

ORANGE WATER AND SEWER AUTHORITY

PUBLIC HEARING AND MEETING OF THE BOARD OF DIRECTORS

MAY 22, 2014

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a public hearing and meeting on Thursday, May 22, 2014, at 7:00 PM in OWASA's Community Room at 400 Jones Ferry Road, Carrboro.

Board Members present: Alan Rimer, P.E., Chair; John A. Young, Vice Chair; Michael M. Hughes, P.E., Secretary; Terri Buckner; Stephen Dear; Will Raymond; and Amy Witsil. Board Member excused: Heather Payne.

OWASA staff present: Ed Kerwin; Mary Darr; Patrick Davis; Greg Feller; Stephanie Glasgow; Kenneth Loflin; Andrea Orbich; Ruth Rouse; Stephen Winters; Robert Epting, Esq., Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina at Chapel Hill.

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

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MOTIONS ACTED UPON

1. Will Raymond made a motion to close the Public Hearings on the Draft Annual Budget, Draft Capital Improvements Program (CIP), and the proposed adjustments to Rates, Fees and Charges for Fiscal Year 2015; the motion was seconded by Michael Hughes, and carried by unanimous vote.

2. Terri Buckner made a motion to approve the Minutes of the April 24, 2014 Board meeting; second by Steve Dear and unanimously approved.

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled Resolution Authorizing the Executive Director to Execute Contracts with Blue Cross Blue Shield of North Carolina for Health, Dental, Life, Dependent Life, Accidental Death and Dismemberment and Long-Term Disability Insurance. (Resolution so titled attached hereto and made a part of these minutes. Motion by Terri Buckner, second by Amy Witsil 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. There were none.

CARRBORO APPOINTEE TO THE OWASA BOARD

Alan Rimer said that on May 20, 2014, the Carrboro Board of Aldermen appointed Quinton Harper to the OWASA Board of Directors. Mr. Harper will take his oath of office to serve on the OWASA Board on June 12, 2014.

COMMITTEE MEETINGS

Will Raymond said that the Human Resources Committee's meeting on Tuesday, May 20, 2014 will be discussed in more detail later in the agenda. Mr. Raymond said the Committee members in attendance at the May 20th meeting were Michael Hughes and Alan Rimer.

Steve Dear said that the Community Engagement Committee will meet on Thursday, May 29, 2014 at 5:15 PM in the OWASA Boardroom to discuss a survey regarding community engagement and affordability. Mr. Dear said the agenda is available on the website and inquired if other Board Members had other items for discussion; there were none.

Terri Buckner said that Natural Resources and Technical Systems Committee will meet on Wednesday, June 4, 2014 at 5:30 PM in the OWASA Boardroom to discuss energy management.

MAY 20, 2014 CARRBORO BOARD OF ALDERMEN MEETING

Steve Dear said he provided an update on OWASA's recent activities to the Carrboro Board of Aldermen (BOA) on May 20, 2014. Mr. Dear said that Ed Kerwin and he responded to the several comments and questions by the Aldermen. Mr. Dear noted that Mayor Lavelle suggested that OWASA updates be provided to the BOA once or twice a year.

ITEM TWO: PETITIONS AND REQUESTS

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

ITEM THREE: PUBLIC HEARINGS

Alan Rimer opened the concurrent Public Hearings on the Draft Annual Budget, Draft Capital Improvements Program (CIP), and the proposed adjustments to Rates, Fees and Charges for Fiscal Year (FY) 2015.

