

Approved 9/15/2008

August 11, 2008

The Union County Board of Commissioners met in a special meeting on Monday, August 11, 2008, at 3:30 p.m. in the Commissioners' Conference Room, First Floor, Union County Government Center, 500 North Main Street, Monroe, North Carolina, for the purpose of going into closed session. The following were

PRESENT: Chairman Allan Baucom, Vice Chairman Kevin Pressley (joined the meeting at 3:40 p.m.); Commissioner Roger Lane, Commissioner A. Parker Mills, Jr., and Commissioner Lanny Openshaw (joined the meeting at approximately 3:45 p.m.)

ABSENT: None

ALSO PRESENT: Al Greene, County Manager, Lynn G. West, Clerk to the Board of Commissioners, Jeff Crook, Senior Staff Attorney, and Ligon Bundy, Attorney at Law

At approximately 3:40 p.m., in open session, the Chairman moved that the Board go into closed session for the following purposes: 1) to consult with an attorney in order to preserve the attorney-client privilege in accordance with G.S. 143-318.11(a)(3); and 2) to consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee or prospective public officer or employee pursuant to G.S. 143-318.11(a)(6). The motion was passed by a vote of four to zero. Chairman Baucom, Vice Chairman Pressley, Commissioner Lane, and Commissioner Mills voted in favor of the motion. Commissioner Openshaw was not present at the time of the vote.

At the conclusion of the closed session, at approximately 4:35 p.m., Commissioner Openshaw moved that the Board go out of closed session. The motion was passed unanimously.

In open session, at approximately 4:35 p.m., Vice Chairman Pressley moved to recess the special meeting to reconvene immediately in the Commissioners' Board Room, first floor, Union County Government Center, 500 North Main Street, Monroe, North Carolina. The motion was passed unanimously.

At approximately 4:35 p.m., the Board members moved from the Conference Room, First Floor, Union County Government Center, to the Board Room, First Floor, Union County Government Center, where the Chairman reconvened the special meeting and stated that the Board would hold a work session for the following purposes: 1) Review of key points relating to Water Allocation; 2) Presentation and Consultation Regarding Irrigation Plan; and 3) Policy revision to water rate structure. The Chairman recognized Al Greene, County Manager, for comments.

Mr. Greene stated that a number of months ago the Commission had instructed the staff to develop a draft water allocation plan for the County, and, since that time, the staff and consultants have spent a lot of time toward drafting such a policy. He said that Kevin Mosteller of HDR Engineering has been a tremendous asset in this matter. Mr. Greene also recognized members of the Public Works staff: Eric Hardy, Scott Honeycutt, Mike Garbark and Matthew Delk, Assistant County Manager, Jeff Crook, Senior Staff Attorney, and Ligon Bundy, Attorney at Law.

He stated that the staff does not have a draft policy available for the Board's review today, but the staff is very close to having a draft policy. He said that there are some issues on which the staff would like the Board's guidance. He stated that in connection with developing a draft water allocation policy, a number of aspects of the County's water demand have come to light which have led the staff to a recommendation that the Board consider a revised irrigation policy and rate structure. Mr. Greene introduced Mr. Mosteller for his presentation.

Mr. Mosteller said that his presentation would take approximately 25-30 minutes. He stated that there would be a time at the end of the presentation for discussion but invited the Board members to ask questions as he moved through the presentation. He reviewed the agenda for the work session as follows:

1. State what the problem is related to water treatment capacity for the County's water system
2. Discuss long-term solutions to that capacity problem
3. The Short-Term Challenges
4. Discuss Options and Issues Related to the Water Allocation Policy
5. Discuss Water Conservation Rate Structure
6. Make Official Recommendations
7. Discussion
8. Board Actions

He displayed a map of the Union County Water System Service Area. He noted that there are two distinct service areas: one fed by the Catawba River Water Treatment Plant and a second one fed by the Anson County Water Treatment Plant. He pointed out that these are totally distinct systems that cannot be intermixed because of hydraulic issues.

