

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

APRIL 25, 2013

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular meeting on Thursday, April 25, 2013, at 7:00 PM in the Council Chambers at the Chapel Hill Town Hall, 405 Martin Luther King Jr. Boulevard, Chapel Hill, North Carolina.

Board Members present: Alan Rimer, P.E., Chair; John A. Young, Vice Chair; Amy Witsil, Secretary; Terri Buckner; Stephen Dear; Michael M. Hughes, P.E.; Gordon Merklein; Dana Raborn; and Will Raymond.

OWASA staff present: Ed Kerwin; John Greene; Mason Crum; Mary Darr; Patrick Davis; Greg Feller; Heidi Lamay; Andrea Orbich; Kevin Ray; Kelly Satterfield; Stephen Winters; and Robert Epting, Esq., Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina (UNC) at Chapel Hill; Ben Poulson, Associate Director of Energy Services, UNC; Chris Moran, Executive Director, Inter-Faith Council for Social Service; Corey Sturmer, Durham Against Fluoride; Parker Emmerson, Mediterranean Deli; and Shweta Mishra, UNC.

There being a quorum present, Chair Alan Rimer called the meeting to order.

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MOTIONS ACTED UPON

1. John Young made a motion to refer to staff the petition received from customers, Maggie McGlynn and Mary Jean Seyda (regarding reimbursement of sewer service charges) for further review and consideration; the motion was seconded by Will Raymond and unanimously approved.

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Amending the Fiscal Year 2013 Annual Budget For Additional Capital Equipment Expenditures." (Resolution so titled attached hereto and made a part of these minutes. Motion by Will Raymond, second by Gordon Merklein and unanimously approved.)

3. Will Raymond made a motion to approve the March 14, 2013 Minutes of the Board of Directors; the motion was seconded by Gordon Merklein and unanimously approved.

4. Will Raymond made a motion to approve the March 28, 2013 Minutes of the Board of Directors; the motion was seconded by Gordon Merklein and unanimously approved.

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Authorizing the Executive Director to Execute the Contracts with Blue Cross Blue Shield of North Carolina for Health and Dental Insurance." (Resolution so titled attached hereto and made a part of these minutes. Motion by Will Raymond, second by Gordon Merklein and unanimously approved.)

6. John Young made a motion that the Board of Directors authorize staff to publicize the proposed draft Fiscal Year (FY) 2014 operating and capital improvements budgets and proposed draft rates, fees and charges; second by Michael Hughes and unanimously approved.

7. Will Raymond made a motion that the Board convene in a Closed Session for the purpose of discussing a personnel matter; second by John Young and unanimously approved.

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ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Alan Rimer 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. None were disclosed.

CHAPEL HILL OWASA COMMITTEE MEETING

Mr. Rimer said that Chapel Hill Town Council's OWASA Committee and the Chapel Hill appointees to the OWASA Board met on April 18, 2013 to discuss four items. First, for OWASA's draft Fiscal Year (FY) 2014 budget and rates, which are based on current information and are under review by the OWASA Board of Directors, it appears that no rate increase will be needed in FY 2014. The group agreed that OWASA's rates should continue to encourage conservation. Second, the Town and OWASA used the same consultant for their employee classification and compensation studies; there was agreement that total compensation for Town and OWASA employees should be similar. Third, regarding private companies offering insurance programs for homeowners for repair of private water and sewer service lines, OWASA will consider opportunities to further educate its customers. Finally, the group discussed rescheduling the terms of Chapel Hill appointees to the OWASA Board. Jim Ward said the Council's OWASA Committee would prefer that the Council make no more than two appointments each year to the OWASA Board (current schedule is three appointments in 2013, one appointment in 2014 and one appointment in 2015). It appears this rescheduling could be accommodated if either the Town of Carrboro or Orange County would agree to make a one-time change to one of their appointments.

THANK YOU, OWASA

Alan Rimer shared a "thank you" banner from a group of children who used OWASA's parking lot on a weekend.

COMMITTEE MEETINGS

Terri Buckner said that the Natural Resources and Technical Systems (NRTS) Committee met on April 16, 2013 to continue prioritizing the list of potential discussion topics for the coming year. Ms. Buckner also said that in May, the Committee will discuss fluoridation of drinking water, and if time allows, continue discussion of the potential topics to be considered by the NRTS Committee. Over the summer, the NRTS Committee will discuss issues and milestones for OWASA's access to Jordan Lake; the feasibility of "smart" water meter technologies; and opportunities to increase use of renewable energy sources. Ms. Buckner also invited the Board to tour OWASA's forest management activities at the Cane Creek Mitigation Tract with Orange County's Commission for the Environment on May 2, 2013 at 5:00 PM. Also in attendance will be representatives of the NC Wildlife Resources Commission; NC Forest Service; Duke Forest; and our consulting forester, True North, to describe past and planned activities.

