

ORANGE WATER AND SEWER AUTHORITY
PUBLIC HEARINGS AND MEETING OF THE BOARD OF DIRECTORS

MAY 28, 2015

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held public hearings and a regular business meeting on Thursday, May 28, 2015, at 7:00 PM in Council Chambers at the Chapel Hill Town Hall, 405 Martin Luther King Jr. Boulevard.

Board Members present: John A. Young, Chair; Michael M. Hughes, P.E., Vice Chair; Terri Buckner; Stephen (Steve) Dear; Quinton Harper; David (Dave) Moreau; Ruchir Vora; and Amy Witsil. Board Member absent: Heather Payne, Secretary.

OWASA staff present: Ed Kerwin; Denise Battle; Mary Darr; Patrick Davis; Greg Feller; Stephanie Glasgow; Andrea Orbich; Todd Taylor; Stephen Winters; and Robin Jacobs, Epting and Hackney.

Others present: Ben Poulson, Associate Director of Energy Services, University of North Carolina at Chapel Hill; Vicki Baja, Carrboro resident; Will Raymond, former OWASA Board Member and Chapel Hill resident; John Anzivino and Joel Davis, Springsted Incorporated; Shannon Brummett, General Services Corporation; Bill Waddell and Steve McCauley, Orange Grove Road Volunteer Fire Department; and Tony Blake, White Cross Volunteer Fire Department.

There being a quorum present, Chair John Young called the meeting to order.

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MOTIONS ACTED UPON

1. Steve Dear made a motion to close the Public Hearings on the Draft Annual Budget, Draft Capital Improvements Program, and the proposed adjustments to Rates, Fees and Charges for FY 2015; the motion was seconded by Dave Moreau, and carried by unanimous vote.
2. Michael Hughes made a motion to approve the Minutes of the April 23, 2015 Meeting of the Board of Directors as amended by Steve Dear, second by Quinton Harper and unanimously approved.
3. Michael Hughes made a motion to approve the Minutes of the April 23, 2015 Closed Session of the Board of Directors, second by Quinton Harper and unanimously approved.
4. Michael Hughes made a motion to approve the Minutes of the May 14, 2015 Work Session of the Board of Directors as amended by John Young, second by Quinton Harper and unanimously approved.

5. Michael Hughes made a motion to approve the Minutes of the May 14, 2015 Closed Session of the Board of Directors for the Purpose of Discussing a Personnel Matter, second by Quinton Harper and unanimously approved.

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the Resolution Authorizing the Executive Director to Execute Contracts with Blue Cross Blue Shield for Employee Health and Dental Insurance which supports Option 5 (increase of 21.4%). (Motion by Dave Moreau, second by Terri Buckner and the resolution passed with a vote of seven to one with Michael Hughes voting no.)

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ANNOUNCEMENTS

Conflict Of Interest

John Young 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.

Michael M. Hughes, P.E.

Mr. Young announced Michael Hughes was reappointed to the OWASA Board of Directors for a second term effective July 1, 2015 through June 30, 2018.

Board Self-Assessment

Without objection, the Board agreed to postpone the Board Self-Assessment until the June 25, 2015 meeting.

Board Attendance

Without objection, it was agreed that the practice of Board Member absences in Quarterly Attendance Reports will be noted as "Absent" instead of "Excused" and that minutes will also reflect same.

Change to the Agenda

Without objection, the Board agreed to switch Item 7 (Community Engagement Concept for the Energy Management Plan) and Item 8 (Board Expectations for Employee Total Compensation) to accommodate visiting consultants, Springsted Incorporated.

William Raymond

The Board expressed sincere appreciation to Will Raymond for his service on the OWASA Board of Directors. The resolution was previously approved on September 25, 2014.

Mr. Raymond said he was proud to serve on the Board and provided comments on re-banding customers' rates; work force diversity and compensation; community participation; and Jordan Lake watershed.

June 2, 2015 Carrboro Board of Aldermen Meeting

Quinton Harper announced that he and Steve Dear will provide an OWASA update to the Carrboro Board of Aldermen on June 2, 2015.

Nominating Committee Meeting

Amy Witsil said that the Nominating Committee will meet on Thursday, June 4, 2015 at 8:00 AM in the OWASA Board Room to discuss the nomination of officers for the coming year.

Employees

Quinton Harper said that he spent time with employees in the Customer Service department to learn more about their jobs and get to know the employees.

PETITIONS AND REQUESTS

Mr. Tony Blake, White Cross Volunteer Fire Department, and Mr. Bill Waddell, Orange Grove Volunteer Fire Department, petitioned the Board regarding the feasibility of using OWASA water to improve firefighting capabilities in that area.

The Board accepted the petition and referred it to staff for review and follow up at a future meeting.

Steve Dear petitioned the Board to remove all descriptions of biosolids as "safe" from OWASA's website and ongoing communication. The Board agreed and staff will follow up.

John Young asked for petitions and requests from staff; there were none.

