Orange Water and Sewer Authority

Meeting of the Board of Directors

August 22, 2019

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in a regular meeting on Thursday, August 22, 2019, at 7:00 p.m. in Chapel Hill Town Hall Council Chamber.

Board Members present: Bruce Boehm (Acting Chair), Yinka Ayankoya, Jody Eimers, Robert Morgan, John N. Morris and Bruce Runberg. Board Member absent: Ray DuBose (Chair), Ruchir Vora (Vice Chair) and John Cooley.

OWASA staff present: Mary Darr, Vishnu Gangadharan, Robin Jacobs (Epting and Hackney), Ed Kerwin, Andrea Orbich, Johnny Riley, Kelly Satterfield, Todd Taylor and Stephen Winters.

Others present: Terri Buckner, Meg Holton (UNC Water Resources Manager), Robert James, Marilee McTigue and Susan Walsen.

Motions

1. BE IT RESOLVED THAT the Board of Directors of the Orange Water and Sewer Authority adopts A Resolution Declaring the Official Intent of the Orange Water and Sewer Authority to Reimburse Itself for Certain Capital Expenditures Related to the Construction of Certain Projects with Proceeds of Debt. (Motion by Robert Morgan, second by Yinka Ayankoya and unanimously approved.)

2. Robert Morgan made a motion to approve the Minutes of the June 13, 2019 Meeting of the Board of Directors; second by Yinka Ayankoya and unanimously approved.

3. Robert Morgan made a motion to approve the Minutes of the July 11, 2019 Work Session of the Board of Directors; second by Yinka Ayankoya and unanimously approved.

4. John Morris made a motion to approve a Vision Statement and Guiding Principles for management of OWASA's forested lands as follows: Vision Statement - Protect water quality now and for future generations by following science-based principles to manage our forest lands so they are healthy, diverse, resilient, and sustainable; Guiding Principles - Protect Water Quality, OWASA's Highest Priority; Improve Ecological Health of Forested Land; Reduce the Risk of Wildfire; Improve Wildlife Habitat and Species Diversity; Sustainably Manage OWASA's Resources; Engage the Community and Partner Agencies; and Minimize Adverse Impacts on Neighbors and Surrounding Community. Second by Bruce Runberg and unanimously approved.

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Announcements

Bruce Boehm said Chair Ray DuBose and Vice Chair Ruchir Vora are absent tonight and at the request of Chair DuBose, and without objection, Mr. Boehm will lead the meeting as Acting Chair. There were no objections.

Mr. Boehm asked if any Board Member knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight to disclose the same at this time; none were disclosed.

Todd Taylor announced staff distributed the annual wastewater report to accountholders on the operation of the wastewater collection and treatment systems and on the treatment and recycling of biosolids. This report was also distributed to local officials and media and posted on OWASA's website. Mr. Taylor said the key takeaway from the report was OWASA continued to surpass the treated wastewater quality standards for the Mason Farm Wastewater Treatment Plant (WWTP). Mr. Taylor expressed appreciation to staff for their hard work to exceed goals at the WWTP.

Mr. Boehm suggested, and the Board agreed, to schedule a Finance Committee meeting to work with staff regarding improvements to the budget process for Fiscal Year 2021; the Board agreed, and staff will work to schedule a meeting.

Petitions and Requests:

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

Item One: 12 Month Board Meeting Schedule

John Morris suggested staff provide an updated schedule to complete the Long-Range Water Supply Plan to include key Board action items and public input; the Board agreed.

Item Two: A Resolution Declaring the Official Intent of the Orange Water and Sewer Authority to Reimburse Itself for Certain Capital Expenditures Related to the Construction of Certain Projects with Proceeds of Debt

Robert Morgan made a motion to approve the resolution; second by Yinka Ayankoya and unanimously approved. Please see Motion 1.

Item Three: Minutes

Robert Morgan made a motion to approve the Minutes of the June 13, 2019 Meeting of the Board of Directors; second by Yinka Ayankoya and unanimously approved. Please see Motion 2.

Item Four: Minutes

Robert Morgan made a motion to approve the Minutes of the July 11, 2019 Meeting of the Board of Directors; second by Yinka Ayankoya and unanimously approved. Please see Motion 3.

Item Five: Draft Vision and Guiding Principles for Forest Management

Ed Kerwin, Executive Director, provided an update on forest management work to date including the June 20, 2019 Community Meeting when staff presented a new approach to forest management outlining six draft Guiding Principles. At the July 11th meeting, the Board supported staff would propose a Vision Statement and revised Guiding Principles for discussion tonight. The agenda information was provided in advance to forest management stakeholders including the proposed Vision Statement and revised Guiding Principles. Mr. Kerwin suggested approval tonight or at a future Board meeting with the understanding the Vision Statement and Guiding Principles may be amended in the future based on experiences and lessons-learned. Mr. Kerwin said staff is working to develop a process to prioritize OWASA land in greatest need of management activities for Board discussion on September 26, 2019 which will be shared with forest management stakeholders.