John Young said the Finance Committee met on April 24, 2013 to review and discuss a resolution to amend the Fiscal Year (FY) 2013 Annual Budget; the Financial Report for the nine-month period ended March 31, 2013; FY 2014 budget information; and an opportunity to refinance about \$25 million of bonds. Mr. Young said the Committee also considered a staff recommendation to make no adjustments to the monthly water and sewer rates and to defer a decision regarding potential changes to OWASA's rate structure until sometime in FY 2014.

PARTNERSHIP FOR SAFE WATER DISTRIBUTION OPTIMIZATION PROGRAM

John Greene announced that OWASA is one of the first three utilities in the U.S. to receive the Partnership for Safe Water's Phase III Partnership Directors Award for Distribution Optimization. Mr. Greene recognize the devoted and talented team in the Distribution and Collections department at OWASA as this award would not have been achieved without their dedication to continuously maintaining approximately 400 miles of water mains; 2,100 fire hydrants; and 21,000 metered connections. Mr. Greene also recognized Mary Darr, P.E., OWASA's Operations Engineer, who was the driving force in completing the self assessment and developing the report that was submitted to and approved by the Partnership.

ITEM TWO: PETITIONS AND REQUESTS

John Young made a motion to refer to staff the petition received from customers, Maggie McGlynn and Mary Jean Seyda (regarding reimbursement of sewer service charges) for further review and consideration; the motion was seconded by Will Raymond and unanimously approved. Please see Motion No. 1 above.

Mr. Chris Moran, Executive Director of the Inter-Faith Council for Social Service (IFC), provided comments regarding the staff report on options for funding installation of water use efficiency measures by OWASA customers. He said the IFC supports OWASA's water conservation efforts and promotes conservation of water, energy, and food in many ways. Mr. Moran recognized OWASA's efforts over the years to provide funding assistance for customers

who have difficulty paying their bills; however, the Taste of Hope program has limited participation and does not meet the needs. Last year the IFC spent three times as much money for bill payment assistance as the Taste of Hope program provided. He said most people the IFC serves are in rental situations, and many are privately sub-metered and rebilled for water and sewer services. It is unclear if the North Carolina laws require landlords to pass along the savings to renters in a tenant/landlord situation where water use efficiency appliances are installed. Mr. Moran asked the Board what the incentive was for low-income individuals and whether a new program would replace the Taste of Hope assistance. He supported increased funding to assist customers in paying their bills. He also supported the concept of assistance for installation of water use efficiency measures but said he thought OWASA would likely have to make such assistance available to all customers, not only for low-income customers. Finally, Mr. Moran thanked the OWASA Board and staff for their assistance with the approval of IFC's Community House Project.

Mr. Parker Emmerson, OWASA customer, petitioned the Board to acknowledge that he does not want fluoride added to OWASA's drinking water. He said that he is considering legal action against the Board. Mr. Emmerson also distributed a copy of a Harvard medical journal study (Developmental Fluoride Neurotoxicity: A Systematic Review and Meta-Analysis) and a printout from the U.S. Environmental Protection Agency with basic information about fluoride in drinking water.

Mr. Corey Sturmer, Durham resident, petitioned the Board to formally acknowledge that they are medicating OWASA's water supply by adding fluoride and to stop adding fluoride to drinking water.

The Board took no action on the petitions from Mr. Emmerson and Mr. Sturmer. The Board reminded Mr. Emmerson and Mr. Sturmer of the Natural Resources and Technical Systems Committee meeting which will be held in May, 2013 to discuss fluoride which is open to the public but that no public comments would be received.

Alan Rimer asked for petitions and requests the Board and staff; there were none.

ITEM THREE: QUARTERLY REPORT ON ATTENDANCE AT COMMITTEE AND BOARD MEETINGS

The Board received this report as an information item.

ITEM FOUR: RESOLUTION AMENDING THE FISCAL YEAR 2013 ANNUAL BUDGET FOR ADDITIONAL CAPITAL EQUIPMENT EXPENDITURES

Will Raymond made a motion to adopt the resolution; second by Gordon Merklein and carried by unanimous vote. Please see Motion No. 2 above.

ITEM FIVE: MINUTES

Will Raymond made a motion to approve the March 14, 2013 Minutes of the Board of Directors; the motion was seconded by Gordon Merklein and unanimously approved. Please see Motion No. 3 above.

