



ORANGE WATER AND SEWER AUTHORITY

Quality Service Since 1977

AGENDA
MEETING OF THE OWASA BOARD OF DIRECTORS
THURSDAY, JUNE 8, 2006, 7:00 P.M.
OWASA COMMUNITY ROOM

In compliance with the "Americans with Disabilities Act," interpreter services are available with five days prior notice. If you need this assistance, please call the Clerk to the Board at 537-4217.

7:00 PM

Announcements

1. Announcements by the Chair
 - A. 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.
2. Announcements by Board Members
 - A. Board Work Session on the Rate Study on Thursday, June 15, 2006 at 7:00 P.M. in the OWASA Community Room (Milton Heath)
3. Announcements by Staff

7:10 PM

Petitions and Requests

1. Public
2. Board
3. Staff

7:15 PM

CONSENT AGENDA

Information and Reports

1. [Quarterly Report on Attendance at Board of Directors Meetings \(Andrea Orbich\)](#)

Minutes (Andrea Orbich)

2. [Approval of Minutes for the May 25, 2006 Public Hearings and Meeting of the Board of Directors](#)
3. [Approval of Minutes for the May 25, 2006 Closed Session of the Board of Directors for the purpose of discussing property acquisition](#)
4. [Approval of Minutes for the May 25, 2006 Closed Session of the Board of Directors for the for the purpose of discussing a personnel matter](#)

Action

5. [Resolution to Amend Current Year \(Fiscal Year 2005-06\) Schedule of Rates, Fees, and Charges \(Kevin Ray\)](#)
6. [Resolution Authorizing Renewal of Property, Liability, Workers' Compensation, Inland Marine, Automobile, Boiler and Machinery, Crime, and Umbrella Liability Insurance Policies through the North Carolina League of Municipalities Risk Management Services \(Jan Bryant-Berry\)](#)
7. [Ratification of Contract to Purchase Ray Family Trust Property \(Ed Kerwin\)](#)

REGULAR AGENDA

Discussion

- 7:25 PM 8. [Request for Input to Revisions of Chapel Hill's Comprehensive Plan \(Chapel Hill Town Staff & Ed Holland\)](#)
- 7:45 PM 9. [Land Application of Biosolids in the Cane Creek and University Lake Watersheds \(Ed Holland\)](#)

Discussion and Action

- 8:00 PM 10. [Resolution Adopting the Annual Budget for Orange Water and Sewer Authority for Fiscal Year \(FY\) beginning July 1, 2006 through June 30, 2007 \(Kevin Ray\)](#)
- 8:10 PM 11. [Resolution Adopting Schedule of Rates, Fees, and Charges Applicable to all Customers on and after October 1, 2006 \(Kevin Ray\)](#)
- 8:20 PM 12. [Resolution Approving Capital Improvements Program for FY 2007-2021 Including Five-Year Capital Improvements Budget for FY 2007-2011 \(Imtiaz Ahmad\)](#)
- 8:30 PM 13. [Orders and Resolutions Adopting Capital Project Resolutions: \(Imtiaz Ahmad\)](#)
- A. Order and Resolution Adopting a Capital Project Resolution for Water Supply Improvements
 - B. Order and Resolution Adopting a Capital Project Resolution for Water Treatment and Distribution Improvements
 - C. Order and Resolution Adopting a Capital Project Resolution for Wastewater Collection and Treatment Improvements
 - D. Order and Resolution Adopting a Capital Project Resolution for Support Facilities Improvements
- 8:40 PM 14. [Resolution of Orange Water and Sewer Authority Schedule of Employee Classification and Authorized Compensation Effective October 1, 2006 \(Gwen Burston\)](#)
- 8:50 PM 15. [Executive Director Compensation \(Penny Rich\)](#)

CLOSED SESSION

- 9:00 PM 16. [For the Purpose of Discussing a Personnel Matter \(Penny Rich\)](#)

ORANGE WATER AND SEWER AUTHORITY**QUARTERLY REPORT
ATTENDANCE AT BOARD OF DIRECTORS MEETINGS**

BOARD OF DIRECTORS	MARCH 2006	APRIL 2006	MAY 2006
TERRI BUCKNER	March 9 (Board Meeting) March 23 (Board Meeting)	April 13 (Board Meeting) April 27 (Excused)	May 11 (Board Meeting) May 25 (Board Meeting)
MAC CLARKE	March 9 (Board Meeting) March 23 (Board Meeting)	April 13 (Board Meeting) April 27 (Board Meeting)	May 11 (Excused) May 25 (Board Meeting)
MILTON S. HEATH, JR.	March 9 (Board Meeting) March 23 (Board Meeting)	April 13 (Board Meeting) April 27 (Board Meeting)	May 11 (Board Meeting) May 25 (Board Meeting)
RANDY KABRICK	March 9 (Board Meeting) March 23 (Board Meeting)	April 13 (Board Meeting) April 27 (Excused)	May 11 (Board Meeting) May 25 (Board Meeting)
MARGE ANDERS LIMBERT	March 9 (Board Meeting) March 23 (Board Meeting)	April 13 (Board Meeting) April 27 (Board Meeting)	May 11 (Board Meeting) May 25 (Excused)
MARK MARCOPLOS	March 9 (Board Meeting) March 23 (Board Meeting)	April 13 (Board Meeting) April 27 (Board Meeting)	May 11 (Excused) May 25 (Board Meeting)
GORDON MERKLEIN	March 9 (Board Meeting) March 23 (Board Meeting)	April 13 (Board Meeting) April 27 (Board Meeting)	May 11 (Board Meeting) May 25 (Board Meeting)
PENNY RICH	March 9 (Board Meeting) March 23 (Board Meeting)	April 13 (Board Meeting) April 27 (Board Meeting)	May 11 (Board Meeting) May 25 (Board Meeting)
LAURA SANDVIK	March 9 (Board Meeting) March 23 (Board Meeting)	April 13 (Board Meeting) April 27 (Board Meeting)	May 11 (Board Meeting) May 25 (Board Meeting)

**TOTAL MEETINGS
HELD:****2****2****2****JUNE 3, 2006**

ORANGE WATER AND SEWER AUTHORITY

PUBLIC HEARINGS AND MEETING OF THE BOARD OF DIRECTORS

MAY 25, 2006

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, May 25, 2006, at 7:00 P.M., at Chapel Hill Town Hall.

Directors present: Michael A. (Mac) Clarke, Chair; Penny Rich, Vice Chair; Randy Kabrick, P.E., Secretary; Terri Buckner; Milton S. Heath, Jr.; Mark Marcoplos; Gordon Merklein; and Laura Sandvik. Directors absent: Marge Anders Limbert.

Others present: Ed Kerwin, Imtiaz Ahmad, Patrick Davis, Greg Feller, John Greene, Ed Holland, Andrea Orbich, and Kevin Ray of the OWASA staff; Robert Epting, Esquire, Epting and Hackney; Ray DuBose, Director for Energy Services and Meg Holton, Water, Wastewater, and Stormwater Manager, UNC; Mr. Pearson Stewart; Dr. Daniel A. Okun; Mike Okun; and Penny White.

There being a quorum present, Chair Mac Clarke called the meeting to order.

MOTIONS ACTED UPON

1. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "A Resolution Honoring the Distinguished Public Service and Expertise of Dr. Daniel A. Okun." (Resolution so titled attached hereto and made a part of these minutes. Motion by Milton Heath, it was seconded by Laura Sandvik, and carried by unanimous vote.)

2. Penny Rich moved to close the Public Hearing on the Operations and Maintenance and Capital Improvements Program Budgets. The motion was seconded by Laura Sandvik, and carried by unanimous vote.

3. Laura Sandvik moved to close the Public Hearing on the rates, fees and charges. The Motion was seconded by Penny Rich, and carried by unanimous vote.

4. Randy Kabrick moved to adopt the minutes of the April 13, 2006, Meeting of the Board of Directors. The motion was seconded by Gordon Merklein, and carried by unanimous vote.

5. Randy Kabrick moved to adopt the minutes of the April 27, 2006, Meeting of the Board of Directors. The motion was seconded by Gordon Merklein, and carried by unanimous vote.

6. Randy Kabrick moved to adopt the minutes of the May 11, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition. The motion was seconded by Gordon Merklein, and carried by unanimous vote.

7. Penny Rich moved that the Board convene in a Closed Session for the purpose of discussing land acquisition and to discuss a personnel matter, seconded by Mark Marcoplos, and carried by unanimous vote.

* * * * *

ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Mac Clarke 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.

RESOLUTION OF APPRECIATION

Mac Clarke read aloud a resolution of appreciation honoring the distinguished public service of Dr. Daniel A. Okun.

Mr. Clarke, Milton Heath, Ed Kerwin and Patrick Davis all expressed their appreciation to Dr. Okun. Dr. Okun thanked OWASA for taking this action.

Milton Heath moved to adopt the resolution honoring the distinguished public service and expertise of Dr. Daniel A. Okun. The Motion was seconded by Laura Sandvik, and carried by unanimous vote. Please see Motion No. 1 above.

MR. J. WADE DEGRAFFENREIDT

Mac Clarke said Mr. J. Wade Degraffenreidt, a former Board member from 1980 until 1985, passed away on Sunday, May 21, 2006.

CLOSED SESSION

Mac Clarke said following the Board of Directors meeting the Board will convene in a Closed Session for the purpose of discussing property acquisition with the possibility of returning to open session. Time permitting the Board will return to Closed Session for the purpose of discussing a personnel matter.

BUDGET AND FINANCIAL PLANNING COMMITTEE MEETING

Milton Heath updated the Board on the Budget and Financial Planning Committee meeting held on Wednesday, May 24, 2006, and reminded the Board of the upcoming Board Work Session on the Rate Study on Thursday, June 15, 2006, at 7:00 P.M. in the OWASA Community Room.

COMMITTEE MEETING

Penny Rich announced a Human Resources (HR) Committee meeting on Thursday, June 8, 2006 at 5:30 P.M. in the OWASA Boardroom to discuss alternative employee compensation strategies.

WATER SUPPLY ADVISORY UPDATE

Ed Holland updated the Board on the current drought and water supply and demand conditions. He reported that University Lake and the Cane Creek Reservoir were slightly above 91% full, but daily streamflows to the lakes from January to date had been only 60% of their level during the same period of 2002, the severe drought year. Mr. Holland recommended that the Water Supply Advisory adopted on April 27th should remain in effect because of the potential of a water shortage in 2007 if current drought conditions continue.

RECREATION HOURS AT UNIVERSITY LAKE

Greg Feller said that on a trial basis University Lake will be open from dawn to dusk for the months of May, June, July and August 2006.

ITEM TWO: PETITIONS AND REQUESTS FROM PUBLIC, BOARD, AND STAFF

Mac Clarke asked for petitions and requests from the public, the Board and the staff. There were none.

ITEM THREE: PUBLIC HEARING ON DRAFT OPERATIONS AND MAINTENANCE AND CAPITAL IMPROVEMENTS PROGRAM BUDGETS

Mac Clarke opened the Public Hearing on the proposed Operations and Maintenance (O&M) and Capital Improvements Program (CIP) Budgets.

Ed Kerwin made a presentation on the draft Final Budget for Fiscal Year (FY) 2006-2007 and highlighted the following elements of the proposed budget:

- In 2003, OWASA proposed and the three local governments adopted year-round water conservation ordinances and are currently in a Water Use Advisory;

- OWASA continues to recycle water at the water treatment plant which extends our water supply;
- In April 2005 the Board adopted the Water Conservation Goal “ *to make the highest and best use of our local water resources*”; and
- In March 2006 signed a contract for implementation of a reclaimed water system with the University.

Regarding aging infrastructure, Mr. Kerwin said OWASA is investing money to renew and replace OWASA’s infrastructure before it fails and becomes a problem, \$223 million is earmarked for this purpose over the next 15 years. The center-piece project is \$50 million at the Mason Farm Wastewater Treatment Plant (WWTP) to improve effluent quality, plant reliability and eliminate odors.

Imtiaz Ahmad presented OWASA’s CIP for Fiscal Years 2007-2021. Mr. Ahmad stated that the CIP is based on the assumptions from the Master Plan which was completed in 2000.

