (Bond Order); and

WHEREAS, General Statute 162A-6(9) and Section 7.04 of OWASA's Bond Order provide for the revision of such Rates, Fees, and Charges; and

WHEREAS, during the preparation of the Fiscal Year (FY) 2013 budget, the need for adjustments to OWASA's Schedule of Rates, Fees, and Charges was confirmed in order to provide sufficient revenues to fund ongoing operations, debt service and the Capital Improvements Program; and

WHEREAS, Public Hearings were held on May 24, 2012 for the purpose of receiving public comment on the proposed adjustment to the Schedule of Rates, Fees, and Charges;

NOW, THEREFORE, BE IT RESOLVED:

1. That the attached *Schedule of Rates, Fees, and Charges* be, and hereby is, adopted by the Board of Directors as the revised rate policy of Orange Water and Sewer Authority.
2. That the revised rates shall become effective for all service billings rendered on and after October 1, 2012.
3. That the Executive Director is authorized to make discretionary judgments regarding charges when it is determined to be in the interest of OWASA in resolving a customer's appeal.
4. That the Executive Director is hereby directed to give proper notice as required by the Sale and Purchase Agreements and to take the necessary steps to implement the revised *Schedule of Rates, Fees, and Charges*.

Adopted this 14th day of June, 2012.

**RESOLUTION ADOPTING THE ANNUAL BUDGET FOR
ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR
JULY 1, 2012 THROUGH JUNE 30, 2013**

WHEREAS, Section 7.05 of the Bond Order and North Carolina G.S. Chapter 159 require that on or before the first day of July in each fiscal year the Authority will adopt a Budget for the ensuing fiscal year; and

WHEREAS, such budget is to include estimates of revenues of the water, sewer and reclaimed water systems, current Operations and Maintenance expenses, estimated Interest Income and Debt Service costs, and disbursements from the General Fund for Capital Improvements and Equipment purchases.

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina G.S. Chapter 159-13 the attached pages marked 2 through 6 be, and they hereby are, adopted as the official Budget of Orange Water and Sewer Authority of the Fiscal Year beginning July 1, 2012 through June 30, 2013.

2. That the appropriations for departments, functions, and projects as shown in the attached budget for the respective purposes and in the respective amounts therein specified are hereby made.

3. That the Executive Director shall administer the budget, and is hereby authorized to expend the funds for the purposes set forth therein.

Adopted this 14th day of June, 2012.

ORANGE WATER AND SEWER AUTHORITY
STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE
(OPERATING)

	FY 2013 Annual Budget
Operating Revenue	
Water	\$18,246,301
Sewer	16,839,680
Reclaimed Water	448,972
Service Initiation Fee	181,946
Other	1,284,775
Refunds and Adjustments	<u>(210,395)</u>
Total Operating Revenue	\$36,791,279
Operating Expense	
General and Administrative	5,714,757
Operations	<u>13,629,140</u>
Total Operating Expense	<u>19,343,897</u>
Net Operating Income	17,447,382
Non-operating Revenue	
Customer Fees	1,169,482
Interest	<u>0</u>
Total Net Income	<u><u>\$18,616,864</u></u>
Debt Service	
Existing	8,235,375
New	<u>0</u>
Total Debt Service	<u>8,235,375</u>
Net Income Less Debt Service	<u><u>\$10,381,489</u></u>
Debt Coverage Ratio	2.26