The next item addressed by Mr. Mosteller was the Water Treatment Capacity – Problem Statement. He reviewed the daily water demand from the Catawba River Service Area from May 2007 to present. He said that over that time period, the region has experienced a pretty severe drought and the County has implemented various water use restrictions. He pointed out that during a number of the different water use restrictions, this service area has exceeded a demand of 18 million gallons per day (mgd) (which is all of the capacity Union County currently owns in the Catawba River Water Treatment Plant). He said that looking back at last May, when the County was under no water use restrictions, there were a number of days exceeding 18 mgd. Mr. Mosteller further said that last summer when the entire region, as a part of the Duke/Catawba Wateree Drought Management Advisory Group, was on a two-day-per-week irrigation plan, there were periods of time that this service area exceeded 18 mgd of demand.

He said that when the restrictions moved to no outdoor irrigation, it was October or November of last year when the growing season was over, the water usage went down to an average daily flow of 7.9 mgd. He stated that when the growing season picked up and it went back to a one day per week irrigation plan, there have been since mid April, a number of excursions above the 18 mgd capacity. Mr. Mosteller pointed out that max day is used interchangeably with peak day. He explained that the max day is the highest day over a certain period of time versus the average flow during that same time period.

Commissioner Mills noted that there had been one day when there was a large spike in the water usage and asked if there were any rationale for that one-day spike. Mr. Mosteller responded that most of the peaks in usage occur on Saturdays followed by peaks on Sundays. He said that at the present time the County is on a one-day per week irrigation pattern that allows customers to water either on Saturday or Sunday.

Mr. Mosteller reviewed the Anson County service area from October to the current time. He said that this service area also shows up and down water usage peaks. He stated that this involved a hydraulic flow metering pumping issue. He said that there is not really an irrigation demand pattern in this service area; and it is not perceived that there is a huge irrigation swing with the Anson County service area. He explained that the peaks relate more to the pumping capacity of the flow coming in from Anson County, tank storage, and Pilgrims Pride's usage, etc. Mr. Mosteller stated that the team's view on this is that the Anson County service area, when averaged out, is about one million gallons per day during this whole period and probably does not need to be a part of the Water

Allocation Policy. He said that there is not enough proposed development in the service area, and there is additional capacity to meet the new projects and development in the area.

He outlined the long-term solutions that the Public Works staff is proceeding with as follows:

1. Catawba River Water Treatment Plant Expansion is expected to deliver 9 million gallons per day of capacity in three to five years.
2. Anson County Service Area – Hydraulic Improvements – There are some hydraulic improvements within the Anson County Service Area that will allow the service area to move more water into the Catawba River Water Treatment Plant Service area with about 2 mgd providing relief within approximately two to three years.
3. Eastern Water Supply Project – The earliest phases of the project could deliver 20 to 40 mgd in seven to nine years.
4. Short-Term Additional Capacity from Lancaster County – There have been some discussions with Lancaster County about providing short-term additional capacity (one to two mgd) as Union County's peaks exceed the 18 mgd capacity.

He stated that the short-term challenges that exist until the long-term solutions deliver more water plant capacity are that the availability of water is heavily driven by the water use restrictions in place. He noted that the average usage, even under two-day- per-week irrigation, increases because there is so much irrigation use, and the peaks in many cases exceed 18 mgd. He said that only under one scenario, which is the no outdoor irrigation, does the demand fall. Mr. Mosteller noted the importance of the amount of data that is available. He said that from an engineering standpoint, there is not a tremendous amount of data on any of these water use restrictions. He stated that in looking forward to putting a water allocation policy together, engineering judgment should be used as assumptions and are being made about what impact certain matters will have on the policy.