The following are figures from the capital improvements plan presentation:

- Projected costs for 2007-2011 (5 years): \$77.2 million
- Projected costs for 2007-2021 (15 years): \$223 million

Allocations of CIP Budget: FY 2007-2011

Growth:	29%	Regulatory Requirements:	4%
Renewal and Replacement:	42%	System Enhancement:	26%

Water Distribution and Wastewater Collection System for FY 2007-2011

- Distribution System Renewal or Replacement: \$13.8 million
4.3 miles in FY 2007 and 17.8 miles during FY 2007-2011
- Collection System Renewal or Replacement: \$30.8 million
6.3 miles in FY 2007 and 20.8 miles during FY 2007-2011

Upgrade and Expansion of the Mason Farm WWTP

Projected Cost: \$50 million
[Construction began in May 2004 and is expected to be completed in July 2007; November 2005 milestones completed include reliability improvements, additional standby power (generator installation), and odor control improvements for the digesters.]

Other Important Features of the WWTP Project:

- Completed improved effluent quality discharged to Morgan Creek (filters & UV disinfection);
- Completed effluent quality to meet State's standards for reuse; and
- Increase capacity from 12 to 14.5 million gallons per day (MGD) is on schedule to be completed in July 2007.

Kevin Ray discussed the proposed O&M Budget and Rates for FY 2006-2007. Mr. Ray said that the proposed operating appropriation reflects an 8.7% increase over FY 06's appropriation.

<u>2006-2007 Budget Summary</u>	(millions)
Total Revenue:	\$32.5
Operating Expenses:	(\$17.3)
Debt Service:	(\$9.5)
Available for CIP:	\$5.7
Capital Outlay:	\$27.8

Sources of Revenue: \$32.5 million

Availability and Plan Review Fees:	8%
Grants and Assessments:	6%
Interest Income:	3%
Other Revenue:	3%
Sewer Revenue:	33%
Water Revenue:	47%

How \$1 of FY 2006 revenue is spent

Capital Spending (\$3.8 million)	\$0.18
Debt Service (\$9.5 million)	\$0.29
Net Operating Expenditures (\$17.3 million)	\$0.53

Operating and Maintenance Expenditures: \$17.3 million

Chemicals:	10%
Insurance:	1%
Maintenance:	12%
Materials & Supplies:	3%
Other:	3%
Professional Services:	5%
Fringe Benefits:	16%
Salaries & Wages:	39%
Utilities:	11%
Water Purchases:	0%

Mr. Clarke asked for comments from the public. There were none.

Mr. Clarke asked for comments from the Board.

Milton Heath thanked Mark Marcoplos and other members of the Board who pushed for conservation. OWASA is in better shape because of these efforts. Mr. Heath also stated he was impressed to see the results of OWASA's continual consistency in its financial stability.

Penny Rich moved to close the Public Hearing on the O&M and CIP Budgets. The Motion was seconded by Laura Sandvik, and carried by unanimous vote. See Motion No. 2.

ITEM FOUR: PUBLIC HEARING ON PROPOSED ADJUSTMENTS TO RATES, FEES AND CHARGES

Mac Clarke opened the Public Hearing on the proposed adjustments to the rates, fees, and charges.

Kevin Ray said that the proposed budget includes a 6.0% adjustment for most water rates and 6.25% for most sewer rates that will become effective on October 1, 2006 and are driven by the 15-year CIP needs.

Mr. Ray said a residential customer who uses an average of 6,000 gallons per month, the monthly water and sewer bill would increase \$3.68 or from \$59.88 to \$63.56.

Monthly Bills for Region J Area Utilities

Mr. Ray displayed a graph comparing the combined water and sewer bills for a typical single family residential customer in about thirty different communities in the Triangle region and OWASA is ranked about in the middle.

Mr. Clarke asked for comments from the public.

Ray DuBose, the University of North Carolina at Chapel Hill's Director of Energy Services, discussed the University's water conservation achievements in recent years and encouraged prudence in controlling costs while maintaining service quality and adequate capacity of the utility systems. There were no other comments by citizens.

Mr. Clarke said he appreciated the comments from Ray DuBose on the reuse system and that incurring some cost now will help keep rates down in the future without going to expensive sources of water supply.

Mark Marcoplos said the University was a great model for others in the community to follow.

Laura Sandvik moved to close the Public Hearing on the rates, fees and charges. The Motion was seconded by Penny Rich, and carried by unanimous vote. See Motion No. 3.

Draft

ITEM FIVE: MINUTES

Randy Kabrick moved to adopt the minutes of the April 13, 2006, Meeting of the Board of Directors. The motion was seconded by Gordon Merklein, and carried by unanimous vote. Please see Motion No. 4 above.

Randy Kabrick moved to adopt the minutes of the April 27, 2006, Meeting of the Board of Directors. The motion was seconded by Gordon Merklein, and carried by unanimous vote. Please see Motion No. 5 above.

Randy Kabrick moved to adopt the minutes of the May 11, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition. Please see Motion No. 6 above.

ITEM SIX: SEMIANNUAL STATUS REPORT FOR VARIOUS CAPITAL IMPROVEMENT PROJECTS, INCLUDING THE SEMIANNUAL REPORT ON COMMUNICATIONS PLANS FOR CAPITAL PROJECTS

The Board received a presentation from Stuart Carson on the status of current construction projects including water and sewer main renovations and replacements and the Mason Farm Wastewater Treatment Plant.

ITEM SEVEN: CLOSED SESSION

Penny Rich moved that the Board convene in a Closed Session for the purpose of discussing land acquisition and to discuss a personnel matter, seconded by Mark Marcoplos, and carried by unanimous vote. Please see Motion No. 7 above.

There being no further business to come before the Board, the meeting was adjourned at 8:10 P.M.

Respectfully submitted,

Draft

Andrea Orbich
Executive Assistant

Encs.

NOTE: Audio and video tapes are available at OWASA for listening and viewing.

ITEM 3

Draft

ORANGE WATER AND SEWER AUTHORITY

CLOSED SESSION OF THE BOARD OF DIRECTORS

MAY 25, 2006

The Board of Directors of Orange Water and Sewer Authority met in Closed Session on Thursday, May 25, 2006 during the regularly scheduled meeting of Board of Directors in the First Floor Conference Room at Chapel Hill Town Hall.

Directors present: Michael A. (Mac) Clarke, Chair; Penny Rich, Vice Chair; Randolph M. Kabrick, P.E., Secretary; Terri Buckner; Milton Heath Jr.; Mark Marcoplos; Gordon Merklein; and Laura Sandvik. Directors absent: Marge Anders Limbert.

Others present: Ed Kerwin, Patrick Davis, Ed Holland and Kevin Ray, Orange Water and Sewer Authority; Robert Epting Esquire, Epting and Hackney; and Gary Phillips, Weaver Street Reality.

ITEM ONE

The Board of Directors met in Closed Session for the purpose of instructing Counsel and Staff regarding a potential land acquisition.

No action was taken.

Draft

Ed Kerwin
Executive Director

DRAFT

ORANGE WATER AND SEWER AUTHORITY
CLOSED SESSION OF THE BOARD OF DIRECTORS

MAY 25, 2006

The Board of Directors of Orange Water and Sewer Authority met in Closed Session on Thursday, May 25, 2006, following the regularly scheduled meeting of the Board of Directors.

Directors present: Michael A. (Mac) Clarke, Chair; Penny Rich, Vice Chair; Randolph M. Kabrick, P.E., Secretary; Terri Buckner; Milton Heath Jr.; Mark Marcoplos; Gordon Merklein; and Laura Sandvik. Directors absent: Marge Anders Limbert.

ITEM ONE

The Board of Directors met in Closed Session for the purpose of evaluating the annual performance of the Executive Director for the current fiscal year.

No official action was taken at the meeting.

DRAFT

Penny Rich, Chair
Human Resources Committee

ITEM 5

AGENDA ITEM

- RESOLUTION AMENDING SCHEDULE OF RATES, FEES, AND CHARGES ADOPTED ON JUNE 9, 2005

BACKGROUND

- On June 9, 2005, the Board of Directors adopted Orange Water and Sewer Authority's *Schedule of Rates, Fees and Charges*, to become effective October 1, 2005.
- The *Schedule of Rates, Fees and Charges* referenced by, and attached to, the adopting resolution contained a clerical error and understated the calculated rate for sewer service availability fees for a three-inch installation.
- The public notice in advance of the public hearing on adopting rates, fees and charges reflected the correct calculated fee.

ACTION REQUESTED

- Adoption of a resolution amending the *Schedule of Rates, Fees and Charges* effective October 1, 2005 to reflect the correct sewer service availability fees for a three-inch installation.

June 8, 2006

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Kevin M. Ray

DATE: June 1, 2006

SUBJECT: Resolution to Amend Current Year (FY2005-06) *Schedule of Rates, Fees and Charges*

On June 9, 2005, the Board of Directors adopted Orange Water and Sewer Authority's *Schedule of Rates, Fees and Charges*, to become effective October 1, 2005. Although the advertised rates were correct, the schedule attached to the adopting resolution contained an error in the stated rate for sewer availability fees for a nonresidential three-inch water meter connection. The attached resolution corrects the *Schedule of Rates, Fees and Charges* adopted on June 9, 2006.

Sewer Availability Fee for 3" Meter, nonresidential	
As Presented in Schedule	As Advertised
\$51,560	\$54,560

We have had no applications for a three-inch nonresidential sewer connection since October 1, 2005, and no revenue was lost due to this typographical error. Additionally, the correct rate was published in the public notice in advance of the public hearing to receive comments on the proposed rates and the error was limited to the documentation attached to the original resolution. In light of the advertised rates, staff believes that adoption of the attached resolution corrects a clerical error and does not violate public notification requirements; rather this action should be viewed as simple "housekeeping".

The *Schedule of Rates Fees and Charges* provided for adoption on June 8, 2006 reflects this correction.

Kevin M. Ray
Director of Finance and Customer Service

RESOLUTION AMENDING SCHEDULE OF RATES, FEES, AND CHARGES ADOPTED
ON JUNE 9, 2005

WHEREAS, on June 9, 2005, Orange Water and Sewer Authority's Board of Directors adopted a *Schedule of Rates, Fees, and Charges* as permitted under North Carolina General Statute 162A-9 and Section 7.04 of OWASA's Amended and Restated Bond Order (Bond Order); and

WHEREAS, General Statute 162A-6(9) and Section 7.04 of OWASA's Bond Order provide for the revision of such Rates, Fees, and Charges; and

WHEREAS, the original attachment to the adopting resolution contained a typographical error for service availability fees for a three-inch nonresidential sewer connection; and

WHEREAS, the correct rate of \$54,560.00 was published on May 15, 2005, in the public notice of the Public Hearing to receive comments on the proposed adjustments to rates, fees and charges.

NOW, THEREFORE, BE IT RESOLVED:

1. That the *Schedule of Rates, Fees, and Charges* adopted on June 9, 2005, be, and hereby is, amended by the Board of Directors to reflect the correct and advertised rate of \$54,560.00.
2. That the amended rate shall become effective for all service billings rendered on and after October 1, 2005.

Adopted this 8th day of June, 2006.

Michael A. (Mac), Chair

ATTEST:

Randolph M. Kabrick, P.E.
Secretary

AGENDA ITEM

- RESOLUTION AUTHORIZING RENEWAL OF PROPERTY, LIABILITY, WORKERS' COMPENSATION, INLAND MARINE, AUTOMOBILE, BOILER AND MACHINERY, CRIME AND UMBRELLA LIABILITY INSURANCE POLICIES THROUGH THE NORTH CAROLINA LEAGUE OF MUNICIPALITIES RISK MANAGEMENT SERVICES

PURPOSE

- To ensure continued adequate insurance coverage against potential property damages, and liability and workers' compensation claims.

BACKGROUND

- Current Property, Liability, Inland Marine, Automobile, Boiler and Machinery, Crime, Workers' Compensation, Excess Liability and Umbrella Liability insurance policies in effect for Orange Water and Sewer Authority will expire on June 30, 2006.
- Section 707 of the Bond Order and prudent business practice dictate that Orange Water and Sewer Authority will maintain a practical insurance program which will afford adequate protection against damage to or destruction of the water and sewer system; and that Orange Water and Sewer Authority will maintain such comprehensive public liability insurance for bodily injury and property damage resulting from the operation of the water and sewer system as OWASA deems to be adequate.
- This year an additional \$4,556 was realized in general and auto liability coverage due to a small increase and the new equipment and buildings that came on line at the Mason Farm Wastewater Treatment Plant.
- We have received a final quote for the premium cost for FY 2007 for our general and auto liability.
- The Workers' Compensation premium should be equivalent to last year. We anticipate only a small increase in Worker's Compensation this year.
- The proposed Budget for Fiscal Year 2006 – 2007 reflects these changes in premiums.