ITEM ONE: CONCURRENT PUBLIC HEARINGS ON THE PRELIMINARY ANNUAL OPERATING AND CAPITAL IMPROVEMENTS BUDGET AND PROPOSED RATES, FEES AND CHARGES

John Young 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) 2016.

Ed Kerwin began the presentation by noting that after receiving 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 2016 budgets and rates at the next meeting, it will be the fourth year in a row with no increase in monthly water, wastewater and reclaimed water rates. This

accomplishment was achieved through proactive measures and investments to improve efficiencies in operations while ensuring consistent high quality and reliable services.

Mr. Kerwin said a feasibility study is expected to be completed by December 31, 2015, for implementing Advanced Metering Infrastructure (AMI): a system that automates meter reading, provides more extensive water use data to customers, and will help OWASA staff deliver better customer service.

Mr. Kerwin noted that while OWASA's rate structure has been effective at meeting objectives and ensuring cost-of-service principles are met, it is time to reexamine the effectiveness of the rate structure in meeting affordability, conservation and customer equity objectives. The OWASA Board will actively seek customer input before deciding whether to make any changes in our rate structure.

Mr. Kerwin noted that about 25% of our customers receive their bills electronically, which is much more efficient than paper bills. Improvements to our electronic billing system will be implemented later this summer and include: email notification that includes the amount due and due date; the ability to pay a bill without logging in; the ability for customers to store credit card information; and flexibility for scheduling payments.

Staff will conduct a customer survey later this year to learn more about customer perceptions and expectations. This survey will be available for all of our account-holders and the feedback will help guide our continuous improvement work.

Mr. Kerwin said reducing energy is a key initiative. A recently completed energy efficiency project at our Mason Farm Wastewater Treatment Plant (WWTP) resulted in a 30% reduction in use of electricity for a savings of about \$250,000 a year. This energy reduction also reduces greenhouse gas emissions associated with producing electricity. Finally, Mr. Kerwin said that staff is in the process of updating our Long-Range Water Supply Plan to ensure a reliable and high quality water supply, especially during long and severe droughts.

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 2016. Projected revenue is about \$37.2 million. The budget includes \$20.8 million for Operating Expenses and \$8.3 million for debt service payments. The CIP budget is projected to be \$10.6 million, which will be spent on multiple projects including completion of the Mason Farm WWTP digester rehabilitation, water main rehabilitation, and AMI. Over the next five years, total CIP spending is expected to be about \$80 million with over 79% to be spent on

rehabilitation and replacement, about 3% on growth, and approximately 18% for system enhancement.

Mr. Winters reiterated that staff proposes no increase in monthly water, wastewater and reclaimed water rates. Mr. Winters said rate increases over the next several years are projected to be in line with inflation. Long-term planning indicates that OWASA is sustainable; 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. OWASA continues to work diligently to reduce costs without compromising OWASA's ability to deliver high quality and dependable water and wastewater services.

Mr. Young opened the concurrent Public Hearings for public comments.

Mr. Shannon Brummett, General Services Corporation, expressed concerns about the rates OWASA charges for the apartment communities he manages and requested those communities be charged the same as single-family residents.

The Board agreed that it is important to discuss the concerns that Mr. Brummett raised and committed to do so later this summer when the Board evaluates the rate structure.

Steve Dear 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 2016; the motion was seconded by Dave Moreau, and carried by unanimous vote. Please see Motion No. 1 above.

Mr. Young then opened the discussion for Board comments.

Mr. Young said that it is important that OWASA is investing in rehabilitating our infrastructure and thanked the community for conserving water. Mr. Young also thanked the public for their feedback.

ITEM TWO: MINUTES

Steve Dear requested that the April 23, 2015 minutes be amended to note his reason for not seeking reappointment to Board of Directors is that he is moving out of state; the Board agreed.

Michael Hughes made a motion to approve the Minutes of the April 23, 2015 Meeting of the Board of Directors as amended by Steve Dear, second by Quinton Harper and unanimously approved. Please see Motion No. 2 above.

ITEM THREE: MINUTES

Michael Hughes made a motion to approve the Minutes of the April 23, 2015 Closed Session of the Board of Directors, second by Quinton Harper and unanimously approved. Please see Motion No. 3 above.

ITEM FOUR: MINUTES

John Young requested that the May 14, 2015 Work Session Minutes be amended in Item Four, Appointment of the Nominating Committee on page 2 as follows: John Young appointed the following Board Members to the Nominating Committee: Amy Witsil, Chair, Terri Buckner, Steve Dear and Quinton Harper. ~~will serve as The Committee, which~~ will propose a slate of nominations when officers are elected for the June 11, 2015 meeting.

Michael Hughes made a motion to approve the May 14, 2015 Work Session Minutes of the Board of Directors as amended by John Young, second by Quinton Harper and unanimously approved. Please see Motion No. 4 above.

ITEM FIVE: MINUTES

Michael Hughes made a motion to approve the Minutes of the May 14, 2015 Closed Session of the Board of Directors for the Purpose of Discussing a Personnel Matter, second by Quinton Harper and unanimously approved. Please see Motion No. 5 above.