**ORANGE WATER AND SEWER AUTHORITY
STATEMENT OF INCOME AND EXPENSE
(CAPITAL/NON-OPERATING)**

		<u>FY 2013 Annual Budget</u>
General Fund		
Resources		
Transfer From Revenue	\$10,381,489	
Annual Income Available for Capital		10,381,489
Transfer from Construction Fund (Bond Proceeds)		<u>0</u>
Total Available for Capital		<u>10,381,489</u>
Capital Expenditures		
Project ordinances		
General Fund Contribution	11,076,000	
Funded by Bond Proceeds	<u>0</u>	
Total Project Resolutions		11,076,000
Capital Equipment		<u>225,000</u>
Total Capital Outlay		<u>11,301,000</u>
Annual General Fund Balance		(919,511)
General Fund Beginning Balance		<u>20,432,187</u>
General Fund Ending Balance		19,512,676
Project Funding	8,834,876	
Reserves		
Rate Stabilization	1,000,000	
CIP	1,600,000	
Operating Balance	<u>8,077,800</u>	<u>19,512,676</u>
Unallocated General Fund Balance		<u><u>\$0</u></u>

	REVENUE FUND		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Fund Balance July 1, 2012			-
Receipts			
Operating Revenue			
Customer Billings	18,246,300	16,839,680	35,085,980
Reclaimed Water	448,972	-	448,972
Service Initiation Fee	90,973	90,973	181,946
Other	642,388	642,387	1,284,775
Refunds and Adjustments	(105,197)	(105,197)	(210,394)
Total Operating Revenue	19,323,436	17,467,843	36,791,279
Non-operating Revenue			
Customer Fees	584,741	584,741	1,169,482
Interest Income	0	0	0
Loss on sale of assets	0		0
Total Non-operating Revenue	584,741	584,741	1,169,482
Total Receipts	19,908,177	18,052,584	37,960,761
Expenditures			
Current Expense	(10,058,826)	(9,285,071)	(19,343,897)
Debt Service	(7,247,130)	(988,245)	(8,235,375)
Total Expenditures	(17,305,956)	(10,273,316)	(27,579,272)
Net Revenue			10,381,489
To General Fund			(10,381,489)
Fund Balance June 30, 2013			-
Change in Available Balance			-

BOND SERVICE FUND

Fund Balance July 1, 2012		\$7,162,678
Receipts		
Transfers from Revenue Fund	8,235,375	
Interest		
	<hr/>	
Total Receipts		8,235,375
Expenditures		
Debt Service	8,235,375	
	<hr/>	
Total Expenditures		<hr/> (8,235,375)
Fund Balance June 30, 2013		<hr/> <hr/> \$7,162,678
Change in Available Balance		-

GENERAL FUND

Fund Balance July 1, 2012		\$20,432,187
Receipts		
Transfer From Revenue fund	10,381,489	
Transfer From Construction Fund (Bond Proceeds)	-	
Interest	-	
Assessments	-	
Grants and contributions	-	
	<hr/>	
Total Receipts		<u>10,381,489</u>
Total Balance Before Expenditures		30,813,676
Expenditures		
Capital Equipment/Leases	225,000	
Project Resolutions	11,076,000	
Transfer to Revenue Fund	0	
	<hr/>	
Total Expenditures		<u>(11,301,000)</u>
Fund Balance June 30, 2013		<u><u>\$19,512,676</u></u>
Allocation of Fund Balance June 30, 2013		
Project Funding	8,834,876	
Capital Reserves	10,677,800	
	<hr/>	
Total Allocation		<u><u>\$19,512,676</u></u>
Unallocated General Fund Balance June 30, 2013		<u><u>-</u></u>
Change in Available Balance		(\$919,511)

**RESOLUTION APPROVING CAPITAL IMPROVEMENTS PROGRAM AND BUDGET FOR
FISCAL YEARS 2013-2017**

WHEREAS, a 5-Year Capital Improvements Program and Budget enables Orange Water and Sewer Authority to identify, assess, and project the water and sewer systems' capital projects in an orderly, coordinated, and fiscally sound manner, and to plan for the replacement and repair of existing facilities; and

WHEREAS, the Capital Improvements Program and Budget for Fiscal Years 2013-2017 have been developed by the staff, reviewed by the Board of Directors, and revisions incorporated therein; and

WHEREAS, a Public Hearing on the Capital Improvements Program was held on May 24, 2012;

NOW, THEREFORE, BE IT RESOLVED:

1. The Board of Directors of Orange Water and Sewer Authority approves the Capital Improvements Program and Budget for Fiscal Years 2013-2017 as provided in the FY 2013 Annual Budget document.