ACTION NEEDED

- Adopt Resolution Authorizing Renewal of Property, Liability, Workers' Compensation, Inland Marine, Automobile, Boiler and Machinery, Crime and Umbrella Liability Insurance Policies through the North Carolina League of Municipalities Risk Management Services, not to exceed \$439,000, pending receipt of a final quote.

**RESOLUTION AUTHORIZING RENEWAL OF PROPERTY, LIABILITY, WORKERS'
COMPENSATION, INLAND MARINE, AUTOMOBILE, BOILER AND MACHINERY,
CRIME, EXCESS LIABILITY AND UMBRELLA LIABILITY INSURANCE POLICIES
THROUGH THE NORTH CAROLINA LEAGUE OF MUNICIPALITIES RISK
MANAGEMENT SERVICES**

WHEREAS, Property, Liability, Inland Marine, Automobile, Boiler and Machinery, Crime, Workers' Compensation, Excess Liability and Umbrella Liability insurance policies in effect for Orange Water and Sewer Authority will expire on June 30, 2006; and

WHEREAS, Section 707 of the Bond Order and prudent business practice dictate that Orange Water and Sewer Authority will maintain a practical insurance program which will afford adequate protection against damage to, or destruction of, the water and sewer system; and

WHEREAS, Section 707 of the Bond Order and prudent business practice dictate that Orange Water and Sewer Authority will maintain such comprehensive public liability insurance for bodily injury and property damage resulting from the operation of the water and sewer system as OWASA deems to be adequate.

NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors of Orange Water and Sewer Authority awards the renewal of Property, Liability, Workers' Compensation, Inland Marine, Automobile, Boiler and Machinery, Crime and Umbrella Liability Insurance coverage to The North Carolina League of Municipalities Risk Management Services, in an amount not to exceed \$439,000 for the period from July 1, 2006 through June 30, 2007, subject to normal audit adjustments.

2. That the Executive Director be, and he hereby is, authorized and directed to renew the above stated insurance policies.

Adopted this 8th day of June, 2006.

Michael A. Clarke, Chair

ATTEST:

Randolph M. Kabrick, P.E.
Secretary

MEMORANDUM

TO: Board of Directors
THROUGH: Ed Kerwin
FROM: Jan Bryant-Berry, Procurement Manager
DATE: May 30, 2006
SUBJECT: Insurance Renewal

After completion of a competitive bidding process in 2000, OWASA selected the North Carolina League of Municipalities Risk Management Services (the "League") to provide brokerage services for general liability and casualty insurance coverage. Coverage for workers' compensation, property, liability, inland marine, automobile, boiler and machinery, crime and excess liability run concurrently with our fiscal year and will expire on June 30, 2006.

As an alternative to insurance from commercial companies, the League offers its members the opportunity to participate in one or more of three, self-funded governmental insurance pools. These pools provide workers' compensation, health, property and liability coverages. Cities, towns and other public entities come together to form self-insured pools to provide the needed coverages. League members who want insurance coverage geared to their unique needs and who want some influence over coverages, claims handling and avoid purchasing commercial insurance can join any or all of the League's Risk Management Services' self-insured pools. The League's Risk Management Services provides the daily management for these insurance programs, under the direction of the North Carolina League of Municipalities Risk Management Board of Trustees.

The League of Municipalities Risk Management Services is not rated by AM Best but we are currently one of three hundred and fifty local government entities within the State of North Carolina participating.

OWASA's Bond Order requires that we will maintain an insurance program that will afford adequate protection against damage to or destruction of the water and sewer system and comprehensive public liability insurance for bodily injury and property damage. The final quote for premium costs for FY 2006-07 for the general liability insurance has been received. We anticipate only a small increase in Worker's Compensation this year. The Preliminary Budget reflects these premium increases. The attached resolution stipulates that the renewal amount not exceed \$439,000, pending receipt of all quotes.

While not all quotes are final, in light of the overall national trend in liability and property coverage costs in the past several years due to the fear of terrorist activity and potential losses, the renewal amount appears reasonable. Renewal through the League appears to be OWASA's best course for property and liability insurance coverage at the present time.

Jan Bryant-Berry
Procurement Manager

ITEM 7

AGENDA ITEM

- RATIFICATION OF CONTRACT TO PURCHASE RAY FAMILY TRUST PROPERTY

BACKGROUND

- In accordance with instructions from the Board of Directors, the Executive Director has negotiated an *Offer to Purchase And Contract to Sell* agreement for approximately 74 acres of land in the University Lake watershed.

ACTION NEEDED

- Ratification of the *Offer to Purchase And Contract to Sell* agreement.

June 8, 2006

MEMORANDUM

TO: Board of Directors

FROM: Ed Kerwin

DATE: June 1, 2006

SUBJECT: Ratification of Contract to Purchase Ray Family Trust Property

Given the unique opportunity to permanently protect approximately 74 acres of important and largely undeveloped land adjacent to Morgan Creek and University Lake, I have negotiated the attached *Offer to Purchase And Contract to Sell* in accordance with instructions from the Board of Directors. I have executed the *Offer to Purchase and Contract to Sell* agreement on behalf of OWASA, subject to the Board's ratification.

This matter is before the Board for its ratification of the contract.

The fee simple purchase price for the property is \$2,300,000. On June 1, 2006, staff submitted a grant application to the North Carolina Clean Water Management Trust Fund for this property. In the future, the OWASA Board will be discussing the possible uses of the property and other potential funding partners.

Ed Kerwin
Executive Director

Attachments: Property Map
Resolution

RESOLUTION RATIFYING THE CONTRACT TO PURCHASE
THE RAY FAMILY TRUST PROPERTY

WHEREAS, the Executive Director, legal counsel and staff of OWASA have negotiated the attached contract in accordance with and at the direction of the Board of Directors; and

WHEREAS, the Board of Directors finds that acquisition of the Ray Family Trust property located at the intersection of Jones Ferry Road and Old Greensboro Highway, adjacent to tributaries flowing immediately into University Lake, will provide unique water quality protection benefits for OWASA's public drinking water reservoir system, as well as other community benefits;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors:

1. That the attached contract, executed in its name by its Executive Director, is hereby approved and ratified.

This the 8th day of June, 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, P.E.
Secretary

ITEM 8

AGENDA ITEM

- REQUEST FOR INPUT TO REVISIONS OF CHAPEL HILL'S COMPREHENSIVE PLAN

PURPOSE

- To discuss the Town of Chapel Hill's request for comments on the planned update of the Town's Comprehensive Plan.

BACKGROUND

- Chapel Hill is currently soliciting high level or thematic suggestions to be included in a major revision of its Comprehensive Plan, which was adopted in May 2000. Comments and recommendations are due by June 30, 2006.
- Mr. David Bonk, of the Chapel Hill Planning Department, will brief the Board about the revision process during the Board's June 8, 2006 meeting.
- Staff has listed several principles and policies that might be recommended to the Town for inclusion in its revised Comprehensive Plan.

ACTION NEEDED

- Discussion and direction to staff.

STAFF RECOMMENDATION

- Per the Board's direction, staff proposes preparing a draft comment letter to be considered at the Board's June 22, 2006 meeting.

June 8, 2006

MEMORANDUM

TO: Board of Directors
THROUGH: Ed Kerwin
FROM: Ed Holland
DATE: June 1, 2006
SUBJECT: Request for Input to Revisions of Chapel Hill's Comprehensive Plan

Background

Chapel Hill's Planning Director describes the Town's Comprehensive Plan as "a document that establishes Chapel Hill's goals and objectives for the future. The Plan articulates a vision and direction; it focuses on specific actions that will help the community achieve a desired future."

The Town is currently soliciting suggestions from a range of community organizations and advisory bodies before revising its Comprehensive Plan, which was adopted in May 2000. Town staff are seeking high level or thematic comments, rather than detailed textual suggestions, that offer overall direction to the revised Comprehensive Plan. As noted Chapel Hill Planning Director JB Culpepper's April 26, 2006 letter to Ed Kerwin (copy attached), comments and recommendations are due by June 30, 2006.

Mr. David Bonk, of the Chapel Hill Planning Department, will provide a briefing of the process during the June 8 Board of Directors meeting.

Recommendations

We believe that OWASA and the Town have a strong working relationship on both day-to-day operational matters and long-term planning efforts. The new Plan should acknowledge and incorporate our collaborative efforts, as well as identify shortcomings and opportunities for further improvement.

We recommend that the Board submit a letter to the Town suggesting that the Comprehensive Plan (a) specifically acknowledge the strong collaborative efforts of OWASA and the Town, and (b) include direct references to OWASA's key general principles and policies relating to long-term planning and service delivery. Those principles and policies are complementary to and consistent with the Town's plans and policies.

Many of our key principles and policies have been articulated in one or more of the following documents:

- OWASA's *Comprehensive Water and Sewer Master Plan* (2001)
- The February 22, 2006 discussion paper on *Water and Sewer Capacity Implications of Increased Density in OWASA's Carrboro-Chapel Hill Service Area*
- *Goal and Objectives of OWASA's Long-Term Water Conservation and Demand Management Program* (adopted April 2005)
- *Water and Sewer Management, Planning and Boundary Agreement* (adopted in 2002)

Key Policies and Principles

As a starting point for the Board's discussion, following are some initial suggestions regarding key principles and policies that we believe should be communicated to the Town:

- Unlike most municipalities in North Carolina, Chapel Hill's water and sewer utility services are provided by OWASA, a separate governmental entity whose policies and procedures are guided by the plans and policies of Chapel Hill, Carrboro, and by Orange County. Although OWASA has no statutory limits on its service area, OWASA is a party to the inter-local *Water and Sewer Planning, Management and Boundary Agreement* approved in 2002.
- OWASA has contractual obligations, through its original agreements of purchase and sale with the Towns of Carrboro and Chapel Hill and with the University, to meet the water and sewer utility needs of the community and to not impede the growth and development of the towns or University. OWASA also must base its rates, fees and charges on cost-of-service principles under which the party receiving the service is responsible for paying the cost of that service.
- OWASA's estimates of long-term water and sewer capacity needs for the community are based on adopted land use plans and population and employment projections developed by the Towns of Carrboro and Chapel Hill, Orange County, and the University. A key underlying assumption of those projections is that the currently defined urban services areas of Carrboro and Chapel Hill will remain unchanged in the future.

The local governments' commitment to maintaining the current urban services boundary is one of the most important factors that will shape the future of OWASA's facilities, demands, and capital and operating costs.

The limitation on the extension and availability of centralized public water and sewer service to protect the Rural Buffer is also a factor that will shape and constrain future growth in outlying areas. The need to ensure sustainable management of

decentralized water and sewer systems in outlying areas should be considered as part of the plan.

- OWASA can meet the utility needs of increased development density within the currently defined urban services area, but meeting those needs while maintaining the desired levels of service will require additional collaboration among OWASA, local governments, and the development community.
- OWASA strongly concurs with Comprehensive Plan goals that promote and achieve the conservation and efficient use of our essential water resources.

Highly efficient water conservation technologies are readily available that can support increased development density with little or no net increase in water service demands. Many of these advanced efficiency measures can be implemented through existing legal authority and local review and approval procedures that are already in place, but some may require ordinance changes or new enabling legislation. OWASA is considering adopting water use efficiency standards for new development that will be served by OWASA.

OWASA is committed to working with the Town and other local governments to promote water use efficiency measures in new and existing development. OWASA will also encourage the Town to develop complementary policies relating to the extension and use of reclaimed water where it is available and practical for new development and redevelopment. These efforts will be essential to achieve the Goal and Objectives for Long-Term Conservation and Demand Management.

- OWASA strongly concurs with Comprehensive Plan goals that promote protection of our essential water resources, including local and regional drinking water supplies which are or may in the future be used by the community.

Density and impervious surface limits, open space protection, and controls on the quality, rate, and volume of stormwater runoff are all important tools of a comprehensive water quality protection program. Stormwater management measures can also have a secondary benefit in that they can help reduce inflow of stormwater into sanitary sewers.

- OWASA and the Town should continue to closely coordinate near-term and long-term capital improvements and facilities plans to ensure economies of scale, minimize disruption of neighborhoods, minimize environmental impacts of construction, etc.

Examples are joint use of sewer easements for greenways and trails, coordination of street repaving with water and sewer line construction, and access to alternative fuels at Chapel Hill's public works facility.