Jody Eimers complemented staff for a thorough report, and she appreciated the contributions provided by the partner agencies. She noted the quality of OWASA's engagement with stakeholders far exceeded the first attempt in 2010 and believes this reflects the value of OWASA's new communications plan including the Board's commitment to hire more communication staff. Ms. Eimers commented that all seven Guiding Principles are science-based (physical and social), and that she hesitates to single out the second Principle and provided an amendment to the Guiding Principles and Vision Statement:

Guiding Principles:

- Protect Water Quality, OWASA's Highest Priority
- Improve Ecological Health of Forested Land ~~through Science-Based Principles~~
- Reduce the Risk of Wildfire
- Improve Wildlife Habitat and Species Diversity
- Sustainably Manage OWASA's Resources
- Engage the Community and Partner Agencies
- Minimize Adverse Impacts on Neighbors and Surrounding Community

Vision Statement: Protect water quality now and for future generations by following science-based principles to manage~~eing~~ our forest lands so they are healthy, diverse, resilient, and sustainable.

Ms. Eimers provided a few more observations in the Strategies that seemed ambiguous:

- Protect Water Quality, OWASA's Highest Priority - 1.d. Additional buffer around ephemeral channels (regardless of watershed) and other areas such as other wetlands and groundwater recharge areas.
    - To be clear, add a distance of 'X feet' in front of Additional buffer around ephemeral channels.

- Protect Water Quality, OWASA's Highest Priority - 9. regarding the use of herbicides.
    - It is understood herbicides will be used and requested staff report the specifics on the contractor use of type and amount of herbicides used; when used; and predicted weather (wind and rain) at the application time of herbicide use.

- Improve Wildlife Habitat and Species Diversity - 8. We recognize that pine monocultures by themselves do not provide the biological diversity that is needed to support diverse wildlife populations. Therefore, rotational pine management and harvesting is used only where there is a compelling need.
    - Suggested edit, if correct: "Therefore, rotational pine management and harvesting is used only where there are existing pine monocultures. Our long-term goal is to replace pine monocultures with hardwood forests~~is a compelling need~~."

- Engage the Community and Partner Agencies - 3. We will continue to work closely with partner agencies in all aspects of our forest management program. We will: request their expert guidance as we develop and implement our plans; partner with them to use our land for demonstration, education, and training opportunities, and work with them to evaluate the ecological and cultural resources on our land and to study and document the outcomes of our forest management program
    - Suggest monitoring suspended sediment in nearby waterways before and after a burn.

John Morris said the new Vision and revised Guiding Principles are good, especially the Strategies. The Strategies are a summary of forest management principles and will inform the public of what we are doing as well as a guide as we move forward. He suggested defining "the community" because some may think it means the immediate neighbors of Cane Creek and he feels the community should be used in a broad sense to include all the rate payers, water users and the public who enjoy recreation at Cane Creek. Mr. Morris suggested allowing flexibility in the number sites to be managed over the next 12 months as well as define what a site is.

Bruce Boehm suggested the Strategies be mindful of costs. Mr. Boehm also noted Ray DuBose's comment, to the Board via e-mail, regarding the Strategy Mitigate Adverse Impacts on Neighbors and Surrounding Community - 1., the word "adjacent" landowners may be too limiting and perhaps it should be "neighboring" landowners. Ms. Eimers said she likes the word "adjacent".

John Morris made a motion to approve a Vision Statement and Guiding Principles for management of OWASA's forested lands as follows: Vision Statement - Protect water quality now and for future generations by following science-based principles to manage our forest lands so they are healthy, diverse, resilient, and sustainable; Guiding Principles - Protect Water Quality, OWASA's Highest Priority; Improve Ecological Health of Forested Land; Reduce the Risk of Wildfire; Improve Wildlife Habitat and Species Diversity; Sustainably Manage OWASA's Resources; Engage the Community and Partner Agencies; and Minimize Adverse

Impacts on Neighbors and Surrounding Community. Second by Bruce Runberg and unanimously approved. Please see Motion 4.

The Board agreed to cancel the placeholder Natural Resources and Technical Services Committee meeting on September 17, 2019.

Item Six: Capital Improvements Program Semiannual Report

Vishnu Gangadharan, Engineering Manager - Capital Program, provided an update on the capital projects semiannual report. OWASA invested approximately $17.3 million in a total of 66 capital projects over the past fiscal year and staff continues its efforts to encourage greater participation by Minority and Women Business Enterprise contractors.