Ed Kerwin said that after hearing customers' feedback, the Board will close the public hearings and continue deliberations on next year's budgets and rates. If the Board approves the proposed FY 2015 budgets and rates at the next meeting, it will be the third year in a row with no increase in monthly water and wastewater rates. This is an accomplishment achieved through proactive measures and investments to improve efficiencies in operations while ensuring consistent high quality and reliable services. Mr. Kerwin said this calendar year will mark the completion of a capital improvement project to improve energy efficiency and eliminate off-site odor at the Mason Farm Wastewater Treatment Plant (WWTP). He also noted the following key strategic initiatives earmarked in the budget: consulting fees to update the Long-Range Water Supply Plan and prepare a water conservation plan that includes securing OWASA's Jordan Lake allocation; work on community engagement to inform customers about OWASA and how to reduce their bills; improve the customer billing and financial management system; and invest in the comprehensive asset management program to help ensure that OWASA makes the right investments at the right times. Mr. Kerwin said consultants will also assist in identifying other energy saving opportunities and assessing energy performance of our operations. He added that this budget will fund the start of the implementation of Advance Metering Infrastructure (AMI).

Stephen Winters said a key objective of OWASA's strategic plan is to secure financial stability for the long-term sustainability of the community's water and wastewater systems. Budget and rate-setting assumptions must meet requirements of OWASA's founding documents and agreements, Bond Order, Financial Management Policy, and State law. The organization's revenue comes solely from customer fees; OWASA is required to charge customers the full cost of providing water and wastewater services.

Mr. Winters noted that OWASA does not expect an increase in the volume of drinking water sales for FY 2015. Projected revenue is almost \$37 million, of which \$19.8 million will go to the Operating Expense budget. Another \$8.3 million will be spent on debt service payments. The CIP budget is projected to be \$10 million, which will be spent on multiple projects including completion of the Mason Farm WWTP improvements, water main rehabilitation, and AMI. Over the next five years, total CIP spending is expected to be about \$72 million with over 80% to be spent on rehabilitation and replacement, about 4% on growth and approximately 14% towards system enhancement.

Mr. Winters reiterated that staff proposes no increase in monthly water and wastewater rates as well as no increase in other fees and charges. Mr. Winters said rate increases over the next several years are projected to be in line with inflation. Long-term planning verifies OWASA's sustainability and indicates that water resources will meet expected demand for the next 50 years under most circumstances. Current planning indicates that the water and wastewater treatment plants will not have to be expanded for at least 15 years. Staff will

continue to work diligently to reduce costs without compromising OWASA's ability to deliver high quality and dependable water and wastewater services.

Mr. Rimer opened the concurrent Public Hearings for public comments; there were none.

Will Raymond made a motion to close the Public Hearings on the Draft Annual Budget, Draft CIP, and the proposed adjustments to Rates, Fees and Charges for FY 2015; the motion was seconded by Michael Hughes, and carried by unanimous vote. Please see Motion No. 1 above.

Mr. Rimer then opened the discussion for Board comments.

Will Raymond commented that 2014 marks completion of odor improvements at the Mason Farm WWTP and asked whether OWASA has met all requirements asked for by the Town of Chapel Hill.

Mr. Kerwin said yes, once the improvements are complete, we believe we will be in compliance with the agreement between OWASA and the Town of Chapel Hill. However, planned and unplanned maintenance will be required at the WWTP and it is probable that off-site odor will occur; staff will continue to work diligently to keep odors to a minimum.

ITEM FOUR: MINUTES

Terri Buckner made a motion to approve the April 24, 2014 Minutes of the Board of Directors; second by Steve Dear, and unanimously approved. Please see Motion No. 2 above.

ITEM FIVE: UPDATE ON MAINTENANCE AND SUSTAINABILITY OF THE NUNN MOUNTAIN DRINKING WATER STORAGE TANK

The Board received this report as an information item.

ITEM SIX: RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE CONTRACTS WITH BLUE CROSS BLUE SHIELD OF NORTH CAROLINA FOR HEALTH, DENTAL, LIFE, DEPENDENT LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT, AND LONG TERM DISABILITY INSURANCE

Terri Buckner made a motion to approve the resolution; second by Amy Witsil, and unanimously approved. Please see Motion No. 3 above.