OWASA Suggestions for Chapel Hill Comprehensive Plan

June 1, 2006

Page 4 of 4

- Under governmental accounting standards, OWASA is considered a component unit of the Town of Chapel Hill for reporting purposes. When such a relationship exists, United States treasury regulations governing tax exempt securities require that parent and component governmental units be treated as a single entity for the purpose of certain tax exempt borrowing. To reduce the possibility of either unit being unable to take advantage of these small issue borrowings, OWASA and the Town should continue to share and coordinate their respective plans for issuing debt on an annual basis.

Next Steps

We look forward to the Board's discussion and guidance concerning Chapel Hill's request for comments, and the initial comments listed above. Following receipt of your comments, we will prepare a draft letter for the Board's consideration at its June 22, 2006 meeting.

Edward A. Holland, AICP
Planning Director

Attachments



April 26, 2006

Ed Kerwin
Executive Director
Orange Water and Sewer Authority
400 Jones Ferry Road
Carrboro, NC 27510

Subject: Revision of the Chapel Hill Comprehensive Plan: Opportunity for Comment

Dear Ed:

We are seeking input from the OWASA Board of Directors on revision of the Town of Chapel Hill Comprehensive Plan. The Comprehensive Plan is a document that establishes Chapel Hill's goals and objectives for the future. The Plan articulates a vision and direction; it focuses on specific actions that will help the community achieve a desired future.

Adopted in May 2000, the Comprehensive Plan included provisions for ongoing monitoring and evaluation. It also proposed that a major revision be undertaken five years after adoption. Advisory boards are being provided an opportunity to comment on possible revisions to the Comprehensive Plan. **We ask for your help in scheduling review by the Board of Directors before June 30, 2006.**

A package of materials for review is enclosed. A description of the materials is provided, not all of the material may be of interest to the Board. David Bonk and/or Gordon Sutherland will be available to attend your meeting to facilitate review and comment on possible modifications to the adopted Comprehensive Plan. They will be asking for any suggested modifications to the existing plan, new information, new topics, and any new or revised implementation actions.

Comments and recommendations from the Board of Directors will be provided to the Town of Chapel Hill Planning Board. The Town Council has requested that the Planning Board oversee the Comprehensive Plan review process. The Planning Board will review all comments and prepare recommendations for the Town Council on the scope of possible modification to the Plan.

Comments and recommendations should be returned to Gordon Sutherland in the Planning Department by June 30, 2006.

If you have questions, please call me or Gordon Sutherland at 968-2728, extension 353.

Yours Sincerely,

JB Culpepper
Planning Director

Encs:

1. Description of Review Materials
2. Chapter 2 Major Themes of the Comprehensive Plan 2000
3. Summaries of adopted Comprehensive Plan goals and objectives, strategies and actions
4. Action Plan Initiatives Summary Table
5. Status List of Plan Actions

COMPREHENSIVE PLAN MATERIALS FOR REVIEW

The Comprehensive Plan is organized into several major sections. Chapter 2 describes twelve major themes that form the conceptual framework for the Plan. Chapters 3 to 12 – the plan elements – are the heart of the Plan. They present goals, objectives, strategies, and actions for the specific components of community life, such as community character, relations with the University of North Carolina at Chapel Hill and University Health Care System, regional context, etc. Chapter 13 lays out a program for implementing the Comprehensive Plan. This program sets priorities for short, mid, and long-term actions; establishes a monitoring process to track progress in implementing the Plan; and suggests statistical indicators to be used to help assess the health of the community. Chapter 14 addresses the role of Town government in community life.

To facilitate phase one of the Comprehensive Plan review process (review by Town advisory boards), we have attached Chapter 2 (please see Attachment 2) in full and a summary of the adopted goals and objectives for each topic of the Comprehensive Plan covered in Chapters 3 through 12 and Chapter 14 (Attachment 3). Some chapters may be of more interest to your board than others. However, we have provided them all for completeness. The full text of the Comprehensive Plan can be viewed at the Planning Department webpage <http://www.townofchapelhill.org/>

We have not included Chapter 13 for general review at this stage of the review process. Chapter 13 identifies mechanisms for plan monitoring and evaluation. We intend to review this element of the Comprehensive Plan with the Planning Board at a future phase of the review process.

For statistical data and analysis of changes in the community since 2000, the Town of Chapel Hill Data Book includes Comprehensive Plan Community Indicators. These track some of the quantifiable indicators relating to plan strategies, including growth in population, growth in housing stock and non-residential (commercial and office space), changes in traffic volumes along key roadways, changes in capacity of community facilities and changes in air and water quality. The 2005 Data Book can be viewed at the Planning Department webpage <http://www.townofchapelhill.org/>

To demonstrate what tasks have been undertaken by the Town since the Plan was adopted in May 2000, we have attached Table 2c (Attachment 4) which is a summary schedule of the Plan initiatives. This can be compared with the summary list showing the status of plan actions as of March 2006 (Attachment 5). The summary list identifies whether an action has been completed, is in progress or has not been started.

2.0 MAJOR THEMES

2.1 OVERVIEW



The context for this Comprehensive Plan is Chapel Hill at the beginning of the new millennium. Chapel Hill is a mature, historic, vibrant community with unique characteristics. The following are some key facts:

- The historic and still dominant center of the community (physically and culturally) is the University of North Carolina.
- The Town is adhering to an “Urban Services Boundary” that establishes the limit of Chapel Hill’s growth.
- Most of the land within that ultimate urban area is currently developed or spoken for.
- Chapel Hill is widely viewed as an attractive place to live, work, study, and visit.
- Chapel Hill is part of a rapidly growing metropolitan region.

Considering these facts together, it becomes clear that the challenge facing Chapel Hill is one of managing change. This will involve anticipating the nature of change that is on the horizon, along with its likely consequences, and then articulating a response designed to ensure a result that is consistent with the values and aspirations of this community.

Chapel Hill natives are largely outnumbered by more recent arrivals. Long-time residents fondly recall the Town as it was. Yet most residents agree that they live in Chapel Hill because, in spite of its growth and change, it offers a quality of life and a sense of community that remains unique. The characteristics that residents point to as elements of this special quality of life include a number of intangibles, such as small town friendliness; a sense of place and the historic roots of the community; and the youthful exuberance and interchange of ideas fostered by the University. There are also a number of very tangible assets, such as good schools and neighborhoods; a healthy downtown; parks and open

spaces; and other evidence of care for the natural and the man-made environments.

Retaining these good and unique qualities is a primary motivation of this plan. However, the plan also strives to create initiatives to *enhance* a community that is already exceptional. In this sense the plan aims not merely to “hold the line” on erosion of community character, but also to “raise the bar” of expectations for such characteristics as pedestrian and bicycle friendliness, the diversity of activity downtown, and the integration of greenways and open space into the fabric of the community. The plan also emphasizes the community’s stated intention to continue to value and maintain its socio-economic diversity.

How will this be accomplished? This Comprehensive Plan is organized around twelve major themes, each growing out of the community values that have been identified, and which, taken together, form a strategy for the community.

2.2 MAJOR THEMES

The major themes (not listed in order of priority) are:

- ***Maintain the Urban Services/Rural Buffer Boundary:*** This policy was established in 1986 and has helped the community avoid the patterns of sprawl that characterize many high-growth areas. Maintaining the integrity of this boundary is of paramount importance and sets the context for the rest of the plan.
- ***Participate in the regional planning process:*** Because of the growth of the region and its inevitable impact on Chapel Hill, the Town cannot afford to plan for its future in isolation from the region as a whole. Instead, the community needs to be actively represented in planning and decision-making at the regional level.
- ***Conserve and protect existing neighborhoods:*** Some residential neighborhoods will face pressures for infill development and redevelopment. This is especially true for neighborhoods immediately surrounding downtown and the main campus of the University of North Carolina

at Chapel Hill (UNC).¹ The character of these neighborhoods needs to be conserved.



- ***Conserve and protect the natural setting of Chapel Hill:*** The Town's beautiful natural environment, including open spaces, meadows, forested areas, scenic vistas, wildlife habitat, and creeks, lakes, and wetlands, is a key component of community character. While some of these areas are identified and protected, others need to be inventoried and guidelines established for their conservation.
- ***Identify areas where there are creative development opportunities:*** Conversely, there are areas of Chapel Hill that represent opportunities for growth and/or redevelopment that support community objectives. Identification of these areas and consideration of creative new development forms, such as "mixed-use" and "conservation" developments, is an important part of achieving a positive future for Chapel Hill, in a manner that meets the needs of current and future residents and enhances community life.
- ***Encourage desirable forms of non-residential development.*** Maintaining a mix of private, non-residential uses (e.g., office, retail, and service establishments) is important to the future health and economic vitality of the community. In addition to augmenting the tax base, appropriate forms of non-residential development can help achieve such objectives as making it easier for people to live and work in Chapel Hill, increasing local shopping opportunities, and supporting mixed-use development forms.
- ***Create and preserve affordable housing opportunities:*** The historic and valued diversity of Chapel Hill is threatened by a robust housing market that results in high housing costs. Aggressive intervention tactics can help ensure that some segments of Chapel Hill's housing stock will remain affordable to low, moderate, and middle income families in the future. By emphasizing affordable housing, the Town can help

¹ Throughout this document, "UNC" refers to the University of North Carolina at Chapel Hill.

maintain Chapel Hill's traditional socio-economic diversity.

- ***Cooperatively plan with the University of North Carolina at Chapel Hill:*** The fulfillment of the missions of UNC and the UNC Health Care System will be accompanied by growth of those institutions. Good communication and cooperative planning are critical to assuring that this growth can be absorbed by and integrated into the surrounding community.
- ***Work toward a balanced transportation system:*** This plan suggests an aggressive, new approach to transportation. This approach shifts the emphasis from the automobile to other means of travel – walking, biking, transit, and park-and-ride – in order to achieve a community-wide, multi-modal transportation system. One positive result of efforts in this direction should be increased use of non-automobile forms of transportation. However, another result is likely to be increased levels of traffic congestion, as the emphasis shifts away from widening streets and accommodating automobiles as the top transportation priority.
- ***Complete the bikeway/greenway/sidewalk systems:*** A major component of the new transportation approach is an aggressive program to complete Chapel Hill's town-wide network of sidewalks, bikeways, and greenways.
- ***Provide quality community facilities and services:*** With the continued growth of Chapel Hill and UNC, parts of the Town are developing a more urban character and form. This growth creates the need to develop or upgrade community facilities and services in order to provide the level of quality that citizens expect.
- ***Develop strategies to address fiscal issues:*** Many of the recommendations of this plan require sound funding programs to ensure implementation. This fact, combined with a desire to maintain and improve the fiscal health of the community, suggests the need to develop specific strategies to allow us to identify how we will pay for what we want.



These themes provide the framework for thinking about Chapel Hill's future. The following chapters of the

Comprehensive Plan address specific components of community life. Each chapter begins with a summary of existing conditions and a statement of future goals and objectives. These sections are followed by specific recommendations for actions to achieve the future that we desire. "Measures of progress," in the form of calendar dates or numeric targets to strive for, are provided for priority actions. Chapter 13 of the plan is an implementation section that describes the sequence of steps the Town should take to turn the plan into reality. This chapter contains suggestions for indicators to help assess the health of Chapel Hill and to allow us as a community to monitor how we are doing over time in implementing the Comprehensive Plan.

3.0 COMMUNITY CHARACTER

3.2 GOALS, OBJECTIVES, AND STRATEGIES

GOALS AND OBJECTIVES

Goal

Conserve and enhance those elements that define Chapel Hill's special community character and the heritage of Chapel Hill's historic neighborhoods.

Objectives

Physical Environment: Implement and fund policies and programs to protect the Town's beautiful natural setting, distinctive buildings, and that capture these historic, unique features in future development.

Neighborhoods: Protect the physical and social fabric of Chapel Hill's neighborhoods.

Downtown: Implement and fund policies and programs to maintain and enhance the downtown's role as the center of the Chapel Hill community, with a pedestrian orientation and human scale.

Historic Districts: Maintain the integrity of the Historic Districts and promote their preservation and conservation for the education, pleasure, and enrichment of all the residents of the Town, County, and State.

Diversity: Enhance Chapel Hill's socio-economic diversity. Promote involvement of all groups and residents in Town functions and community activities.

Entranceways: Protect the visual character and design quality of entranceways into Chapel Hill.

STRATEGIES AND ACTIONS

3A. Neighborhood Protection

Chapel Hill residents believe that protecting the physical and social fabric of neighborhoods is key to maintaining the Town's community character. Of particular concern are the neighborhoods that touch and circle the downtown and central campus. These neighborhoods are rich in history and tradition, are highly valued by residents, and are among the areas of Town that are most susceptible to change.