Yinka Ayankoya requested staff seek Minority and Women Business Enterprise (MWBE) contractor participation information from other utilities similar to OWASA's profile, to see how OWASA compares and if the information received may assist to improve our MWBE participation; the Board agreed.

Item Seven: Preliminary Financial Report for the Twelve-Month Period Ended June 30, 2019

Stephen Winters, Director of Finance and Customer Service, presented the preliminary financial report for the fiscal year (FY) ended June 30, 2019. OWASA reported that water and wastewater revenue was approximately equal to the FY 2019 budget as amended in May 2019; operating expenses were 1.8% less than the amended budget. The Comprehensive Annual Financial Report and auditor's report are scheduled to be presented on September 26, 2019.

Item Eight: Executive Director's Summary of Key Staff Action Items from the Work Session

Ed Kerwin noted the following items for staff follow-up:

- Schedule Finance Committee meeting to work with staff regarding improvements to the budget process for next Fiscal Year;
- Provide the Board updated schedule to complete the Long-Range Water Supply Plan to include key Board action items and public input;
- Cancel the placeholder Natural Resources and Technical Services Committee meeting on September 17, 2019;
- Consider Board member feedback on the draft Strategies forest management Guiding Principles;
- Seek Minority and Women Business Enterprise contractor participation information from other utilities and water/sewer authorities to see how we compare. The information may provide opportunities to improve; and
- The Board's September 12, 2019 Work Session agenda items include:

- Diversity and Inclusion Program Progress Report and Equal Employment Opportunity/Affirmative Action Report for Fiscal Year 2019
- Long Range Water Supply Plan – Final Water Supply and Demand Management Alternatives
- Project update on Agua Vista (Advanced Metering Infrastructure) including metrics, billing increments, and leak alerts

Item Nine: Closed Session

Without objection, the Board of Directors convened in a closed session to discuss a personnel matter in the First Floor Conference room.

The Board meeting reconvened in open session at 8:23 pm, and the meeting was then adjourned.

Respectfully submitted by:

Andrea Orbich

Andrea Orbich
Executive Assistant/Clerk to the Board

Attachment

A Resolution Declaring the Official Intent of the Orange Water and Sewer Authority to Reimburse Itself for Certain Capital Expenditures Related to the Construction of Certain Projects with Proceeds of Debt

Whereas, the Orange Water and Sewer Authority, a public body and body politic and corporate of the State of North Carolina (the "Issuer"), intends (i) to undertake certain capital projects described in Exhibit A hereto (collectively, the "Project"), (ii) to pay costs of the Project from available funds of the Issuer prior to the issuance of bonds (the "Bonds") to finance the Project, and (iii) to reimburse itself for such original expenditures (the "Expenditures") from the proceeds of the Bonds; and

Whereas, bond counsel has advised the Issuer that Treasury Regulation § 1.150-2 requires the Issuer to adopt a resolution in the form set forth below to preserve the Issuer's ability to use portions of the proceeds of an upcoming issue of Bonds to reimburse itself for the Expenditures; and

Whereas, after careful consideration and to further the public purposes for which the Issuer was created;

Now, Therefore, Be It Resolved By the Board of Directors of the Orange Water and Sewer Authority That:

Section 1. The Issuer intends to finance the Project through the issuance of one or more series of Bonds. The principal amount of the Bonds attributable to the Project is not expected to exceed $20,000,000.

Section 2. This Resolution represents a declaration of "official intent" under Treasury Regulation § 1.150-2.

Section 3. Prior to the issuance of the Bonds, the Issuer expects to pay the costs of the Project from its available funds.

Section 4. On the date each Expenditure is paid, it will be a capital expenditure (or would be with a proper election) under general federal income tax principles or will otherwise comply with the requirements of Treasury Regulation § 1.150-2(d)(3).

Section 5. The Issuer reasonably expects to reimburse the Expenditures made prior to the issuance of the Bonds to finance the Project from the proceeds of the Bonds and the adoption of this Resolution is consistent with the budgetary and financial circumstances of the Issuer.

Section 6. This Resolution shall be in effect from and after its adoption.

Adopted this 22nd day of August 2019.

Bruce Boehm, Acting Chair

ATTEST:

Andrea Orbich, Assistant Secretary

Exhibit A

1. Replacement of water mains (Fordham Service Road, Manning Drive (East), Country Club Road, Barclay Road, Scarlett-Cooper Neighborhood, Foxcroft Drive, Kensington Drive, and Jones Ferry Road);

2. Replacement and rehabilitation of water and wastewater pumping stations (University Lake and Rogerson Drive-Phase 2);

3. Chemical facility improvements and upgrades at the Jones Ferry Road Water Treatment Plant;

4. Replacement of sewer interceptor (Bolinwood Drive); and

5. Improvements to and rehabilitation of facilities and equipment at the Mason Farm Wastewater Treatment Plant.