Mr. Mosteller said that data has been gathered from some regional systems: CMUD, City of Hickory, and City of Gastonia. By use of a graph, he showed a peak day to average day ratio by day from the beginning of May when all of the systems went on the same one-day per week irrigation restrictions. He said that the graph shows that Union County's peak day to average day ratio was much the same time period as the other regional utilities, but was a 1.6 peak day to average day ratio whereas CMUD's was 1.5; Hickory's was 1.27; and Gastonia's was 1.24. He said that another way for an engineer to look at the data is to take the weekend value and divide by the week day value which shows an almost two to one factor on Union County's Catawba Service area's max day to average day condition. He said that CMUD is 1.6 and the others are somewhere between 1.2 and 1.3.

He stated that the team looked at this issue and the additional irrigation peak demand drives capital costs of treatment capacity by approximately \$15 million. He said that capacity is being built for use 52 days per year under the current water use restrictions which is only about 15 percent of the days.

Mr. Mosteller said that the current water availability to new projects within the county is heavily driven by the water use restrictions in place. He said using the 18 mgd cap, then under a no water use restrictions, there is really no capacity to give in the service area. He stated that the same holds true for two-day per week outdoor irrigation and in the current irrigation pattern. He stated that the team theorized that there are some other options. He said one option would be to consider one-day per week outdoor irrigation but to distribute that irrigation demand over five days. He explained that if the outdoor irrigation demand were spread over five days to 20 percent each day, there is a good chance that the usage spikes and peaks would be lowered. He stated that it is estimated that irrigation pattern would free up about 1.9 million gallons per day of average daily flow to allocate to new developments and projects.

Commissioner Openshaw said that in looking at the graphs provided in the presentation, that the vast majority of the City of Monroe is located in the Yadkin Basin. Al Greene, County Manager, stated that he understood that the City of Monroe has its own interbasin transfer of 2 mgd or 1.9 mgd. He added that unless the situation with interbasin transfers change, the City of Monroe should be able to draw that water from the Catawba Service area.

Vice Chairman Pressley questioned if the short-term solution for additional capacity from Lancaster County takes into consideration the reservoir project. Mr. Mosteller responded that currently when the County exceeds the 18 mgd capacity, Lancaster provides the extra capacity. He explained that the reservoir project is part of the expansion project.

Commissioner Openshaw questioned why a five-day usage pattern was being used rather than a seven-day usage pattern. Mr. Mosteller responded that the staff was able to implement a five-day usage pattern better based on the current billing schedule. He said that he also thought there was a point of diminishing return in looking back at some of the history and peaking factors. He stated that the peaking factor could only be lowered to a point and beyond that, it is going to be more difficult. He said that there might be an option to look at a seven-day usage pattern.

Commissioner Openshaw stated that using the logic explained by Mr. Mosteller if extending it from one day to five days or two days to five days drops it, then five days to seven days would also have an impact on it. Mr. Mosteller stated that there is no history on this, and one of the recommendations tonight is to try the five-day usage pattern over the next couple of months to gather as

much information as possible. He said that the peaking factor even under no outdoor irrigation was about 1.3 mgd and it is assumed right now that the peaking factor with one day distributed over five days is 1.4 or 1.45 mgd.

Mr. Mosteller stated that the five-day usage pattern was driven mainly by the ability of the Public Works staff to enforce and communicate it, but he said that he thought they could go back and determine if there is a way to spread the usage pattern over seven days. He said that if the County went to no outdoor irrigation, it is believed it would free up 4.8 million gallons per day of average day capacity for new projects and developments. He stated that the Drought Management Advisory Group that is active in the Catawba Basin will govern at times when water usage restrictions are in place, but he said regardless, the County is probably going to need to impose water use restrictions in order to free up new capacity.

He said that the team has been working to identify and document all of the new projects and developments that have been identified either through the development of the Sewer Allocation Policy for those individuals and firms that came forward during the 30-day notification request and anything else that has come through Planning or Public Works. Mr. Mosteller stated that they have taken those new projects and developments and prioritized them as Priorities A, B, and C.