Will Raymond made a motion to approve the March 28, 2013 Minutes of the Board of Directors; the motion was seconded by Gordon Merklein and unanimously approved. Please see Motion No. 4 above.

ITEM SIX: RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE THE CONTRACTS WITH BLUE CROSS BLUE SHIELD OF NORTH CAROLINA FOR HEALTH AND DENTAL INSURANCE

The Board requested that staff review the process to evaluate health and dental insurance for next fiscal year and share the information with the Board prior to approving health and dental insurance contracts.

Will Raymond made a motion to adopt the resolution; second by Amy Witsil and carried by unanimous vote. Please see Motion No. 5 above.

ITEM SEVEN: DISCUSSION OF DRAFT FISCAL YEAR 2014 ANNUAL BUDGETS AND RATES

John Young made a motion that the Board of Directors authorize staff to publicize the proposed draft Fiscal Year (FY) 2014 operating and capital improvements budgets and proposed draft rates, fees and charges; the motion was seconded by Michael Hughes and unanimously approved. Please see Motion No. 6 above.

The proposed budget, capital program and rates will be the subject of public hearings by the OWASA Board on May 23, 2013 at 7:00 PM in the Chapel Hill Town Hall. The draft FY 2014 budget includes about \$19.1 million for operations, \$16 million for capital improvements and \$8 million for bond repayments. No increase is proposed in the monthly water, sewer and reclaimed water rates.

ITEM EIGHT: RESPONSE TO BOARD MEMBER BUCKNER'S PETITION FOR SCOPING OF POTENTIAL OPTIONS FOR PROVIDING FINANCIAL SUPPORT FOR INSTALLATION OF WATER USE EFFICIENCY MEASURES BY OWASA CUSTOMERS

Terri Buckner clarified that her petition was seeking to expand funding support for our Taste of Hope bill payment assistance program and also to provide funding support for installation of water use efficiency measures to help customers in need.

After discussion of staff's report on the petition, the Board agreed that additional questions need to be answered before decisions are made. Board Member Buckner and staff will provide a follow-up report to the Board including possible changes such as:

- Revamp the Taste of Hope customer assistance program, possibly create a new foundation, and implement strategies to increase funding for bill payment assistance and provide new funding for water use efficiency measures for customers in need;
- Define the program and who is being helped/assisted;
- Build partnerships with local governments and businesses to expand the program; and
- Keep all aspects of any program open and transparent to the public.

Stephen Dear requested information on the number of customers who are on OWASA's monthly customer cut-off list due to non-payment. Staff will follow up.

Chris Moran, Inter-Faith Council Executive Director, commented that water is a precious resource but people take it for granted until there is a drought or water has been turned off. He said there is unity when all government entities work together on common issues towards resolution. Mr. Moran agreed that it is probably a good idea to rename the Taste of Hope program to better reflect the purpose of the program. He also said that people need to know more about the purpose of the program, how serious the problem is and how they can contribute funds.

ITEM NINE: FINANCIAL REPORT FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2013

The Board received this report as an information item.

ITEM TEN: 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 items:

- On May 9, 2013 at 5:30 PM the Board and public are invited to tour the Jones Ferry Road Water Treatment Plant. The tour participants will begin by meeting in OWASA's Community Room.
- The May 9, 2013 Board meeting will include:
 - discussion and consideration of approving OWASA Water and Sewer System Revenue Refunding Bonds;
 - discussing and considering the petition from Maggie McGlynn and Mary Jean Seyda;

- appointment of the Nominating Committee; and
 - adjourning to in a Strategic Planning Work Session led by John Young.
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- Staff will review the process to evaluate health and dental insurance for next fiscal year and share the information with the Board prior to approving health and dental insurance contracts.
 - Staff will report to the Board the number of customers who are on OWASA's monthly customer cut-off list due to non-payment.
 - Staff will consider the feedback received tonight regarding Board Member Buckner's petition and consult with Chris Moran to provide additional information for the Board's discussion.
 - Staff will get information to the public regarding the draft Fiscal Year 2014 budgets and rates for the Board's May 23, 2013 public hearings.
 - Staff will provide information on the timing of further evaluation of the Waters Consulting Group's recommendations regarding phasing out of service pay, reducing retirement benefits for new hires, and analyzing the competitiveness of OWASA's 457 retirement benefits.

ITEM ELEVEN: CLOSED SESSION

Will Raymond made a motion that the Board convene in a Closed Session for the purpose of discussing a personnel matter; second by John Young and unanimously approved. Please see Motion No. 7 above.