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

Stephanie Glasgow, OWASA's Director of Human Resources and Safety, introduced Ellen Tucker, of Hill, Chesson & Woody, who provided a presentation on options for health insurance for the Board's consideration and approval.

Ruchir Vora suggested that next year the Board consider an option to give employees a monetary amount if they elect not to participate in OWASA's health and dental insurance.

Michael Hughes made a motion to support the Current Renewal of benefits; there was no second and the motion failed.

Ruchir Vora made a motion to support Option 3, second by Amy Witsil. After discussion, Mr. Vora withdrew his motion.

After considerable Board discussion, Dave Moreau made a motion to approve the Resolution Authorizing the Executive Director to Execute Contracts with Blue Cross Blue Shield for Employee Health and Dental Insurance which supports Option 5 (increase of 21.4%); second by Terri Buckner and the motion passed seven to one with Michael Hughes voting no. Please see Motion No. 6 above.

Michael Hughes requested a copy of Hill, Chesson & Woody's contract.

ITEM SEVEN: BOARD EXPECTATIONS FOR EMPLOYEE TOTAL COMPENSATION STUDY

Ed Kerwin introduced John Anzivino and Joel Davis, Senior Vice President and Vice President, of Springsted Incorporated, who provided a brief verbal presentation on the company and its experience related to the Employee Total Compensation Study.

The Board provided feedback and guidance to the consultants and a draft detailed scope of work will be provided at the Board's June 25th meeting.

ITEM EIGHT: COMMUNITY ENGAGEMENT CONCEPT FOR THE ENERGY MANAGEMENT PLAN

The Board discussed and supported a conceptual plan for working with the local governments, local energy and sustainability advisory boards, the University, etc. to organize and hold a forum or seminar on energy management as part of our community engagement efforts for our energy management plan initiative.

The Board supported Terri Buckner attending a June 8, 2015 Orange County Commission for the Environment meeting to see if they are interested in participating. Ms. Buckner will work with the staff to contact other organizations about this proposal.

The Board agreed that at its June 25, 2015 meeting, it will receive and discuss a staff report and presentation on a baseline assessment of OWASA's energy use and management efforts, and potential goals and objectives for the energy management plan; and will receive customers' comments. Staff will publicize the opportunity to comment.

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

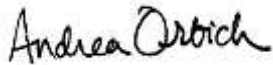
Ed Kerwin summarized the meeting as follows:

- Staff will publicize the opportunity for customers to comment following the June 25, 2015 presentation on a baseline assessment of OWASA's energy use and management efforts, and potential goals and objectives for the energy management plan;
- Staff will work on the Scope of Work for the Total Compensation Study;
- Staff will update OWASA's website and ongoing communication by deleting references to biosolids as "safe," and OWASA information will say that Federal biosolids standards provide for acceptable levels of risk;
- Staff will evaluate White Cross and Orange Grove Volunteer Fire Department's petition on possible fire hydrants on Highway 54 West in Orange County; and
- June 11, 2015 Work Session will include the following:

- Review and approve employee health and dental insurance renewals;
- Review and approve Fiscal Year 2016 Budget and rates;
- Review draft scope of work for design of sewer system for Historic Rogers Road Area;
- Award Construction Contract for Digester Rehabilitation Contract for the Mason Farm Wastewater Treatment Plant;
- Discussion on whether the Board would like Counsel/staff to evaluate requirements regarding charitable causes; and
- Election of Officers.

The meeting was adjourned at 10:15 PM.

Respectfully submitted,

A handwritten signature in black ink that reads "Andrea Orbich". The signature is written in a cursive, flowing style.

Andrea Orbich
Executive Assistant/Clerk to the Board

Attachments

**RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE
CONTRACTS WITH BLUE CROSS BLUE SHIELD OF NORTH CAROLINA
(BCBSNC) FOR EMPLOYEE HEALTH AND DENTAL INSURANCE**

WHEREAS, to adequately and appropriately provide Health and Dental coverage for Orange Water and Sewer Authority (OWASA) employees, it is desirable to continue coverage with 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, 2015; and

WHEREAS, the Board of Directors has reviewed Health and Dental Insurance renewal options and supports continuing with coverage from BCBSNC; and

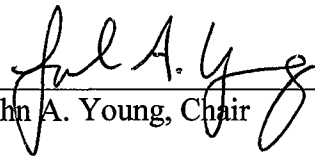
WHEREAS, BCBSNC has offered to renew the health coverage with an increase in premiums of 21.4 %; and

WHEREAS, BCBSNC has offered to renew the dental coverage with a decrease in premiums of 10%; and

NOW, THEREFORE, BE IT RESOLVED:


1. That the Board of Directors reviewed the plans proposed by BCBSNC and supports providing Health and Dental coverage for full-time OWASA employees, and has determined to approve continuation of those coverages and plans.
2. That the term of the Health and Dental insurance plans shall be for a period of twelve months beginning July 1, 2015.
3. That the Executive Director is hereby authorized and directed to execute the contract with BCBSNC.

Adopted this 28th day of May 2015.



John A. Young, Chair

ATTEST:



Andrea Orbich, Assistant Secretary