He explained that Priority A includes all of the projects and developments where water permits have either been received or applied for plus a reserve for health and safety issues. He said that the new capacity needed to serve the customers in Priority A ranges from 2.2 to 2.4 million gallons of water per day of average water demand. He stated that Priority B includes the remaining projects that were in the Sewer Allocation Policy that were allocated capacity including the eight percent of third priority residential for Twelve –Mile Creek and the 100 percent for Six-Mile Creek Basin. He said that water demand is estimated at 1.1 million gallons per day ranging from 1.1 to 1.2 million gallons per day. He noted that the cumulative demand for both Priorities A and B would be 3.3 to 3.6 million gallons per day.

Mr. Mosteller said that Priority C are those remaining third priority residential customers in the sewer policy which is estimated at .9 to 1 million gallons per day for a total combined capacity of somewhere between 4.2 and 4.6 million gallons per day. He stated that in comparing that amount to the one day per week irrigation with a five-day distribution pattern, it is estimated having 1.9 million gallons of water per day to give out. Further, he said that going to no outdoor irrigation, an estimated 4.8 million gallons per day could be provided which could cover all of Priorities A, B, and C. He noted that if no water use restrictions are used, then there would be no flow available.

Vice Chairman Pressley asked if some of the projects in Priority B would also be in Priority A and if those had been taken out of the sewer policy. Mr. Mosteller responded that there were some projects in the sewer policy that have already applied for water permits. He said that he thought those projects have been included in Priority A.

Commissioner Openshaw asked if the reserve has been included in the cumulative need. Mr. Mosteller stated that it is included in the Priority A need. In response to a further question, he said that the reserve is somewhere between 150,000 and 200,000 gallons per day. He said that they have also looked at some of the meters that have already been set that are not getting water today. He stated that these have been accounted for in the numbers.

Commissioner Openshaw made reference to the new drought bill that beginning October 1, 2009, any new in ground irrigation systems must have separate meters. He asked does that lead to the point where a certain amount of water can be allocated on a given day. Mr. Mosteller responded that he had a copy of the new legislation, but he could not answer that question.

Mr. Mosteller stated that the team had developed four options which he reviewed as follows:

1. Option #1 – No County imposed use restrictions and no development restrictions. He explained that this is the status quo option to let all new projects, developments, Priorities A, B and C keep moving ahead and impose no water use restrictions except those governed by the Catawba River Drought Management Group and continue to buy from Lancaster as the County exceeds the H&MGD cap.

Mr. Mosteller stated that the pros of this option from a revenue standpoint is pretty good. He said that the current customer base would be allowed to irrigate just as they are anywhere else in the Catawba area. He noted that the negatives of this option are the litigation risks from projects and developments that are immediately told that they cannot continue because the H&MGD cap has been and will continue to be exceeded in the future. He also noted that there might be some hydraulic restraints in this system. He said if the development occurs rapidly, then it could reach a condition of no development and no irrigation quicker. He said that this option is not viewed as a very good option at all, and as a result, it is not an option that would be recommended by the team.

2. Option #2 - Move to a one-day per week irrigation schedule spread over five days and serve only the Priority A customer base. He reviewed that 1.9 million gallons per day can be delivered as estimated with that irrigation pattern, but he said that there is a time factor for when those will be put into place. He said that there is also the additional

capacity in Lancaster that the County is moving forward with to try and get a stronger commitment. Mr. Mosteller said that the team believes Option 2 is a viable option because while on paper, there is over allocation, there are some options in the shorter term to alleviate the over allocation with some additional flow from Lancaster as well as the timing of these projects. However, he said it is not a recommended option.

He reviewed the pros of this option which included that it is flexible and provides the current customer base continued irrigation for some period of time. He noted that it does still present some litigation risks and could be perceived as over allocation and also limits commercial development which is in Priority B.

