

ORANGE WATER AND SEWER AUTHORITY
ANNUAL MEETING OF THE BOARD OF DIRECTORS
SEPTEMBER 24, 2015

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held its annual meeting on Thursday, September 24, 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; Heather Payne, Secretary; Terri Buckner; Jeff Danner; David (Dave) Moreau; Robert Morgan; and Ruchir Vora. Board Member absent: Quinton Harper.

OWASA staff present: Ed Kerwin; Denise Battle; Mary Darr; Patrick Davis; Greg Feller; Stephanie Glasgow; Andrea Orbich; Dan Przybyl; Kevin Ray; Kelly Satterfield; Todd Taylor; Mary Tiger; Stephen Winters; Robin Jacobs and Robert Epting, Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina (UNC) at Chapel Hill; Crystal Roberts, Martin Starnes & Associates; Larry Mitchell, Dewberry; and Dr. Don Schlenger, Don Schlenger & Associates, LLC.

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

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MOTIONS ACTED UPON

1. BE IT RESOLVED THAT the Orange Water and Sewer Authority Board of Directors adopts the Resolution Honoring the Service of Michael M. Hughes, P.E., to the Chapel Hill-Carrboro-Orange County Community as Member of the Orange Water and Sewer Authority. (Resolution so titled attached hereto and made a part of these Minutes. Motion by Dave Moreau, second by Heather Payne and unanimously approved.)
2. Dave Moreau made a motion to approve the Minutes of the August 27, 2015 Meeting of the Board of Directors; second by Heather Payne and unanimously approved.
3. Dave Moreau made a motion to approve the Minutes of the August 27, 2015 Closed Session of the Board of Directors; second by Heather Payne and unanimously approved.
4. Dave Moreau made a motion to approve the Minutes of the September 10, 2015 Work Session of the Board of Directors as amended; “Terri Buckner reported on the September 2, 2015 meeting of the Ad Hoc Working Group regarding collaboration on energy management and renewables. She said the group has decided ~~not to hold a public forum~~ but to focus on to identify potential collaboration opportunities before pursuing a public forum.” The motion was second by Heather Payne and unanimously approved.

5. Dave Moreau made a motion to approve the Minutes of the August 27, 2015 Closed Session of the Board of Directors; second by Heather Payne and unanimously approved.

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority Board of Directors adopts the Resolution Reappointing the Firm of Epting and Hackney as General Counsel to the Orange Water and Sewer Authority. (Resolution so titled attached hereto and made a part of these Minutes. Motion by Terri Buckner, second by Jeff Danner and unanimously approved.)

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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.

Barbara M. Foushee

Mr. Young said that Barbara M. Foushee was appointed to the OWASA Board of Directors by the Orange County Board of County Commissioners on September 15, 2015; she will take her Oath of Office on Monday, September 28, 2015 in the OWASA Board Room.

Michael A. (Mac) Clarke

Mr. Young announced that Mac Clarke passed away during the week of September 14, 2015. Mr. Clarke served more than 10 years on the OWASA Board of Directors and was Chair of the Board from October 2005 until October 2007. Mr. Clarke will be remembered for his guidance, leadership and dedication to OWASA and the community. The Board and staff extended condolences to Mac Clarke's family.

Community Engagement Committee Meeting

Ruchir Vora said that the Community Engagement Committee will meet on Tuesday, October 13, 2015 at 6:00 PM in the OWASA Board Room to discuss the draft affordability program plan.

PETITIONS AND REQUESTS

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

ITEM ONE: PRESENTATION OF ANNUAL REPORT

In presenting OWASA's Annual Report for Fiscal Year (FY) 2015, Ed Kerwin stated that OWASA has operated in full compliance with Federal and State requirements for the water, wastewater and reclaimed water systems. OWASA is a public, non-profit agency providing water, sewer and reclaimed water service to the Carrboro-Chapel Hill community since 1977. Mr. Kerwin noted that he will discuss investing to sustain our essential infrastructure, the fourth year in a row without a rate increase, and work on affordability outreach.

Mr. Kerwin said that OWASA has the responsibility to effectively manage and maintain all the resources, facilities and infrastructure that our community depends on for high-quality and reliable service. There are about 800 miles of water and wastewater pipe and it is essential that OWASA continues to make smart investments in the infrastructure. In FY 2015, OWASA invested over \$7 million in capital improvements, over \$6 million for renewing/replacing aging pipes. Over the next 5 years, OWASA will invest about \$80 million in capital improvements.

