

ORANGE WATER AND SEWER AUTHORITY
ANNUAL MEETING OF THE BOARD OF DIRECTORS
SEPTEMBER 22, 2016

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held its annual meeting on Thursday, September 22, 2016, at 7:00 P.M. at the Chapel Hill Town Hall Council Chamber, 405 Martin Luther King Jr. Boulevard.

Board Members present: John A. Young (Chair), Barbara Foushee (Secretary), Yinka Ayankoya, Terri Buckner, David (Dave) Moreau, Robert Morgan, Heather Payne and Ruchir Vora. Board Member absent: Jeff Danner (Vice Chair).

OWASA staff present: Ed Kerwin, Mary Darr, Vishnu Gangadharan, Katie Harrold, Kenneth Loflin, Andrea Orbich, Ruth Rouse, Kelly Satterfield, Todd Taylor, Mary Tiger, Stephen Winters, Robin Jacobs (Epting and Hackney) and Robert Epting (Epting and Hackney).

Others present: Meg Holton, Water, Wastewater and Stormwater Manager at the University of North Carolina at Chapel Hill; and Meg Blue, Martin Starnes & Associates.

There being a quorum present, Chair John 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 Authorizing Orange Water and Sewer Authority's Executive Director to apply for Loans and Grants from the State of North Carolina. (Resolution so titled attached hereto and made a part of these Minutes. Motion by Dave Moreau, second by Robert Morgan and unanimously approved.)
2. 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 Dave Moreau, second by Robert Morgan and unanimously approved.)
3. Dave Moreau made a motion to approve the Minutes of the August 25, 2016 Meeting of the Board of Directors; second by Robert Morgan and unanimously approved.
4. Dave Moreau made a motion to approve the Minutes of the September 8, 2016 Closed Session of the Board of Directors; second by Robert Morgan and unanimously approved.
5. Ruchir Vora made a motion to accept the following recommendations from the Natural Resources and Technical Services Committee: 1) chloramines remain OWASA's best option as its secondary disinfectant due to the significant reductions in disinfectant byproducts they provide; 2) acknowledge that remedying the impacts of dezincification may be expensive for our customers and staff will encourage customers to contact Laboratory staff at the Jones Ferry Road

Water Treatment Plant when customers encounter dezincification; 3) staff will inform and engage customers and other stakeholders such as plumbers, realtors, and home and plumbing inspectors about the safety of our water and our use of chloramines; and 4) staff will continue to monitor research on causes of and solutions to dezincification. Second by Heather Payne and unanimously approved.

6. Robert Morgan made a motion that the Board deny the April 14, 2016, petition from Mr. Art Belden to hire an independent party to assess the effect chloramines have had on plumbing systems in Chapel Hill and what corrective actions are required to resolve past effects and avoid future effects because peer-reviewed scientific studies are currently available on the causes of dezincification. Second by Ruchir Vora the motion passed with a vote of seven to 1 with Terri Buckner opposed.

7. Dave Moreau made a motion that the Board offer to the local elected boards a presentation in accordance with the Community Engagement Plan for the Long-Range Water Supply Plan; second by Barbara Foushee 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 at this time; none were disclosed.

Committee Meetings

Heather Payne said that the Chapel Hill Town Council's OWASA Committee and the Chapel Hill appointees to the OWASA Board of Directors met on September 15, 2016. Ms. Payne provided a brief update on the following items: community engagement for Advanced Metering Infrastructure; chloramines and customer considerations; Mountains-to-Sea Trail; water rates for multi-family master-metered customers; and OWASA's diversity and inclusion work.

Robert Morgan said that the Human Resources Committee will meet on October 11, 2016, to discuss the structure and format for the November 3, 2016 Special Meeting of the Board to discuss diversity and inclusion.

Barbara Foushee said that the Executive Committee met on September 13, 2016, to discuss Board development and team building activities as well as how the Executive Committee envisions supporting the Board this fiscal year. John Young suggested that the Board have a discussion on the outcome of this meeting at the Board's September 8, 2016 work session.

September 20, 2016, Carrboro Board of Aldermen Meeting

Yinka Ayankoya said that she and Robert Morgan attended the Carrboro Board of Aldermen's meeting to provide an update on water rates for multi-family master-metered (MFMM) customers and the draft diversity and inclusion plan. She said that the Aldermen expressed concern about sub-metering and third party billing but seemed to support the uniform water rates for MFMM customers. Ms. Ayankoya said that OWASA staff will follow-up with Carrboro staff to share information.

Thank You

Yinka Ayankoya thanked staff for the OWASA orientation program she received as a new Board Member.

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) 2016, Ed Kerwin stated that OWASA is a public, non-profit agency providing water, sewer and reclaimed water service to the Carrboro-Chapel Hill community and has operated in full compliance with Federal and State requirements for the water, wastewater and reclaimed water systems.

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 including three reservoirs, two treatment plants and 800 miles of pipe. Through a team effort, OWASA is a high performing utility and has earned several national awards for excellence including: the Partnership for Safe Water – Five Years of Excellence in Water Treatment and Distribution System Directors Award; National Association of Clean Water Agencies – Platinum Performance Award for Five Years of Excellence in Permit Compliance; and NC American Water Works Association and Water Environment Association – Operations and Maintenance Excellence Award. Mr. Kerwin thanked staff for their hard work.

Mr. Kerwin said that with every investment, OWASA works to sustain our essential infrastructure by renewing and replacing existing infrastructure. Over the next five years, OWASA will invest over \$87 million in the Capital Improvement Program. Some of the projects may be disruptive and we appreciate the community's patience and understanding.