3. Option #3 – Eliminate outdoor irrigation for the term of the water allocation policy and put no restrictions essentially on development because most everyone can be served until the longer term solutions are put in place. Mr. Mosteller said from this standpoint a water allocation policy is probably not needed.

He said that the pros of this option are that it is easy for the staff to implement, and it minimizes litigation risks for those who are moving forward with projects in the county. He explained that the cons of this option are that it impacts the current customer base tremendously. He said that there are some lost revenue issues, and it may drive development elsewhere, and it may drive the private well implementation. He said that this is not an option that the team recommends.

4. Option #4 – Move to one-day per week irrigation pattern spread over five days and serve not only Priority A but also the Priority B customers. He stated that the pros of this option are that it is a flexible approach to the water allocation policy and it provides continued irrigation opportunity for the current customer base. Mr. Mosteller said that this option still helps revenue from that irrigation and it reduces litigation risks for Priority A and B projects and it will allow for commercial development. He said that it will put a heightened focus on the Public Works and Planning staff to track new projects and developments with a close eye on the A and B projects. He stated that the cons of this option are that on paper, it is an over allocation of the available treatment capacity and as Priority A and B projects are moved forward, it could drive the County to no water use restrictions quicker. He said that Option 4 is the recommended Option to move forward.

Mr. Mosteller demonstrated through the use of a graph the potential outcome of adopting Option 4. He showed the average daily water demand from today under a one-day week irrigation pattern through 2012, and said that under an average day condition, it

would be in good shape even as new projects and developments occur and some of the longer term solutions are brought online. He also showed the peak day capacity and said that there could be a point in time when the peak day capacity exceeds 18 million gallons per day. He stated that the time has been estimated based on historical new customers connected per month. He said that when the 18 mgd is reached, the difference could be made up with the additional flow from Lancaster and the County may have to move to no outdoor irrigation at that time.

In response to a question by Vice Chairman Pressley, Mr. Mosteller said that the average daily demand on the Anson County water supply is one million gallons per day. He said that only two million gallons per day could be brought into the system at the present time. He stated that the expansion of the two million gallons per day from Anson County to four million gallons per day is a project that is underway and will deliver two more million gallons per day within a two to three year time period. He said that they believed the policy should be flexible and that is why they felt comfortable recommending Option 4. He stated that if that capacity is delivered in two years, then it makes up the difference quicker but if it is in four to five years, then it does not help.

Chairman Baucom asked if the historical data used in determining the numbers had been tempered with recent changes. Mr. Mosteller responded that they had not tempered the numbers and noted that was another excellent example of why they believe the policy should be flexible. He said they had used the last three years average customer connections per month. He stated that the one-day per week with a five day distribution is an estimate, because there is no data available.

Eric Hardy, Business Manager, stated that the current rate structure is designed so that when water usage increases, the cost increases per unit per thousand. He noted that currently with usage of 18,000 gallons, the customer would pay \$9.45 per thousand. He reviewed two key points in developing the proposed rate structure, 7,500 gallons per month per household was used as the base usage. He said that 7,500 gallons per month is typical average use per household per month based on some irrigation. He stated that they had considered 250 gallons per day per resident, which he said was consistent with the water allocation policy.

Mr. Hardy said that the first benchmark was set at 7,500 gallons which was the first change to the rate structure and then using 15,000 gallons was where the highest tier would begin. He stated that they had used billing records from May 22, 2008 until July 22, 2008, and determined that during that time 81 percent of the customers consumed between zero and 10,000 gallons during those periods per month. He noted that five percent of the customers used more than 20,000 gallons per month. Mr. Hardy stated that approximately 66 percent use 7,500 gallons per month. He said that the greatest opportunity for decreasing demand would be in the top tiers. He stated that 19 percent of the customers during that billing period consumed 51 percent of the water used.