Mr. Kerwin said that with every investment, OWASA evaluates how to improve service at a lower cost and use resources in a more sustainable way. In September 2014, OWASA completed installation of a fine bubble diffused aeration system, energy efficient blowers and mixers at the WWTP. These improvements have reduced energy use intensity at the WWTP by about 30%, which is an annual savings of more than 3 million kilowatt hours, which equates to about a quarter of a million dollars of savings per year. OWASA also received the proceeds from a \$6.56 million, 20-year, no-interest loan from the State for the project. That project was essential in reducing our overall energy use, because wastewater treatment accounts for the majority of our energy use. In 2014, OWASA's energy use dropped significantly due to the upgrades at the Mason Farm Wastewater Treatment Plant.

Mr. Kerwin said that the Board and staff are committed to further reducing our energy use, and this past fiscal year, work began to develop an Energy Management Plan (Plan) in accord with three draft goals set by the Board as a guide to craft the Plan. While the draft goals are ambitious, they are achievable. Mr. Kerwin said that as the Plan is developed, staff will seek opportunities for collaboration with other agencies, and actively inform and involve customers, community, and other stakeholders in the Plan.

Mr. Kerwin said another major initiative of the past year was the implementation of an Affordability Outreach Pilot Project which was initiated by the Board of Directors to engage the community and target groups with information about how to reduce OWASA bills. The pilot project was based on four major principles: partnership, analysis, education, and feedback. He said that based on the success of the pilot project, the Board agreed that affordability outreach should be an ongoing part of OWASA's community engagement and sustainable water management efforts.

Finally, OWASA's customer assistance program, Care to Share, has helped low-income customers each year when they have difficulty paying for OWASA services. OWASA partners with the Inter-Faith Council (IFC), which administers Care to Share funds at no cost to OWASA. We are exploring ways to increase the community's understanding and support of Care to Share,

because the needs are greater than the current funding level. Mr. Kerwin thanked customers who donate to Care to Share and invited other customers to give directly to the IFC, or to contact OWASA about contributing an amount of the customer's choice with monthly bill payments.

Stephen Winters said that the independent audit of OWASA's FY 2015 financial statements was performed by Martin, Starnes & Associates. The success of this audit is a testament to the entire OWASA team and is a positive reflection on the Finance and Customer Service staff. He thanked his staff for all their hard work and a job well done. Mr. Winters said that agenda information was updated to include a draft of OWASA's Comprehensive Annual Financial Report (CAFR). The CAFR will be finalized following minor presentation-type changes.

Mr. Winters said OWASA is sustainable and well positioned for the future; OWASA's water supply is sufficient to meet the community's needs for the next 50 years under most circumstances. OWASA's treatment plants and infrastructure are in good shape and a long-term Capital Improvements Program is in place to make sure it stays that way. He said the community continues to do a great job of conserving, which enhances our sustainability in a number of ways. He said the community is using about the same amount of water it used over 20 years ago, even though the number of accounts served has gone up from about 13,000 accounts to about 22,000. Mr. Winters said OWASA's financial condition is very good, there are sufficient reserves, we are meeting our financial performance goals, and our bond rating is double-A plus from the top three ratings agencies.

Crystal Roberts, Audit Manager from Martin, Starnes & Associates, said OWASA received an unqualified opinion that the financial statements fairly present OWASA's financial position and results from operations. OWASA's CAFR can be relied upon by third parties, citizens, underwriters and bond holders. Ms. Roberts stated that no significant deficiencies in internal control were identified.

The Board requested additional detail on the breakdown of costs for treatment and distribution and collection; and additional information about how OWASA's funding for post-employment benefits compares with peers and best-practices; staff will follow up.

ITEM TWO: EQUAL EMPLOYMENT OPPORTUNITY/AFFIRMATIVE ACTION REPORT FOR FISCAL YEAR 2015

The Board received this report as an information item.

ITEM THREE: ANNUAL REPORT ON DISPOSAL OF SURPLUS PERSONAL PROPERTY

The Board received this report as an information item.

ITEM FOUR: RESOLUTION HONORING THE SERVICE OF MICHAEL M. HUGHES, P.E., TO THE CHAPEL HILL-CARRBORO-ORANGE COUNTY COMMUNITY AS A MEMBER OF THE ORANGE WATER AND SEWER AUTHORITY

Dave Moreau made a motion to approve the resolution; second by Heather Payne, and unanimously approved. Please see Motion No. 1 above.