Mr. Kerwin said that progress has been made to further reduce energy use and work will continue. He said that OWASA's Strategic Plan includes projects to help prepare the organization for the future including updating the Long-Range Water Supply Plan and engaging the community regarding strategic initiatives such as Advanced Metering Infrastructure.

Stephen Winters, Director of Finance and Customer Service, said that OWASA's customer assistance program, Care to Share, helps low-income customers 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. Mr. Winters 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.

Mr. Winters said that the independent audit of OWASA's FY 2016 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 within the next few weeks.

Mr. Winters said OWASA is sustainable and well positioned for the future and OWASA's water supply is sufficient to meet the community's needs for the next 50 years under most circumstances. He said the community continues to do a great job of conserving, which enhances our sustainability. Mr. Winters said OWASA's financial condition is very good; there are sufficient reserves; we are meeting our financial performance goals; our bond rating is double-A plus from the top three ratings agencies; and for the fifth year in a row, the annual budget was approved without an increase in monthly water and sewer rates.

Meg Blue, Audit Manager with Martin, Starnes & Associates, said OWASA received an unmodified 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. Blue stated that no significant deficiencies in internal control were identified.

The Board requested that the final CAFR be placed on a future agenda for public comment and additional Board discussion; staff will follow up.

ITEM TWO: RESOLUTION AUTHORIZING ORANGE WATER AND SEWER
AUTHORITY'S EXECUTIVE DIRECTOR TO APPLY FOR LOANS AND
GRANTS FROM THE STATE OF NORTH CAROLINA

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

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

Dave Moreau made a motion to approve the resolution; second by Robert Morgan and unanimously approved. Please see Motion No. 2 above.

ITEM FOUR: MINUTES

Dave Moreau made a motion to approve the Minutes of the August 25, 2016 Meeting of the Board of Directors; second by Robert Morgan and unanimously approved. Please see Motion No. 3 above.

ITEM FIVE: MINUTES

Dave Moreau made a motion to approve the Minutes of the September 8, 2016 Closed Session of the Board of Directors; second by Robert Morgan and unanimously approved. Please see Motion No. 4 above.

ITEM SIX: CHLORAMINE USE AND CUSTOMER CONSIDERATIONS

Ken Loflin, Water Supply and Treatment Manager, Katie Harrold, Laboratory Supervisor (Water Treatment Plant), and Todd Taylor, General Manager of Operations provided a presentation on OWASA's use of chloramines to treat drinking water and to address customer concerns about how private plumbing is and is not impacted by water disinfection.

The Board requested that staff provide a copy of the presentation to the Board and the public.

Ruchir Vora made a motion to accept the following recommendations from the Natural Resources and Technical Services Committee: 1) acknowledge that remedying the impacts of dezincification may be expensive for our customers and staff will encourage customers to contact Laboratory staff at the Jones Ferry Road Water Treatment Plant when customers encounter dezincification; 2) acknowledge that remedying the impacts of dezincification may be expensive for our customers and staff will encourage customers to contact staff when they encounter dezincification; 3) staff will inform and engage customers and other stakeholders such as plumbers, realtors, and home and plumbing inspectors about the safety of our water and our use of chloramines; and 4) staff will continue to monitor research on causes of and solutions to dezincification. Second by Heather Payne and unanimously approved. Please see Motion No. 5 above.

Robert Morgan made a motion that the Board deny the April 14, 2016, petition from Mr. Art Belden to hire an independent party to assess the effect chloramines have had on plumbing systems in Chapel Hill and what corrective actions are required to resolve past effects and avoid future effects because peer-reviewed scientific studies are currently available on the causes of dezincification. Second by Ruchir Vora the motion passed with a vote of seven to one with Terri Buckner opposed. Please see Motion No. 6 above.

The Board expressed appreciation to Mr. Art Belden for his petition and requested that staff inform him that his petition was denied.

ITEM SEVEN: CAPITAL IMPROVEMENTS PROGRAM SEMIANNUAL STATUS REPORT

The Board received this as an information item.

ITEM EIGHT: OVERVIEW OF LONG-RANGE WATER SUPPLY PLAN AND BRIEFING FOR LOCAL GOVERNMENTS

Ruth Rouse, Planning and Development Manager, provided a presentation on updating OWASA's Long-Range Water Supply Plan.

Dave Moreau made a motion that the Board offer to the local elected boards a presentation in accordance with the Community Engagement Plan for the Long-Range Water Supply Plan; second by Barbara Foushee and unanimously approved. Please see Motion No. 7 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 as follows:

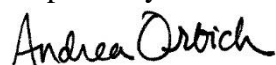
- Staff will place the final Comprehensive Annual Financial Report (CAFR) on a future agenda for Board and public comment and possible discussion about the timing of the annual meeting;
- Staff will proceed with community engagement tasks pertaining to chloramine use and customer considerations about private plumbing systems and thank Art Belden for his petition;
- Staff will make the presentation on chloramine use and customer considerations available to the public and the Board;
- Staff will take "rough cut" at additional information about chromium 6 to include regional information and mitigation alternatives; and
- The October 13, 2016 Work Session will include the following:
 - o Discussion of OWASA's Capital Improvements Program Investment Practices; and
 - o Discussion of Alternative Employee Compensation Strategies

ITEM TEN: CLOSED SESSION

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 9:14 P.M.

Respectfully submitted,



Andrea Orbich
Executive Assistant/Clerk to the Board

Attachments