He said that the water conservation ordinance that the Board last reviewed in April allows for some connection between rates and different stages of water shortage declaration. He stated that if the Board agrees that the proposed rate structure is appropriate, then as the stages are escalated during a water shortage condition, then the rates would also increase in the top two tiers.

Mr. Hardy referred to the previous graph which showed that 81 percent of the County's customers used less than 10,000 gallons per month, and that group at most would see a 50 cents increase in their bills if the new rates are adopted. He explained the effects on the customer billing under the current and proposed rate structures during Stages 1, 2, and 3 water shortage declarations.

Vice Chairman Pressley pointed out for clarification that Mr. Hardy was referring to the three-quarter inch taps and the new rates do not take into consideration commercial usage. Mr. Hardy responded that was correct and explained that because the predominant irrigation user in the County is residential, these rates are what are represented. He said if an industrial site has a separate irrigation meter, it would be included in the proposed rate structure.

Mr. Mosteller reviewed the recommendations of the team as follows:

1. Design the water allocation policy for flexibility. He said that they had tried in their recommendation to strike a balance between being overly conservative and overly aggressive. He said they had tried to strike a balance between current customers and future potential customers. He stated that they believe the policy should be designed for flexibility because of the weather patterns and climate impact that could change the water demand. Mr. Mosteller stated that the water conservation rate structure impacts are going to also likely change demand in the future. He said that the development schedules may vary given the economy, and the peak capacity relief from Lancaster County could really help.
2. The five-day irrigation schedule period needs to be implemented as soon as possible so its success can be measured. He said that the policy should be adapted as needed given that the best case scenario is putting it in place in mid August to early September. He noted that the summer of 2009 will be key in determining the impacts of the five-day irrigation pattern.
3. He said that they also believe the water allocation policy should be designed around the five-day per week irrigation schedule given the estimates that have been made.

4. Stop issuing water permits until additional capacity is identified and secured such that Priority A and B would be allocated water capacity. He said that Priority C and all future requests would be logged in and prioritized but not allocated additional flow. He said that the recommendation further included discontinuing granting more than one tap for existing parcels until the water allocation policy is adopted. It was further recommended implementing a no outdoor irrigation policy as a contingency plan should any of the assumptions or projects take place quicker than expected.

Commissioner Openshaw asked for an explanation of what is meant by more than one tap per parcel. Mr. Mosteller said that as he understands it there is an opportunity under the sewer policy and others to take a project and certify as many as five lots. He said what was being recommended is limiting each parcel to one lot.

Chairman Baucom asked about irrigation meters under the policy. Mr. Mosteller responded even if they have irrigation meters, he thought the recommendation would be going to a one-day per week/five day distribution. He said that even though it was not believed that the Anson County service area should be a part of the policy as far as new projects and developments, they would fall under the same approach toward irrigation scheduling from a standpoint of public communication and enforcement.

Vice Chairman Pressley asked what requirements the Inspections Department had for design for water features that cuts irrigation off. Mr. Mosteller responded that he did not know the answer to that question. Kevin Lytle, a member of the audience, responded that Mecklenburg County is the only one that enforces that requirement in this area.

5. Mr. Mosteller continued with the recommendations stating that the Public Works projects that had been discussed earlier to deliver long-term relief need to be fast-tracked and implemented as soon as possible.
6. He said now was the perfect time for a utility in this position to look at a water reuse program. He noted that such a program would not solve the problem in September 2009, but long-term would alleviate some of the higher irrigation peaks that are experienced.
7. Adopt water conservation rate structure as presented by Mr. Hardy.

Mr. Mosteller opened the presentation for discussion and questions from the Board.

Commissioner Openshaw said that he had one point that he would caution about after having read the last water report showing that the County had five years of water remaining and then it ran out in two years. He said he assumed that was because most of the new homes being built today have irrigation systems versus homes that were built ten years ago have a lower percentage of irrigation in addition to the drought. He said that was the only reasons why he could see that the County's water usage has spiked so dramatically.