Following the approval the Consent Agenda, John Young read aloud and presented to Mr. Hughes the framed Resolution Honoring the Service of Michael M. Hughes, P.E., to the Chapel Hill-Carrboro-Orange County Community as a Member of the Orange Water and Sewer Authority.

ITEM FIVE: MINUTES

Dave Moreau made a motion to approve the Minutes of the August 27, 2015 Meeting of the Board of Directors; second by Heather Payne and unanimously approved. Please see Motion No. 2 above.

ITEM SIX: MINUTES

Dave Moreau made a motion to approve the Minutes of the August 27, 2015 Closed Session of the Board of Directors; second by Heather Payne and unanimously approved. Please see Motion No. 3 above.

ITEM SEVEN: MINUTES

Dave Moreau made a motion to approve the Minutes of the September 10, 2015 Work Session of the Board of Directors as amended; “Terri Buckner reported on the September 2, 2015 meeting of the Ad Hoc Working Group regarding collaboration on energy management and renewables. She said the group has decided ~~not to hold a public forum but to focus on~~ to identify potential collaboration opportunities before pursuing a public forum.” The motion was second by Heather Payne and unanimously approved. Please see Motion No. 4 above.

ITEM EIGHT: MINUTES

Dave Moreau made a motion to approve the Minutes of the August 27, 2015 Closed Session of the Board of Directors; second by Heather Payne and unanimously approved. Please see Motion No. 5 above.

ITEM NINE: ADVANCED METERING INFRASTRUCTURE (AMI) – INTERVIEW FINDINGS AND TECHNOLOGY/STRATEGY REVIEW

Dan Przybyl, Director of Information Technology and project manager for the AMI Feasibility Study, provided an update on the AMI Feasibility Study to date and introduced Dr. Don Schlenger of Don Schlenger & Associates (DS&A) who made a presentation on the staff interviews; and explained the three alternatives proposed for evaluation.

Following Dr. Schlenger’s presentation and discussion, the Board agreed to evaluate the three alternatives proposed: 1) rapid deployment of mobile automatic meter reading (AMR)

throughout the OWASA service area; 2) rapid deployment of AMI throughout the OWASA service area; and 3) deployment of a limited AMI network covering the meters of the UNC main campus and medical institutions as well as the Chapel Hill/Carrboro central business district.

The Board agreed to delay a discussion of community engagement until January 2016.

ITEM TEN: RESOLUTION REAPPOINTING THE FIRM OF EPTING AND HACKNEY AS GENERAL COUNSEL TO THE ORANGE WATER AND SEWER AUTHORITY

Terri Buckner made a motion to approve the resolution; second by Jeff Danner, and unanimously approved. Please see Motion No. 6 above.

ITEM ELEVEN: NOMINATION AND ELECTION OF VICE CHAIR

John Young said that with Michael Hughes' resignation from the Board of Directors at the end of tonight's meeting, the office of Vice Chair is vacant. Mr. Young asked for nominations from the floor for Vice Chair of the Board.

Michael Hughes nominated Robert Morgan for election as Vice Chair of the Board of Directors for the duration of corporate year 2015-2016. There were no other nominations from the floor. The Board voted to elect Robert Morgan as Vice Chair of the Board of Directors with a vote of seven to one, with Terri Buckner opposed because she believes a Board Member should be on the Board more than three meetings to be an officer.

ITEM TWELVE: 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 finalize the Comprehensive Annual Financial Report; provide additional detail on the breakdown of costs for treatment and distribution and collection; and provide additional information about how OWASA's funding for post-employment benefits compares with peers and best-practices.
- The October 8, 2015 Work Session will include the following;
 - o Continued discussion of work plan for considering water and sewer rate structure modifications; and
 - o Draft Biosolids Management Plan – Part 2;
 - o Restrictions applicable to charitable activities by OWASA.

ITEM THIRTEEN: CLOSED SESSION

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Without objection, the Board of Directors convened in a Closed Session in the First Floor Conference Room for the purpose of discussing a personnel matter.