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

**RESOLUTION AMENDING THE FISCAL YEAR (FY) 2013 ANNUAL BUDGET FOR
ADDITIONAL CAPITAL EQUIPMENT EXPENDITURES**

WHEREAS, the Board of Directors adopted the FY 2013 Annual Budget of Orange Water and Sewer Authority; and

WHEREAS, North Carolina General Statute 159-15 provides the authority for the Board of Directors to amend the adopted budget; and

WHEREAS, staff has identified a need for Capital Expenditures that were not included in the FY 2013 Annual Budget; and

WHEREAS, funds exist in the operating expense category sufficient to cover the purchase the equipment.

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina G.S. 159-15, the Official Budget of Orange Water and Sewer Authority for the FY 2013 is amended as set forth in Attachment A.
2. That \$21,000 in FY 2013 operating expense appropriations be transferred to capital expenditures as set forth in Attachment A.
3. That the Executive Director is authorized and instructed to implement the revised budget as herein set forth.

Adopted this 25th day of April, 2013.

**ORANGE WATER AND SEWER AUTHORITY
FISCAL YEAR 2013 ANNUAL BUDGET
STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE**

	FY 2013 Annual Budget	<u>Amendment</u>	FY 2013 Amended Budget
Operating Revenue			
Water	\$ 18,246,301		\$ 18,246,301
Sewer	16,839,680		16,839,680
Reclaimed Water	448,972		448,972
Service Initiation Fee	181,946		181,946
Other	1,284,775		1,284,775
Refunds and Adjustments	<u>(210,395)</u>		<u>(210,395)</u>
Total Operating Revenue	36,791,279		36,791,279
Operating Expense			
General and Administrative Operations	5,714,757	(21,000)	5,693,757
	<u>13,629,140</u>		<u>13,629,140</u>
Total Operating Expense	19,343,897		19,322,897
Net Operating Income	17,447,382		17,468,382
Non-operating Revenue			
Customer Fees	1,169,482		1,169,482
Interest	<u>0</u>		<u>0</u>
Total Net Income	18,616,864		18,637,864
Debt Service			
Existing	8,235,375		8,235,375
New	<u>0</u>		<u>0</u>
Total Debt Service	8,235,375		8,235,375
Net Income Less Debt Service	\$ 10,381,489		\$ 10,402,489
General Fund			
Resources			
Transfer From Revenue	\$ 10,381,489		\$ 10,402,489
Assessments	0		0
Grants and Contributions	<u>0</u>		<u>0</u>
Annual Income Available for Capital	10,381,489		10,402,489
Capital Expenditures			
Project ordinances			
General Fund Contribution	11,076,000		11,076,000
Funded by Bond Proceeds	<u>0</u>		<u>0</u>
Total Project Resolutions	11,076,000		11,076,000
Capital Equipment	225,000	21,000	246,000
Total Capital Outlay	11,301,000		11,322,000
Annual General Fund Balance	(919,511)		(919,511)
General Fund Beginning Balance	20,432,187		20,432,187
General Fund Ending Balance	19,512,676		19,512,676
Project Funding	8,834,876		8,834,876
Reserves			
Rate Stabilization	1,000,000		1,000,000
CIP	1,600,000		1,600,000
Operating Balance	<u>8,077,800</u>		<u>8,077,800</u>
Unallocated General Fund Balance	\$ -		\$ -

**RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO RENEW THE
HEALTH AND DENTAL INSURANCE CONTRACTS WITH BLUE CROSS BLUE
SHIELD OF NORTH CAROLINA**

WHEREAS, to adequately and appropriately provide health and dental insurance coverage for Orange Water and Sewer Authority (OWASA) employees, it is desirable to continue with the group insurance programs as proposed by Blue Cross Blue Shield of North Carolina (BCBSNC); and

WHEREAS, it is determined that BCBSNC offers excellent health and dental care coverage; and

WHEREAS, BCBSNC has offered to renew our health coverage with an increase in premiums of 6.4% with no change in coverage; and

WHEREAS, BCBSNC has offered to renew our dental coverage with an increase in premiums of 6.8% with no change in coverage; and

WHEREAS, the existing health and dental insurance contract with BCBSNC will expire on June 30, 2013:

NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors has determined to continue to provide for its employees and their families the health plan offered through BCBSNC in accordance with provisions of plan.

2. That OWASA pay 100% of the cost of health insurance premiums for employees and 50% of the cost for dependent coverage.

3. That OWASA pay 100% of the cost of dental insurance premiums for employees and 40% of the cost for dependent coverage.

4. That the Executive Director is hereby authorized and directed to execute the contract with BCBSNC.

5. That the term of the above insurance coverage shall be for a period of twelve months beginning July 1, 2013.

Adopted this 25th day of April 2013.