What does this designation mean? It means that it is the stated policy of Chapel Hill that neighborhood protection issues in these areas are paramount. It means that, when policy choices

that affect these areas are before the Town Council (road issues, rezoning proposals, public investment decisions), the balance should tilt in favor of protection and preservation. It means that when new neighborhood protection initiatives are being considered (small area plans, design guidelines, occupancy or parking restrictions), these are the areas that should be considered first.

The neighborhoods that have been designated as residential conservation areas are Cobb Terrace, Northside, Cameron-McCauley, Franklin-Rosemary, Westwood, Purefoy Road, Mason Farm, Gimghoul, Laurel Hill, and Glenview. All neighborhoods in Chapel Hill are important, and all face issues of one kind or another. But when the forces of change threaten to significantly damage the existing fabric of our residential areas, it is these "inner circle" neighborhoods that are likely to feel the pressures first and hardest, and it is here that policy makers need to be particularly attentive. Strategies and actions should be designed not only to protect these areas, but also to make them attractive for a spectrum of longer-term residents, through improved amenities, enhanced safety, and other initiatives that encourage age and income diversity. Local residents should be actively involved in any proposed changes to their neighborhoods through an open public process.

3A-1. Extend the small area planning process to established residential areas.

3A-2. Develop local design guidelines and implementing regulations.

3A-3. Reduce vehicular impacts on residential neighborhoods.

3A-4. Consider development of selected "opportunity sites" to help alleviate growth pressures on existing neighborhoods.

3A-5. Implement a strategy to address the effects on neighborhoods of the conversion of owner-occupied residences to rental properties.

3B. Protection of Historic Resources

Chapel Hill's rich historic resources include four National Register Districts (UNC campus, Rocky Ridge, West Chapel Hill, and Gimghoul); three local Historic Districts (Franklin/Rosemary, Cameron/McCauley, and Gimghoul); and numerous individual properties and structures listed on the National Register. The Historic District Commission has established a series of goals and objectives for the three neighborhood Historic Districts. These goals and objectives are summarized as follows:

1. Conserve the heritage and character of the Historic Districts, including building architecture, outdoor spaces, and landscape qualities.
2. Strengthen public awareness and conservation of the Historic Districts.
3. Foster neighborhood communication and information regarding historic values.
4. Maintain and improve quality of life by addressing issues such as neighborhood stability, the balance between owner-occupied and rental housing, and property maintenance.
5. Identify and protect potential future Historic Districts or sites that are eligible for Landmark Status.

6. Establish congruity between state and local enabling legislation.
7. Integrate historic preservation concepts more fully into Chapel Hill's planning process.
8. Address the integrity of Historic District boundaries.
Discourage demolition of existing housing stock.
9. Reduce transportation impacts on the Historic Districts.

Because of the significance of Chapel Hill's heritage for community character, it is important that the strategies contained in the Comprehensive Plan be implemented in a manner that is sensitive to historic resources and contexts. Examples include:

- Mixed-use development (Chapter 8, Strategy 8A-2), which may be appropriate in some but not all historic contexts.
- Downtown enhancement (Strategies 3C-1 and 2), which should be implemented in a manner that respects surrounding neighborhoods, including the historic districts.
- Park and recreational facility development (Chapter 11, Strategy 11A-7), which should take into account the unique character of historic districts if proposed in these areas.

3B-1. Strengthen the existing Historic District regulations.

Specific recommendations include:

- *Update the Historic District design guidelines handbook.*
- *Define a more specific approach to dealing with demolitions.*
- *Revise the review criteria for determining congruity with historic aspects of the Historic District.*
- Extend regulatory protection to other potential historic districts.

3C. Downtown Enhancement

Reinforcing the downtown's role in the Chapel Hill community

3C-1. Implement the Downtown Small Area Plan.

Key recommendations of the plan include:

- Construct a physical scale or computer-aided visualization of downtown as a tool for examining issues, opportunities, problems, and possibilities.
- Pursue opportunities for redevelopment and preservation.
- Adopt design guidelines specific to the downtown.
- Develop an expedited regulatory review process for downtown development projects.
- Develop and implement a plan for Town Parking Lot #5.
- Fund downtown streetscape improvements.
- Develop a downtown parking strategy.
- Improve the downtown refuse collection and recycling systems.

3C-2. Invest in public improvements such as public buildings and public spaces in the downtown.

3D. Public Art

Public art is a means of defining a community's identity and sense of place, promoting social interaction and discourse, bringing the arts into everyday life, and memorializing the past while expressing shared values for the future. Chapel Hill has an established tradition of public art in outdoor spaces, as evidenced by numerous murals, sculptures, and special installations.

3D-1. Implement a "percent for art" program for town capital improvement projects.

3E. Town Entranceways

Because of the high volumes of traffic they convey, the visual character of major roadway corridors leading into Chapel Hill is a key component of community character. Key entrance corridors include the US 15-501/15-501 bypass, Franklin Street, NC 86/Airport Road, and NC 54.

3E-1. Update the Master Landscape Plan for Town Entranceway Corridors.

4.0 Relations with the University / Health Care System

4.2 GOALS, OBJECTIVES, AND STRATEGIES

GOALS AND OBJECTIVES

Goal

Provide an environment where the Town of Chapel Hill, UNC, and the UNC Health Care System can collaborate to maximize mutual benefits.

Objectives

University-Hospital-Town Coordination: Enhance on-going joint planning processes between the Town, UNC, and UNC Health Care to address issues of mutual concern.

Neighborhood Impacts: Address the effects of UNC and UNC Health Care activities on Chapel Hill's neighborhoods as part of joint planning with those entities.

STRATEGIES AND ACTIONS

4A. Cooperative Planning

The Town and UNC have an established planning relationship, as evidenced by cooperative endeavors such as the *Outlying Parcels Land Use Plans* for the Horace Williams and Mason Farm properties. As of the date of adoption of the Comprehensive Plan, UNC was in the latter stages of preparing a Master Plan for the main campus and the Horace Williams property. The fact that the Town's Comprehensive Plan and UNC's Master Plan were prepared simultaneously provides a major opportunity to reinforce the established relationship as the two plans are implemented over the years to come.

The Town and the University have in place a good structure for cooperative planning comprised of the following:

- A Coordination and Consultation Committee comprised of representatives of UNC, UNC Health Care, Chapel Hill, Carrboro, Orange County, and Chapel Hill/Carrboro Schools. This committee meets quarterly to discuss issues of mutual concern.
- A Town/Gown Committee comprised of staff from the Town, UNC, and UNC Health Care that meets on a bimonthly basis.
- A policy of cross-representation on Town or University planning projects that affect both parties.
- Ad hoc groups that are established on an as needed basis to address specific issues.

4A-1. Coordinate with UNC and the UNC Health Care System in developing and implementing the Master Plan for the main campus.

4A-2. Coordinate with UNC in developing a park-and-ride master plan and other strategies to manage traffic and parking as the University grows.

4A-3. Continue the Town's involvement in planning for the future development of the Horace Williams property.

4B. University Housing

Housing for students and staff of UNC and the UNC Health Care System is a key issue for both the University of North Carolina and the Town of Chapel Hill and should be a primary focus of cooperative planning. Comprising about 33 percent of the Town's population, UNC students are a vital part of the Chapel Hill community and contribute greatly to the local economy.¹ However, the demand they generate for off-campus housing is affecting neighborhoods adjacent to the main campus (see Chapter 3.0). UNC and UNC Health Care staff are similarly essential to Chapel Hill's economy and sense of community. Developing suitable housing for students and staff of the University can reinforce the positive benefits they bring to Chapel Hill while helping to lessen impacts such as traffic along major corridors caused by commuting from outside of Town.

4B-1. Encourage the University to construct student housing on UNC property.

4B-2. Establish a Town/UNC partnership to develop off-campus housing for employees.

5.0 REGIONAL CONTEXT

5.2 GOALS, OBJECTIVES, AND STRATEGIES

GOALS AND OBJECTIVES

Goal

Establish effective regional cooperation that promotes sustainable growth patterns, recognizing that economic development, land use, transportation, environmental, natural area linkages, and other planning issues transcend the boundaries of Chapel Hill.

Objectives

Regional Planning: Support multi-jurisdictional planning initiatives to address regional issues.

Rural Buffer: Maintain the Rural Buffer's role in providing open space and rural character, limiting sprawl, and reinforcing Chapel Hill's special community character.

STRATEGIES AND ACTIONS

5A. Regional Cooperation

Enhanced regional cooperation is key to effectively addressing the many issues affecting Chapel Hill's future that go beyond Town borders. Efforts at regional cooperation should build on existing organizations and initiatives that involve collaboration at different levels of government (municipal, county, regional, and state). In addition to actively participating in existing initiatives, Chapel Hill should promote new ones on important issues that require an inter-jurisdictional or multi-jurisdictional response, with the objective of mobilizing regional resources to bring about positive change.

5A-1. Seek opportunities for formal and informal communication with other Triangle Area jurisdictions on regional planning issues.

5A-2. Maintain coordination with Shaping Orange County's Future Task Force to ensure coordination of planning and community building strategies.

5B. Rural Buffer

Established by the 1987 Joint Planning Agreement, the Rural Buffer and the related concept of the Urban Services Area are considered important to maintaining the character and identity of Chapel Hill, Carrboro, and Orange County. The Rural Buffer is defined as land that will remain rural in character, contain low-density residential uses (one unit per two acres), and not require urban services (public water and sewer). The Rural Buffer and other planning areas in Orange County are

shown in Figure 8. Defined by an Urban Services Boundary, the Urban Services Area is the area within which public utilities and services are currently available or will be provided in the future. The Urban Services Area includes the urban areas of Chapel Hill and Carrboro and adjacent "transition areas" which are in the process of changing from rural to urban land uses. The Chapel Hill Urban Services Area is shown in Figure 9.

The Rural Buffer and Urban Services Area have effectively functioned to limit sprawl, promote compact development patterns, and retain a small to medium sense of scale for Chapel Hill. Residents of the Town and Orange County alike value the open space character of the Rural Buffer and the role it plays in reinforcing Chapel Hill's distinctive town character. However, there is concern that the character of the Rural Buffer will be eroded by the pressure for development created by regional growth.

5B-1. Work with Orange County and Carrboro to evaluate and implement options for strengthening the Urban Services Area and Rural Buffer.

6.0 ECONOMY AND EMPLOYMENT

6.2 GOALS, OBJECTIVES, AND STRATEGIES

GOALS AND OBJECTIVES

Goal

Increase employment opportunities for residents and satisfy local demand for commercial and retail services.

Objectives

Economic Diversity: Promote diversification of the Town's economy and employment opportunities for residents, consistent with supporting a high quality of life.

Commerce:

- *Develop and maintain commercial uses that are compatible with the character and scale of Chapel Hill.*
- *Develop and maintain the downtown as a pedestrian-oriented focal point for the community's commercial and retail needs.*

Mixed Use: Provide opportunities to create "living and working neighborhoods," or mixed-use developments in appropriate locations.

STRATEGIES AND ACTIONS

6A. Non-Residential Development

Non-residential development in Chapel Hill includes a variety of uses, such as office buildings, retail and service establishments, and institutions. As Chapel Hill's primary employers, UNC and the UNC Health Care System are the driving forces in the local economy. The contributions of these two institutions to the economic vitality of the community should be recognized and supported in the future as the Town and University jointly address issues associated with growth (see Chapter 4.0, Relations with the University/University Health Care System). Given the tax-exempt status of these institutions and the objective to diversify the economy, appropriate forms of private non-residential development should also be encouraged. This strategy is intended to achieve a variety of purposes – to make it easier for people to live and work in Chapel Hill, increase local shopping opportunities, augment the tax base, support mixed-use development, etc. – in a manner compatible with the Town's character and scale.

6A-1. Encourage desirable forms of non-residential development.

A multi-faceted approach is called for to attract and retain desirable forms of non-residential development. Elements of this approach include the following:

- *Designate appropriate locations for new non-residential development.*
- *Define desirable types of non-residential development.*
- *Consider proactive approaches to attracting new development.*
- *Encourage small business development.*
- *Support the incubation and growth of entrepreneurial/start-up businesses.*
- *Retain existing businesses.*

6A-2. Strengthen design standards to ensure that new non-residential development is compatible with existing development.

6B. Mixed-Use Development

As described in Chapter 8.0 (Land Use and Development), an important concept of the Comprehensive Plan is to foster mixed-use environments that create opportunities for living, working, and shopping in close proximity.