2. That the Executive Director be, and is hereby, authorized to administer the planning, studies, design, and financing, and make recommendations to the Board of Directors for award of contracts, as appropriate, for the projects in the Capital Improvements Budget.

Adopted this 14th day of June, 2012.

**CAPITAL PROJECT RESOLUTION FOR
FISCAL YEAR 2013 INFRASTRUCTURE IMPROVEMENTS**

WHEREAS, present infrastructure must be maintained and additional infrastructure developed to meet future needs; and

WHEREAS, Orange Water and Sewer Authority (OWASA) has determined that certain additional infrastructure improvements are needed, including improvements to the water supply system; water treatment and distribution system; wastewater collection, treatment and disposal system; reclaimed water system; and support services facilities; and

WHEREAS, adequate funds will be available for the completion of these improvements;

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina General Statute 159-13.2, a project fund of \$11,076,000 is hereby established and expenditures therefrom authorized for the following Improvements:

Expenditures:

Water Supply Improvements:

Jordan Lake Raw Water Supply Allocation	\$224,000
Stone Quarry Reservoir Development	\$15,000
Cane Creek Reservoir Dam Repairs	<u>\$100,000</u>
<i>Subtotal (Water Supply)</i>	<u>\$339,000</u>

Water Treatment and Distribution Improvements:

WTP Security Improvements	\$36,000
WTP HVAC Unit Replacement	\$29,000
WTP Finished Water Line Isolation Valve & Recycle Line Flow Meter	\$52,000
WTP Generator Installation	\$59,000
Facilities Outside Lighting	\$59,000
Calvander Pump Station Improvements	\$225,000
Water Main – Road Improvement Projects	\$30,000
Water Main Rehabilitation/Replacement Projects	\$975,000
Water Main Replacement – US Highway 15-501/Booker Creek	\$500,000
Water Main Replacement – Cameron Avenue	\$322,000
Water Main Replacement – South Estes/Willow Drives	\$86,000
Water Main Replacements – Rosemary/Henderson/Hillsborough Streets	<u>\$80,000</u>
<i>Subtotal (Water Treatment and Distribution)</i>	<u>\$2,453,000</u>

Wastewater Collection, Treatment and Disposal Improvements:

Sanitary Sewer Condition Evaluation	\$615,000
Sanitary Sewer Rehabilitation	\$189,000
Friday Center Interceptor	\$1,913,000
Heritage Hills Force Main Rehabilitation	\$2,004,000
Force Main Condition Evaluation	\$552,000
Oaks 3 and Tinkerbell Pump Stations Rehabilitation/Replacement	\$655,000
WWTP Flood Protection Enhancements	\$450,000
WWTP Aeration System/Odor Improvements	\$1,616,000
WWTP Digesters #1 & #2 Odor Evaluation and Repair	<u>\$290,000</u>
<i>Subtotal (Water Treatment and Distribution)</i>	<u>\$8,284,000</u>

Capital Project Resolution for Fiscal Year 2012 Infrastructure Improvements

June 14, 2012

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Reclaimed Water Improvements:	<i>\$0</i>
<i>Subtotal (Reclaimed Water)</i>	
Support Services Facilities Improvements:	<i>\$0</i>
<i>Subtotal (Support Services Facilities)</i>	
	\$11,076,000
Total Expenditures	

Revenues:

Transfers from the General Fund and/or Bond Proceeds and Grants \$11,076,000

2. That supplementary funds will be appropriated in future years for completion of the projects.
3. That this Resolution shall take effect upon its passage.
4. That this Resolution shall be entered in the Minutes of OWASA and within five (5) days after its adoption copies thereof shall be filed with the Finance Officer, the Budget Officer, and the Clerk to the Board of Directors as required by General Statute 159-13.2(d).

Adopted this 14th day of June, 2012.