ITEM SEVEN: DISCUSSION OF EMPLOYEE DEFERRED COMPENSATION PLAN (457)

Will Raymond said that the Human Resources (HR) Committee met on four occasions to consider options to improve the competitiveness of OWASA's deferred compensation plan (457) for employees because it has been 13 years since this benefit was reviewed. With the following

exceptions, the HR Committee recommended that additional time is needed to more fully consider alternatives within the context of employee total compensation before recommending significant changes to this benefit. Mr. Raymond said the HR Committee recommends that the Board consider approval of the following minor changes to the deferred compensation plan on June 12, 2014 for Fiscal Year 2015:

- Amend the current 457 plan to include a loan provision that will allow employees to borrow up to 40% of their account balance.
- Add a new tier for employees with six months of service to less than four years of service to receive a \$20 per pay period contribution to a deferred compensation (457) account. Most of OWASA's peer employers offer a retirement benefit for employees with less than four years of service.
- Effective July 1, 2014, provide all employees that have completed six months of service a one-time \$750 contribution to a deferred compensation (457) account. The current benefit levels have not been adjusted for inflation since 2001. This one-time contribution would improve OWASA's competitiveness in the job market and serve as a bridge until the Board considers alternatives.

John Young concurred with the loan provision but is uncertain if making other changes now is appropriate until the Board has had a chance to fully review total compensation.

Terri Buckner said she likes the idea of a flat rate instead of a percentage but would not want to make a decision tonight.

Amy Witsil said she agrees with the first two recommendations but not the third.

Michael Hughes said this is an opportunity to make a difference in employees' retirement income by helping them save.

Alan Rimer said total compensation is important and the Board should have assistance from experts prior to making a decision.

After discussion, the Board requested staff provide two resolutions for consideration at the June 12, 2014 Board meeting for separate consideration of (1) the loan provision and a new tier for employees completing six months of service to less than four years, and (2) the proposed one-time \$750 contribution for all employees who have completed six months of service on July 1, 2014.

ITEM EIGHT: 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 as follows:

- The June 12, 2014 Board meeting will include:
 - Oath of office for Quinton Harper, Carrboro Appointee;
 - Approval of the annual budget, capital improvements budget and rates, fees and charges for Fiscal Year (FY) 2015;
 - Discussion and possible approval of changes in the deferred compensation plan (457);
 - Receiving an update on customer billing and financial management system alternatives; and
 - Election of officers for FY 2015.

There being no further business to come before the Board, the meeting was adjourned at 8:50 P.M.

Attachment

**RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE
CONTRACTS WITH BLUE CROSS BLUE SHIELD OF NORTH CAROLINA
(BCBSNC) FOR HEALTH, DENTAL, LIFE, DEPENDENT LIFE, ACCIDENTAL
DEATH AND DISMEMBERMENT (AD&D) AND LONG TERM DISABILITY (LTD)
INSURANCE**

WHEREAS, to adequately and appropriately provide Health, Dental, Life, Dependent Life, AD&D, and LTD coverage for Orange Water and Sewer Authority (OWASA) employees, it is desirable to continue as proposed by BCBSNC; and

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

WHEREAS, the existing Health and Dental insurance contracts with BCBSNC will expire on June 30, 2014; and

WHEREAS, the Human Resource Committee met on May 8, 2014 and fully supports renewal of the coverages provided by BCBSNC:

NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors reviewed the Plans proposed by BCBSNC to continue to provide Health and Dental coverage, as well as Life, Dependent Life, AD&D, and LTD coverages, for all full-time OWASA employees, and has determined to approve continuation of those coverages and plans as proposed.
2. That the term of the Health and Dental insurance plans shall be for a period of twelve months beginning July 1, 2014.
3. That the term of the Life, Dependent Life, AD&D, LTD plans shall be for a period of twenty-four months beginning July 1, 2014.
4. That the Executive Director is hereby authorized and directed to execute the contract with BCBSNC to effect these insurance agreements

Adopted this 22th day of May 2014.