The meeting was adjourned at 9:45 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 HONORING THE SERVICE OF MICHAEL M. HUGHES, P.E., TO THE CHAPEL HILL-CARRBORO-ORANGE COUNTY COMMUNITY AS A MEMBER OF THE ORANGE WATER AND SEWER AUTHORITY'S BOARD OF DIRECTORS

WHEREAS, on June 19, 2012, the Orange County Board of Commissioners appointed Michael M. Hughes, P.E., to serve on the Board of Directors of the Orange Water and Sewer Authority (OWASA); and

WHEREAS, Mr. Hughes served on the OWASA Board from August 23, 2012, to September 24, 2015, including terms as Secretary of the Board of Directors from July 1, 2013, to June 30, 2014 and Vice Chair of the Board of Directors from July, 2014 to September 24, 2015; and

WHEREAS, Mr. Hughes served on four committees during his service, Community Engagement, Human Resources, Finance, and Natural Resources and Technical Systems Committees, and Chaired the Human Resources Committee from July 2014 to September 2015; and

WHEREAS, Mr. Hughes gave freely of his time, energy, and talent in serving the community and OWASA customers with unselfish dedication and compassionate concern; and

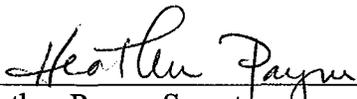
WHEREAS, Mr. Hughes brought to OWASA exceptional analytical skills with which he contributed to the Board's deliberations and decisions in many areas including employee compensation, project management, engineering, environmental protection, financial management, planning, and community engagement; and he shared insight which was succinct, timely and of great value;

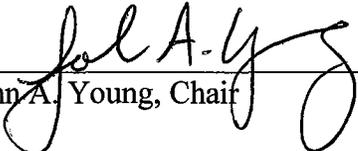
NOW, THEREFORE, BE IT RESOLVED BY THE ORANGE WATER AND SEWER AUTHORITY BOARD OF DIRECTORS:

1. That the Board of Directors expresses to Michael M. Hughes, P.E., the Board's sincere appreciation and deep gratitude for his outstanding service, leadership and stewardship as a Member of the OWASA Board; and the Board wishes for Mr. Hughes much happiness in the years ahead.
2. That this resolution be recorded in the minutes of the OWASA Board of Directors and be part of the permanent records of OWASA, and that a copy of this resolution be transmitted to Orange County.

Adopted this 24th day of September 2015.

ATTEST:


Heather Payne, Secretary


John A. Young, Chair

**RESOLUTION REAPPOINTING THE FIRM OF EPTING AND HACKNEY AS
GENERAL COUNSEL TO THE ORANGE WATER AND SEWER AUTHORITY**

WHEREAS, the Orange Water and Sewer Authority is a public, corporate entity organized and operated under the laws and statutes of the State of North Carolina and is engaged in the provision of public water, sewer and reclaimed water services within its service area; and

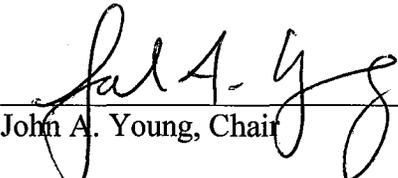
WHEREAS, the Board of Directors of Orange Water and Sewer Authority finds that it is necessary and appropriate to provide for and obtain general legal counsel and services to assist in the establishment of policy and the administration and operations of the business and affairs of OWASA so that due regard may be given to the pertinent laws, regulations, and statutes; and

WHEREAS, Robert Epting, General Partner of the firm Epting and Hackney, has served as General Counsel to OWASA since October 1, 1984, and has rendered competent and appropriate legal services in that regard, and the Board of Directors wishes to continue their services as General Counsel;

**NOW, THEREFORE, BE IT RESOLVED BY THE ORANGE WATER AND
SEWER AUTHORITY BOARD OF DIRECTORS:**

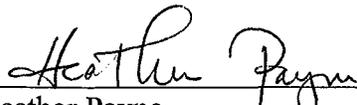
1. That the firm of Epting and Hackney, Chapel Hill, N.C., is hereby reappointed General Counsel of Orange Water and Sewer Authority in accordance with the terms and conditions set out in Robert Epting's letter dated September 3, 2015 to the Executive Director.
2. That as General Counsel, the he and his firm will serve under the general direction of the Executive Director, subject to the ultimate authority of the Board of Directors.
3. That this reappointment will be effective October 1, 2015, and shall continue until terminated as provided in Mr. Epting's said letter dated September 3, 2015.

Adopted this 24th day of September, 2015.



John A. Young, Chair

ATTEST:



Heather Payne
Secretary