Mr. Mosteller responded that the average day use is not really that extreme. He said that in the winter, the demands are very low, but the demand peaks are two to one on the weekends and exceed the treatment plant capacity on the max days. He stated that development pattern is really unique. He said that he believed the increased demand is irrigation driven.

Pete A'Adamo of HDR Engineering interjected that when the 2005 plan was done some of the information used was from the previous years. He said that what was experienced previously was approximately a nine percent growth rate in new homes and new connections. He said that in 2005-2006, that number was actually greater than 3,000 homes which was about an 11 or 11.5 percent growth rate. He said that he thought the drought was contributing to the demand and possibly a level of affluence has contributed to getting to a situation sooner than predicted.

Commissioner Openshaw stated that the report had predicted 2,500 new homes and that number was exceeded by approximately 1,000 homes. Mr. A'Adamo said that approximately 12,000 homes had been identified and he said that the plan contained a comment that this number needed to be watched carefully to see if it accelerated because it would accelerate the recommendation. Commissioner Openshaw said his point is if anyone has seen the growth in the Highway 521 area, there are probably 15 to 20 large projects going on in that area. He said that he would caution about assuming that Lancaster would have extra water, because he thought they would have the same realization as Union County that they are going to use water at an accelerating rate.

Mr. Mosteller said that he thought that Commissioner Openshaw had made a great point.

Vice Chairman Pressley asked about the status of the short-term relief of borrowing water from Lancaster County. Commissioner Mills said that he is a member of that Board and Lancaster is a very good neighbor and partner and has made it clear that it is willing to help the County as a means for short-term relief for water. The County Manager said that there is a formal request going to Lancaster at this time, and they are very aware of the situation. He said that the County is asking that if Lancaster could possibly see fit to offer additional allocation up until the time the plant expansion comes online, that they do so.

Mr. Greene said that as Mr. Mosteller had mentioned throughout the presentation, there are a number of variables that should be considered. He said that the effect of the new irrigation plan is unknown, the effect of the new rate structure, if approved, is unknown, the timing is not certain of the additional capacity from Lancaster and Anson Counties, it is not known what will happen to the housing market, and the weather conditions are unknown. He stated that these unknowns need to be constantly monitored going forward. Mr. Greene said that there is a chance that the staff might have to come to the Board at sometime in the future and recommend that the County implement no irrigation restrictions. On the other hand, he said if the additional capacity is obtained from Anson County in a year and a half rather than two years, and Lancaster sees a way to work with the County in a formal way, the drought eases, the housing market remains slow, then the staff might not have to recommend implementing no irrigation. He stressed that these unknowns have to be constantly monitored and the worse case scenario be kept in mind, which appears could be no irrigation.

Vice Chairman Pressley asked if it is currently costing the County more for water. Mr. D'Adamo said that the cost of chemicals to treat the water has basically doubled. Commissioner Mills reminded that there had been an increase in the cost of the Catawba River water which is being rolled into a maintenance account.

Chairman Baucom asked how the proposed rate schedule compares with neighboring counties. Mr. Hardy stated that it has been in the news that many water utilities are raising their rates. Mr. D'Adamo also stated that around the country and particularly on the east coast, a number of the utilities are doing different things such as considering changing their increasing tier structure, and implementing drought surcharges as well. He said that he had also looked at some of the other utilities in the region and particularly below the base level (7,500 gallons), Union County is low.

Commissioner Openshaw asked what is being allowed in the allocation for the self-help program. Mr. Mosteller said that was part of the reserve in Priority A. Commissioner Openshaw mentioned a variable to be aware of is that the more affluent lifestyles people have, the easier it is for them to absorb the cost of putting in a well, which is a concern for a lot of people in the County because they depend on well water. He asked if the proposed rate structure would be an incentive for some customers to go off the County's system and drill a well. Mr. Mosteller said that this was listed as a negative in some of the recommendations that had been discussed that those options might drive private well usage. He said a question would be "is a user going to drill a well for a two-year period knowing that relief is coming?" He said that they did not address it in looking at the impact.