6B-1. Encourage new non-residential development in mixed-use settings.

6C. University-Related Business Development

Many universities across the country have strategic relationships with host communities designed to parlay research and related activities into local economic development opportunities. Northwestern University and the City of Evanston, IL, for example, jointly own a 24-acre mixed-use research park adjacent to the campus. This park contains nearly 350,000 square feet of office, laboratory, commercial, and residential space occupied by 90 companies and organizations employing nearly 1,000 persons. Georgia Tech University in Atlanta has "incubator" facilities located both on and off campus. These facilities accommodate University research activities while providing space and assistance for start-up companies.

6C-1. Work with UNC to identify opportunities for private entrepreneurial activity related to University research.

7.0 HOUSING

7.2 GOALS, OBJECTIVES, AND STRATEGIES

GOALS AND OBJECTIVES

Goal

Increase the availability of well-designed, affordable, safe, and sanitary housing for all citizens of Chapel Hill.

Objectives

Housing Availability: Increase the availability of quality housing affordable to all citizens who live and work in Chapel Hill.

Housing Quality: Require all housing development to meet applicable local, state, and federal standards and guidelines, including design quality, safety, health, and energy efficiency.

Housing Variety: Establish policies, regulations, incentives and programs to promote the availability of a full range of housing types, densities, costs, and tenancy options in Chapel Hill, both within new developments and existing neighborhoods.

STRATEGIES AND ACTIONS

7A. Affordable Housing

The provision of housing at a cost affordable to all of Chapel Hill's residents is a major priority for the Town. Because a significant percentage of the population is being priced out of the private housing market, government at every level should work to increase affordable housing opportunities.

7A-1. Work with housing providers to aggressively develop affordable housing in Chapel Hill.

7A-2. Provide incentives for housing providers to develop affordable housing.

7A-3. Continue to pursue the adoption of inclusionary zoning legislation at the State level.

7B. Housing Diversity

Maintaining housing diversity in the face of a predominantly high-end, high-cost housing market is a major challenge to the Town of Chapel Hill. Implementation of the affordable housing strategies described under 7A. will help to create more diversity in new development. Because Chapel Hill is predominantly built out, maintaining the diversity of the existing housing stock is of equal or greater importance.

7B-1. Support preservation of existing housing stock.

7C. Rental Housing

A number of residents have expressed concern that some rental housing in Chapel Hill may not meet current standards and guidelines. This is a particular issue in neighborhoods near the UNC campus, where the conversion of single-family homes to rental housing is a common occurrence. Chapter 3.0 (Community Character), outlines a series of strategies to address this problem, including enhanced enforcement of occupancy and front yard parking restrictions; improvements to the Town's noise ordinance; and new guidelines to address the aesthetic effects of rental conversion. Another proposed initiative is the development of a rental licensing and inspection ordinance.

7C-1. Establish a rental licensing and inspection program.

8.0 LAND USE AND DEVELOPMENT

8.3 GOALS, OBJECTIVES, AND STRATEGIES

GOALS AND OBJECTIVES

Goal

Promote orderly development and redevelopment to achieve appropriate and compatible use of land.

Objectives

Form of Development: Establish a plan for future land use (including a revised Development Ordinance) and incentives for the Town's Urban Services Area that provide for land use patterns, types, and densities that contribute to achieving the goals of the Comprehensive Plan.

Timing of Development: Implement coordinated land use policies, regulations, and capital improvements that provide for development to occur concurrently with the provision of adequate public services and facilities.

STRATEGIES AND ACTIONS

8A. Development Form

The Land Use Plan is designed to conserve and protect existing residential areas and places of special character, while providing for growth and redevelopment in areas most suitable to accommodate them. Neighborhoods susceptible to change will be protected by the strategies described in Chapter 3.0 (Community Character). New development forms will be encouraged in selected locations through a variety of mechanisms as described below.

8A-1. Encourage development of selected "opportunity areas" to achieve Comprehensive Plan objectives.

8A-2. Encourage mixed-use development forms.

8A-3. Preserve open space in residential developments through the application of conservation development principles.

SB. Development Timing

“Development timing” refers to the provision of public facilities to support growth as it comes on line and places demands on roads, schools, and other infrastructure and services. Throughout the country, communities are playing “catch-up” as they struggle to build capital improvements for developments that have outstripped the capacity of existing facilities and services. By comparison, Chapel Hill is in the fortunate position of being a mature community with a well-developed infrastructure and a defined Urban Services Boundary. Nevertheless, some public facilities such as roads and schools have capacity issues (see Chapters 10.0, Transportation, and 11.0, Community Facilities), suggesting the need to manage growth so as to keep pace with the ability of public infrastructure and services to support it.

SB-1. Develop a growth management protocol to address the provision of public facilities and services to support development.

SC. Small Area Planning

The purpose of the Comprehensive Plan is to set an overall vision and policy framework for the long-range development of Chapel Hill, together with short- and mid-term actions designed to set the community on the path of achieving the future desired by residents. An important part of the action program will be to prepare and implement plans that address issues in specific subareas of the Town in more detail than is appropriate for the Comprehensive Plan. The scale addressed by these “small area plans” could range from a single neighborhood or group of neighborhoods to a roadway corridor or larger geographic sector of Chapel Hill.

SC-1. Prepare and adopt small area plans to implement Comprehensive Plan concepts.

SD. Development Review Process

In addition to the implementing regulations themselves, the development review and approval process can be a critical tool to encourage or discourage development, and, where encouraged, to guide it in desired directions.

No set of regulations is perfect. Like the plans they are intended to implement, regulations require periodic revision to keep pace with policy changes and to reflect the cultural, economic, and technological characteristics of the community. The Town is committed to improve its development regulations and the process by which they are implemented to better serve the needs of citizens, businesses, developers, and staff. Examples of measures that can be taken include more user-friendly regulations, use of new technologies to enhance dissemination of information about development applications, and expedited development review processes in targeted locations (e.g., the downtown) to facilitate desired types of development.

SD-1. Improve the development review process.

9.0 NATURAL ENVIRONMENT

9.2 GOALS, OBJECTIVES, AND STRATEGIES

GOALS AND OBJECTIVES

Goal

Identify, protect, and preserve open spaces and critical natural areas and enhance the community's air quality and water resources.

Objectives

Natural Resources: Implement regulations, policies, incentives, and programs to conserve valuable natural resources, including trees, woodlands, and habitat areas; stream corridors and floodplains; sensitive soils and steep slopes; and air and water quality.

Open Space Network: Implement an open space network designed to protect the natural environment, provide opportunities for active and passive recreation, separate incompatible uses, protect scenic views, and provide continuous linkages among neighborhoods.

STRATEGIES AND ACTIONS

9A. Regulatory Protection of Natural Resources

Chapel Hill's Development Ordinance contains several articles designed to protect environmentally sensitive resources. These articles include:

Article 5, Resource Conservation District. The Resource Conservation District (RCD) is an overlay district that applies to the area at and below the elevation two feet above the 100-year floodplain and also to areas within 75 feet of a stream (see Figure 9, Future Land Use Map for the location of the RCD). The RCD regulations set restrictions on development within the district in order to protect water quality, minimize flood damage, and maintain open space and natural habitat.

Articles 9 and 10, Water Quality District and Watershed Protection District. These two overlay districts establish development standards for a portion of the New Hope Watershed draining to the Jordan Lake Reservoir to help ensure long-term water quality. The larger of the two districts, the Watershed Protection District covers the portion of Chapel Hill south of a line that roughly follows US 15-501 and Cameron Avenue.

Article 11, Tree Protection. This article requires identification of rare and specimen trees and preparation of a Landscape Protection Plan for development projects. It also sets standards for the planting and removal of trees on public lands and within street rights-of-way.

Article 14, Design Standards. Section 14.4.2 (Site Design) of Article 14 classifies a site's potential for development based upon slope characteristics. In areas with slopes of 15 to 25 percent, development may occur upon demonstration of specialized site design techniques. Areas with slopes greater than 25 percent are considered generally unsuitable for development, and may be developed only after a detailed site analysis and demonstration that building and site engineering techniques will result in minimal disturbance.

9A-1. Evaluate the effectiveness of Chapel Hill's environmental regulations in protecting natural resources.

9B. Open Space and Greenways

Preservation of land with environmental value as permanent open space is another way to protect Chapel Hill's natural resources. Land can be permanently secured as open space through fee simple acquisition, acquisition of a conservation easement, or through private development that maintains a portion of the property in an undeveloped state.

9B-1. Develop a schedule and committed funding source to implement the 1998 Chapel Hill Greenways Comprehensive Master Plan and the proposed Parks and Open Space Plan.

9B-2. Preserve open space in residential developments through the application of conservation development principles.

9C. Tree Preservation and Planting

Residents and visitors alike consider Chapel Hill's wooded setting to be an essential part of the Town's special community character. In addition to their aesthetic contributions, trees afford many environmental benefits such as maintaining air and water quality, providing natural habitat, minimizing erosion, and ameliorating climactic extremes.

9C-1. Improve tree preservation and planting efforts along entranceway corridors.

9C-2. Review and improve tree planting provisions in Chapel Hill's Development Ordinance.

9D. Public/Private Partnerships

A broad-based approach that goes beyond regulatory and acquisition strategies is called for if the quality of Chapel Hill's natural environment is to be maintained and enhanced. Throughout the country, grassroots citizen groups, often working in collaboration with governmental agencies, have been actively involved in projects to clean up and restore stream corridors, native ecosystems, and other areas of natural habitat.

9D-1. Encourage public/private partnerships to restore and enhance environmental resources.

9E. Air Quality

Air quality in Chapel Hill is tied to a number of factors. A major determinant is the miles traveled by automobiles and the conditions under which they are operated. Chapel Hill's air quality is affected not only by cars driven within Chapel Hill, but also by the growing number of vehicles driven *through* Chapel Hill to other regional destinations and by the growth of traffic in the Triangle Region generally. Thus improving air quality in Chapel Hill will in large part depend upon solutions implemented at a regional level. Nevertheless, the strategies described in Chapter 10.0 (Transportation) to reduce reliance on the private automobile will help to improve local air quality if effectively implemented. Other factors affecting air quality include the burning of fossil fuels to produce electricity or heat buildings and the emission of methane when garbage and waste products decompose in urban areas, primarily in landfills.

9E-1. Implement strategies to enhance local air quality.

9F. Water Quality and Stormwater Management

The quality of Chapel Hill's watercourses is of concern due to their relationships to local and regional drinking water supplies and because they are good barometers of general environmental health. In a largely developed community such as Chapel Hill, maintaining and enhancing water quality is dependent upon a variety of factors, such as stormwater management practices, open space protection, habitat preservation and restoration, and land development practices.

The Town of Chapel Hill has instituted a monthly monitoring of local streams since 1995. The monitoring includes factors such as temperature, dissolved oxygen, microinvertebrate populations (benthic inventories), and chemical constituents of the water. The Town's annual Data Book summarizes the data generated to date. In accordance with the federal Clean Water Act, the State of North Carolina has issued a draft list of impaired streams for the year 2000 across the state. In Chapel Hill, the list includes Booker Creek, Bolin Creek, Little Creek, Meeting of the Waters Creek, and Morgan Creek. In general, the list categorizes local creeks as nutrient sensitive water, and shows sediment as the cause of impairment. This finding suggests the need for continuing attention to land development practices that minimize pollutant discharges into local streams.

9F-1. Improve existing stormwater management practices.

9F-2. Develop and implement an effective water quality performance review process.

10.0 TRANSPORTATION

10.2 GOALS, OBJECTIVES, AND STRATEGIES

GOALS AND OBJECTIVES

Goal

Develop a balanced, multi-modal transportation system that will enhance mobility for all citizens, reduce automobile dependence, and preserve/enhance the character of Chapel Hill.

Objectives

General:

Increase emphasis on transit, bicycle, and pedestrian mobility town-wide. Achieve an increase in the percentage of total trips within Chapel Hill by alternative transportation modes and a corresponding reduction in the percentage of trips by automobiles.

Emphasize transit and pedestrian/bicycle mobility in the vicinity of the downtown and the University of North Carolina at Chapel Hill (UNC) campus.

Minimize roadway improvements that increase automobile capacity. Proposed automobile capacity improvements should not negatively impact any alternative mode level of service.

Integrate all transportation modes within existing and future developments with appropriate land uses, design standards, and infrastructure. A priority should be to connect residential areas to nearby commercial centers, schools, parks, and other neighborhoods with sidewalks and bike lanes and/or paths.