Commissioner Openshaw said that he did not look at wells as a two-year solution. He said that they could do a cost benefit analysis and look at the payback period. He said that the higher the price of water, the shorter the payback period would be. Mr. Mosteller said that there is a chance the County could go to a no outdoor irrigation under any policy if the region gets in a drought as it did last summer.

Mr. Greene summarized the recommendations as outlined by Mr. Mosteller earlier in the meeting. He stated that the only action recommended for today is approval of the revised rate structure.

Mr. Hardy addressed the timeframe for implementation of the new rates, if approved.. He said that they intended to send out a direct mailing to all water customers within the next few days to alert them of changes in the irrigation schedules. He stated that the rates would lag so that everyone would have the benefit of a full 30 days to change their use pattern. He said in practical terms that would mean beginning September 15, 2008, any water used from that period through October 15, 2008, would be the first time the increased rates would be on the bills.

Commissioner Openshaw asked Mr. Hardy to repeat the purpose of the rate increase. Mr. Hardy said that it was to influence behavior. He said that there was no change recommended for the average user, but only for those customers with discretionary use over 10,000 gallons.

Commissioner Openshaw asked how the average use is determined. Mr. Hardy said that 7,500 gallons are specific to the County's utilities, but looking at the base use statewide, there are different measures. He stated that the School of Government uses 5,000 gallons as an average use.

Chairman Baucom asked what would be the net bottom line impact on the revenue stream on the income statement to the model that has been projected. Mr. Hardy said he could not answer that question, because they could not predict what behaviors will result from the rate increase. He said that he has done no modeling of this specifically.

Commissioner Openshaw suggested using 8,000 gallons instead of the 7,500 gallons for the first tiered level. He asked the staff the thought process behind the different levels used. Mr. Greene responded that Mr. Hardy did modeling on this and 8,000 gallons was a smooth transition on all of the rates.

There was discussion to stay at 8,000 gallons for the first tiered level instead of using 7,500 gallons.

Following the discussion, Commissioner Mills moved to adopt the proposed water rate schedule with the exception of leaving the first tiered level at 8,000 gallons rather than changing it to 7,500 gallons.

Mr. Crook requested that the staff be allowed to make this change and bring the amendment to the Ordinance for the Board's consideration at tonight's regular meeting.

Following Mr. Crook's recommendation, Commissioner Mills withdrew his motion.

Kevin Lytle addressed the Board stating that he is a business owner. He said that he maintains a large homeowners association and manages the irrigation systems. He stated that as the current restrictions are written, he gets the same six violations on the entire homeowners association that a single family resident gets with one tap and one meter. He said that in the homeowners association, there are 15 meters and only gets six violations. Mr. Lytle said it results in an accelerated rate of penalties. He said that he has had to pay the fines because he is the manager of the irrigation system. He stated that he did not think this was fair because there are 15 different points of metering with 15 different controllers. He said that he was not asking for leniency or variance. Mr. Lytle said that he had called Lancaster, Mecklenburg, and York Counties, and they all view it as one tap, one account and that is how violations are being written. He said that in those counties he has received warnings but has not received violations resulting in fines. He said between all of his customers he has been charged \$4,500 in penalties this year.

Following further discussion, Matthew Delk, Assistant County Manager, said that the staff has had some discussions with Mr. Lytle. Mr. Delk suggested that it would be more appropriate to address Mr. Lytle's issues in the parameters of the water conservation ordinance.

Larry Burton of Newland Communities asked Mr. Mosteller if the water allocation policy were adopted, what time period would those projects in Priority C have water. Mr. Mosteller responded that he thought it would be a three to four year time period when the new capacity becomes available.

With the there being no further discussion and the time being approximately 6:19 p.m., Commissioner Openshaw moved to adjourn the special meeting. The motion was passed unanimously.