Develop strategic transportation linkages between neighborhoods, transit stops, and activity areas.

Multi-Modal Streets and Highway System: Develop and maintain a comprehensive network of streets and highways that support safe automobile, transit, bicycle, and pedestrian mobility within Town.

Public Transportation: Maintain a public transportation system that enhances the mobility and safety of Town residents, employees, and students. Increase per capita ridership with provision of increased service to an expanded park-n-ride lot system that complements regional transit.

Bikeways: Develop and maintain a system of safe and efficient bikeways (on-street bike lanes and off-street bike paths within greenways) designed to contribute to Town-wide mobility, connecting neighborhoods with activity centers, schools, parks, and other neighborhoods.

Pedestrians: Develop and maintain a pedestrian circulation system, including sidewalks and greenway trails, that provides direct, continuous, and safe movement within and between districts of Town. Link neighborhoods to activity centers, transit stops, schools, parks, and other neighborhoods.

Transportation Demand Management: Develop and implement programs that reduce the percentage of trips made by single occupancy vehicles, and encourage transportation by alternate modes.

Parking: Develop a parking system within downtown that recognizes the need for adequate short-term parking while encouraging policies and practices that minimize the long-term parking supply.

STRATEGIES AND ACTIONS

10A. Multi-Modal Street and Highway System

Developing and maintaining a comprehensive network of streets and highways that support safe automobile, transit, bicycle lanes, and sidewalks is critical to improving mobility within the Town of Chapel Hill. Of particular concern is the development of performance standards for pedestrian and bicycle mobility that can be used in combination with vehicular performance to evaluate and develop Chapel Hill's transportation infrastructure. These standards should be coupled with an aggressive program of constructing bicycle lanes and sidewalks, with connections to a town-wide greenway network, in order to create a truly multi-modal street and highway system.

The basis for the multi-modal street and highway system is the Arterial Street Plan presented in Figure 15. This plan depicts the primary arterial and collector transportation system that provides mobility within and through the Town of Chapel Hill.

10A-1. Develop a method for evaluating operating performance for pedestrians and bicycles.

10A-2. Develop a comprehensive pedestrian and bicycle network.

10B. Traffic Management

Traffic management is the process of improving the overall traffic flow of the street system without making major roadway improvements. Traffic management also includes changes in traffic control devices and the implementation of traffic calming techniques to control traffic in residential areas and locations with pedestrian and bicycle activity.

10B-1. Develop a process to address residential area traffic impacts.

10B-2. Develop a comprehensive signal-timing plan.

10B-3. Develop modified engineering and design standards for streets.

10B-4. Develop improved transportation impact analysis guidelines.

10C. Public Transportation

Providing public transportation services that enhance the mobility and safety of Town residents, employees, and students (both high school and university) is key to developing a balanced, multi-

modal transportation system. This concept encompasses both the existing Chapel Hill transit system and the plans for future regional transit. The goal is to increase per capita ridership by providing enhanced service, including an expanded park-and-ride lot system that complements local (and potential future regional) transit.

10C-1. Aggressively promote the use of fixed and non-fixed route transit.

10C-2. Explore potential regional transit service into Chapel Hill.

10C-3. Increase use of park-and-ride and associated transit service.

10C-4. Explore the feasibility of establishing a downtown transit center and satellite facilities.

10D. Employer Transportation Programs

Reducing the percentage of trips made by single-occupancy vehicles and encouraging transportation by alternate modes are essential if auto-dependency and associated traffic congestion are to be reduced. Because congested conditions are typically caused by employees commuting to and from work, employer transportation programs are commonly used to promote alternatives to driving alone.

10D-1. Develop a Transportation Demand Management program to help reduce traffic congestion.

10E. Parking

In order to promote a vital downtown and commercial centers, it is critical to provide an adequate (but not excessive) supply of convenient, off-street, short-term parking. However, to promote a balanced transportation system, it is also necessary to minimize the long-term parking supply available to employees. The purpose of minimizing long-term parking through supply and/or pricing policies is to make driving alone to work a less attractive alternative than other modes of transportation.

10E-1. Develop and implement a comprehensive parking strategy.

10F. Mobility Report Card

To ensure progress in improving mobility for Chapel Hill residents through the above initiatives, community-wide transportation mobility surveys should be conducted on a periodic basis. The survey results will become the Town's "Mobility Report Card" for use by Town Council and staff in prioritizing and modifying transportation programs to address citizens needs.

10F-1. Prepare a periodic mobility survey to track progress in achieving transportation goals and objectives.



11.0 COMMUNITY FACILITIES

11.2 GOALS, OBJECTIVES, AND STRATEGIES

GOALS AND OBJECTIVES

Goal

Provide community facilities and services that meet the physical, social, and cultural needs of Chapel Hill's population.

Objectives

Town-wide Criteria: Locate, design, and operate community facilities and services to promote public health, safety, and well-being within Chapel Hill's Urban Services Area.

Facility Types and Standards: Establish standards or performance criteria for the following types of facilities and services, to ensure that they adequately meet community needs:

- Water and sewer
- Solid waste management
- Police protection
- Fire protection
- Schools
- Library services
- Parks and recreation
- Transportation facilities
- Municipal operations

STRATEGIES AND ACTIONS

IIA. Community Facilities Planning and Development

A survey of the last ten years reveals that Chapel Hill and allied providers have generally done well in providing basic public facilities and services to serve the growing population. Provision of water and sewer service, public safety, schools, and municipal facilities has generally kept pace with or, based on planned capital improvements, is expected to maintain adequate levels of system capacity. Nevertheless, capacity problems are being experienced in some areas (e.g., roads, waste management, and library services), indicating a need to be proactive in meeting the community's needs for public facilities and services.

An example of such a proactive approach is establishment of a "growth management protocol" for the provision of community facilities and services (see Chapter 8.0, Land Use and Development, Strategy 8B-1). One of the recommended components of this protocol is the adoption of level of service standards, or similar performance criteria, to measure the capacity of each type of public facility or service. The level of service standards may be derived from government requirements, professional or industry standards, or even from measuring citizen expectations through surveys or other means. Some of the standards are currently in place (e.g., the maximum response radius and time for fire stations) while others need to be developed (e.g., standards for the provision of parks and recreational facilities).

A Community Facilities Plan is essential if a proactive approach to providing public facilities and services is to be implemented. This plan will set realistic requirements to meet the needs of the current and future population for the various types of public facilities and services provided by the Town and other service providers. Based upon a comparison of the current and programmed provision of public facilities to the levels of service or other performance standards identified in the plan, needed capital improvements or other means of meeting future needs can be planned for.

The Community Facilities Plan should address water and sewer service, solid waste management, police, fire protection, schools, libraries, parks and recreation, transportation facilities, and municipal operations. Several of these facilities and services are not under the direct control of the Town (e.g., water and sewer service and schools) while others are multi-jurisdictional in nature (e.g., solid waste). Close cooperation with other providers will thus be necessary. In the case of facilities provided by others, the Town's role will be one of coordination, information-sharing, and support.

The Community Facilities Plan should also address issues of development timing and support of and consistency with the Future Land Use Plan. The suggested growth management protocol may be the basis for dealing with these issues by adopting a staged plan for the expansion of facility capacity. For example, different levels of service may be associated with different land use intensities within the established Urban Services Boundary.

Finally, the Community Facilities Plan should address the relationship between the demand for public facilities and the Town's (or the appropriate agency's) fiscal ability to provide those facilities at the level of service standards set forth in the Plan. The growth management protocol established per Strategy 8B-1 should include provisions for mitigation actions or payments by applicants to offset the demands of new developments on public facilities and services. While the public agencies are still responsible for implementing capital improvements, this would provide a valuable source of funding that directly relates service demands to service costs.

The parameters of the Community Facilities Plan are described below in the context of the eight types of public facilities and services.

- IIA-1. Work with OWASA to provide safe, adequate water supplies and wastewater treatment capacity for the community and the region.**
- IIA-2. Implement a solid waste management plan that meets the waste reduction goals adopted by Orange County and Chapel Hill.**
- IIA-3. Provide for expansion of staff and facilities needed to meet future community needs for police protection.**
- IIA-4. Provide for facility development and equipment acquisition needed to meet future community needs for fire protection.**
- IIA-5. Support Chapel Hill-Carrboro City Schools in providing quality public education, including school facilities adequate to meet future enrollment projections.**
- IIA-6. Develop and implement a plan to meet future community needs for library services.**
- IIA-7. Develop and implement a plan to meet future community needs for park and recreational facilities.**
- IIA-8. Develop a multi-modal transportation system, including operating performance standards for pedestrians and bicycles as well as automobiles.**
- IIA-9. Develop and implement a long-range facilities plan for municipal operations.**

12.0 FISCAL CONDITIONS

12.2 GOALS, OBJECTIVES, AND STRATEGIES

GOALS AND OBJECTIVES

Goal

Enhance the Town's ability to provide services and manage its development through financial stability and fiscal planning.

Objectives

Fiscal Analysis: Integrate fiscal assessment and cost-benefit analysis into the Town's decision-making processes.

Tax Base: Encourage appropriate development that reduces reliance on residential property taxes, consistent with supporting a high quality of life. Consider incentives and opportunities for strategically located non-residential development.

Bonds: Promote use of bonding authority to achieve key community objectives.

STRATEGIES AND ACTIONS

12A. Fiscal Impacts of Private Development

Increasing the Town's tax base in a manner that supports community values (e.g., maintaining town character and providing alternatives to automobile usage) is an important objective of the Comprehensive Plan. Although private land uses such as residential and office produce tax revenues, they vary in their effects on governmental finances based upon the difference between the revenues they generate and the cost of municipal services required to support them. No studies have been conducted in Chapel Hill to quantify the relative costs/benefits of different land uses. In general, office development generates the highest net revenues of all land uses. Retail development generates much lower revenues than office uses. Residential development can have a positive or negative fiscal impact based upon factors such as housing cost and the number of school age children.

12A-1. Incorporate analysis of projected tax revenues versus costs in terms of demands on community facilities and services in making decisions on rezonings.

12A-2. Revise the Town's permit and fee structure to capture the full cost of services provided.

12B. Financing Comprehensive Plan Initiatives

Like previous town plans and initiatives, this plan contains a number of strategies that will require significant investment of public funds if they are to be implemented. Examples include acquisition/development of complete greenway, bicycle, and sidewalk networks; funding to increase the supply of affordable housing; and streetscape improvements and other investments in the downtown. These concepts are not new to Chapel Hill; the community is well aware of its needs and desires and has generated many creative and thoughtful ideas in this and other planning processes. In the past, a major stumbling block to implementing planning initiatives supported by the community has been lack of funding. While the Town has used General Obligation Bonds to finance capital projects such as park and recreation facility development, open space and greenway acquisition, and sidewalk and bikeway improvements, much larger sums will be needed if the priority programs identified by the Comprehensive Plan are to be fully implemented.

As described in Section 12.1, Chapel Hill is in excellent fiscal condition, a tribute to prudent management practices by town government. Given the Town's sound fiscal situation and the strong support of the community for ideas such as more parks, trails, and greenways, perhaps what is needed is a new paradigm, one that shifts the emphasis from "spending" to "investment." Consider whether any mature, successful U.S. corporation has not made major investments to avoid obsolescence and maintain competitiveness and customer loyalty. While Chapel Hill may not be strictly analogous to a private corporation, it nevertheless competes for residents and businesses that historically have chosen it because of its special community character. To fail to make the necessary investments to maintain its standard of quality, thereby losing its "competitive edge" as the region's most desirable place to live, would reflect a failure of strategy to match vision.

If the Comprehensive Plan is to be effectively implemented, a major investment initiative for the 21st century will be required. This initiative should be conceived as an investment in the future of the community, one that enhances its intrinsic value as a special place to live as well as its economic well-being. In its broadest sense, this concept of "Building Value for the 21st Century" will find application not just in capital programs (e.g., greenway and bikeway development) but also in other strategies such as the preservation of historic neighborhoods or promotion of mixed-use environments. All of these initiatives will work together to build the community that Chapel Hill residents desire for the future.

12B-1. Develop and implement a funding strategy for Comprehensive Plan initiatives.

14.0 TOWN GOVERNMENT

14.2 GOALS, OBJECTIVES, AND POLICIES

GOAL

Town government that maximizes citizen participation, is representative of and responsive to the populations, and that serves and governs the population in an honest, efficient, and equitable manner.

OBJECTIVES AND POLICIES

Citizen Participation

Objective: Participatory government accessible and responsive to the population.

Policies:

- The Town shall take steps to maximize participation by citizens in all Town functions.
- The Town shall undertake programs designed to increase the awareness of and participation in decision-making by groups often underrepresented in Town Government.

Citizen Information

Objective: A citizenry informed of Town functions and activities.

Policies:

- The Town shall provide comprehensible information conveniently accessible to the public, including outreach efforts.
- The Town shall make an effort to inform citizens most affected by given issues of the decision-making process.

Administration

Objective: Efficient and equitable administration of Town functions.

Policies:

- The Town shall hire competent personnel and establish conditions of employment necessary to retain them.
- The Town shall require Town employees to give courteous and timely attention to requests for information and assistance to the public.
- The Town shall enforce all Town ordinances and procedures consistently.

- The Town shall institute mechanisms for intra- and intergovernmental coordination and cooperation (including joint ventures, periodic joint meetings, courtesy reviews, and other regular communications channels) to minimize conflicting and overlapping activities and jurisdictions.
- The Town shall administer all Town functions without discrimination because of race, creed, sex, national origin, age, economic status, or affectional preference.

Fiscal Management

Objective: Efficient and responsible governmental financing and financial administration.

Policies:

- The Town shall require strict and public accountability for all expenditures and revenues.
- The Town shall use borrowing to finance major capital improvements, in keeping with the life of the capital improvement, insofar as the Town's credit rating is not injured.
- The Town shall take initiative in identifying and pursuing sources of state, federal, and private financial assistance.

Table 2c. Action Plan – Comprehensive Plan Initiatives (Summary Schedule as adopted May 12, 2003)

	Short-Term Actions	Mid-Term Actions	Long-Term Actions
Community Character	<ul style="list-style-type: none"> • Develop an implementation schedule and begin implementing the Downtown Small Area Plan • Revise the Master Plan for Town Entranceway Corridors • Discussions with Northside about Neighborhood Conservation District • Prepare language concerning regulation of Duplex Dwelling Units for consideration. • Undertake additional Small Area Planning Process 	<ul style="list-style-type: none"> • Continue implementing the Downtown Small Area Plan • Define residential area planning process and initiate one residential area plan • Evaluate residential area planning process. Based upon evaluation, initiate additional residential area plans 	<ul style="list-style-type: none"> • Complete implementation of the Downtown Small Area Plan
University Relations			<ul style="list-style-type: none"> • Initiate joint employee housing project with UNC • Complete joint employee housing project with UNC
Regional Cooperation	<ul style="list-style-type: none"> • Durham Joint Planning 	<ul style="list-style-type: none"> • Evaluate options for a joint Urban Services Area/Rural Buffer strategy • Initiate discussions re. a coordinated TDR/PDR/conservation easement strategy 	<ul style="list-style-type: none"> • Adopt a joint Urban Services Area/Rural Buffer strategy
Economy and Employment	<ul style="list-style-type: none"> • Development of Town Parking Lots 2 and 5 and Continue implementation 	<ul style="list-style-type: none"> • Develop a non-residential development strategy 	
		<ul style="list-style-type: none"> • Revise Development Ordinance (non-residential development design standards) 	
Housing	<ul style="list-style-type: none"> • Develop an affordable housing incentive program • Enact an affordable housing funding source 	<ul style="list-style-type: none"> • Fund affordable housing developments 	<ul style="list-style-type: none"> • Fund affordable housing developments • Pursue inclusionary zoning
Land Use and Development	<ul style="list-style-type: none"> • Revise Development Ordinance (mixed-use development, conservation development, development review process) • Initiate at least one additional small area plan • Establish process to monitor implementation and administration of the Land Use Management Ordinance. • Conduct Duplex Study • Update Design Manual • Begin considering Use Patterns • General Adequate Public Facilities Ordinance 	<ul style="list-style-type: none"> • Develop a strategy to promote mixed-use development 	<ul style="list-style-type: none"> • Initiate and complete additional small area plans
Environment	<ul style="list-style-type: none"> • Develop a long-term schedule and funding source to complete the greenway and open space system • Develop a water quality performance review process • Implement a dedicated funding source for stormwater management • Develop a local action plan to reduce greenhouse emissions • Clean Water Actions: Adopt, implement improved erosion and sedimentation requirements 	<ul style="list-style-type: none"> • Implement priority greenway acquisition and development projects 	<ul style="list-style-type: none"> • Continue greenway acquisition and development projects

Table 2c. Action Plan – Comprehensive Plan Initiatives (Summary Schedule as adopted May 12, 2003) (cont.)

	Short-Term Actions	Mid-Term Actions	Long-Term Actions
Transportation	<ul style="list-style-type: none"> • Adopt pedestrian/bicycle operating performance measures • Develop a Pedestrian Improvement Action Plan • Develop a Bicycle Improvement Action Plan • Conduct community-wide mobility survey • Evaluate the feasibility of a downtown transit center • Develop a process to address neighborhood traffic impacts • Report to Council evaluating Transportation Management Program • Study parking patterns and propose new parking regulations 	<ul style="list-style-type: none"> • Develop a plan and funding source for an expanded park-and-ride system • Develop a plan and funding source to improve local transit • Implement priority sidewalk development projects • Implement priority bikeway development projects • Develop a comprehensive signal-timing plan • Conduct community-wide mobility survey • Develop a Transportation Demand Management Program • Develop modified engineering standards for streets • Develop a comprehensive parking strategy 	<ul style="list-style-type: none"> • Implement expanded park-and-ride system • Implement plan to improve local transit • Continue sidewalk development projects • Continue bikeway development projects • Conduct community-wide mobility survey
Community Facilities	<ul style="list-style-type: none"> • Develop a coordinated Community Facilities Plan • Identify long-range solution for the Municipal Operations facility • Implement Parks and Open Space Master Plan • Complete a Library Master Plan 	<ul style="list-style-type: none"> • Implement Parks and Open Space Master Plan • Implement Library Master Plan 	<ul style="list-style-type: none"> • Implement Library Master Plan
Fiscal Conditions		<ul style="list-style-type: none"> • Develop a model and procedures for analyzing the fiscal impacts of proposed rezonings 	

**Town of Chapel Hill Comprehensive Plan
Status List of Plan Actions March 2006**

COMMUNITY CHARACTER
Completed Actions:
Actions completed since May 2000
Implement a "percent for art" program
Develop plan to address UNC traffic and parking impacts on neighborhoods
Revise Development Ordinance (front-yard parking, noise, Historic District regulations)
Discussions with Northside about Neighborhood Conservation District
Prepare language concerning regulation of Duplex Dwelling Units for consideration.
Undertake additional Small Area Planning Process
Actions in Progress:
Develop implementation schedule and begin implementing the Downtown Small Area Plan
Define residential area planning process and initiate one residential area plans
Actions Not Started:
Revise the Master Plan for Town Entranceway Corridors
Evaluate residential area planning process. Based upon evaluation, initiate additional residential area plans
UNIVERSITY RELATIONS
Actions Not Started:
Initiate joint employee housing project with UNC
Complete joint employee housing project with UNC
REGIONAL COOPERATION
Completed Actions:
Adopt a Town strategy to address Shaping Orange County's Future
Actions in Progress:
Durham Joint Planning
Initiate discussions re. a coordinated TDR/PDR/conservation easement strategy
Actions Not Started:
Evaluate options for a joint Urban Services Area/Rural Buffer strategy
Adopt a joint Urban Services Area/Rural Buffer strategy
ECONOMY AND EMPLOYMENT
Completed Actions:
Development of Town Parking Lots 2 and 5 and Continue implementation
Actions Not Started:
Develop a non-residential development strategy
Revise Development Ordinance (non
HOUSING
Completed Actions:
Develop and adopt a rental licensing and inspection ordinance
Revise Development Ordinance (affordable housing incentives, rental licensing and inspection)
Actions in Progress:
Develop an affordable housing incentive program
Enact an affordable housing funding source
Fund affordable housing developments
Pursue Inclusionary Zoning
LAND USE AND DEVELOPMENT
Completed Actions:
Develop a growth management protocol
Initiate at least one additional small area plan
Conduct Duplex Study
Update Design Manual

**Town of Chapel Hill Comprehensive Plan
Status List of Plan Actions March 2006**

Actions in Progress:
Revise Development Ordinance (mixed-use, conservation development, development review process)
Establish process to monitor implementation and administration of the Land Use Management Ordinance.
Actions Not Started:
Begin considering Use Patterns
General Adequate Public Facilities Ordinance
Develop a strategy to promote mixed-use development
Initiate, complete additional small area plans
ENVIRONMENT
Completed Actions:
Evaluate low-impact development practices
Adopt low-impact development practices
Develop a long-term schedule and funding source to complete the greenway and open space system
Implement a dedicated funding source for stormwater management
Actions in Progress:
Develop a water quality performance review process
Adopt, implement improved erosion and sedimentation requirements
Develop a local action plan to reduce greenhouse emissions
Implement priority greenway acquisition and development projects
TRANSPORTATION
Completed Actions:
Revise Development Ordinance (sidewalk and bike lane construction, traffic impact analysis guidelines)
Adopt roadway standards for on-street bike lanes and begin applying to resurfacing/reconstruction projects
Conduct community-wide mobility survey
Develop a Bicycle/ Pedestrian Improvement Action Plan
Develop a process to address neighborhood traffic impacts
Report to Council evaluating Transportation Management Program
Develop modified engineering standards for streets
Actions in Progress:
Adopt pedestrian/bicycle operating performance measures
Evaluate the feasibility of a downtown transit center
Study parking patterns and propose new parking regulations
Develop a plan and funding source for an expanded park-and-ride system
Develop a plan and funding source to improve local transit
Implement priority sidewalk development projects
Develop a comprehensive signal timing plan
Conduct community-wide mobility survey
Develop a Transportation Demand Management Program
Develop a comprehensive parking strategy
Implement expanded park
Actions Not Started:
Implement priority bikeway development projects
Implement plan to improve local transit
Continue sidewalk development projects
Continue bikeway development projects
Conduct community-wide mobility survey
COMMUNITY FACILITIES
Completed Actions:
Complete a Parks and Open Space Master Plan
Identify long-range solution for the Municipal Operations facility
Complete a Library Master Plan

**Town of Chapel Hill Comprehensive Plan
Status List of Plan Actions March 2006**

Actions in Progress:
Develop a coordinated Community Facilities Plan
Implement Parks and Open Space Master Plan
Implement Library Master Plan
FISCAL CONDITIONS
Completed Actions:
Revise the Town's permit and fee structure
Actions Not Started:
Develop a model and procedures for analyzing the fiscal impacts of proposed rezonings

ITEM 9

AGENDA ITEM

- LAND APPLICATION OF BIOSOLIDS IN THE CANE CREEK AND UNIVERSITY LAKE WATERSHEDS

PURPOSE

- To provide information and discuss the possible application of OWASA biosolids in the Cane Creek and University Lake watersheds.

BACKGROUND

- As presented in recent reports, OWASA's biosolids management program needs additional sites to provide greater flexibility and more options for recycling liquid or de-watered biosolids on suitable farmland.
- The City of Burlington holds a State permit to apply biosolids in the Cane Creek watershed, and until recently, the Town of Cary applied biosolids in the University Lake watershed. OWASA has traditionally chosen not to apply in our own watersheds, but employs several sites upstream of Hillsborough in the Eno watershed, which has the same WS-II water supply classification as Cane Creek and University Lake.
- It is suggested that OWASA begin seeking biosolids application sites in the Cane Creek and University Lake watersheds.

ACTION NEEDED

- Review and discuss attached memo.

STAFF RECOMMENDATION

- Staff recommends that this memo and additional background information be provided to the Towns and County and that comments be solicited from OWASA customers and other stakeholders at the July 13, 2006 Board meeting.

June 8, 2006

MEMORANDUM

TO: Board of Directors
THROUGH: Ed Kerwin
FROM: Ed Holland
DATE: June 1, 2006
SUBJECT: Land Application of Biosolids in the Cane Creek and University Lake Watersheds

Background

Biosolids are a by-product of the wastewater treatment process. They are composed of solid material that has been sufficiently treated per Federal and State requirements to enable its safe and beneficial recycling as a soil amendment and fertilizer.

OWASA produces approximately four dry tons of biosolids each day; but because this material is currently treated, stored, and transported in a liquid form with a solids concentration of only 2 to 3.5 percent, it represents a total volume of about 40,000 gallons, or about six tanker truckloads per day.

OWASA's biosolids are monitored to ensure that they meet water quality and public health standards for micro-organisms and trace metals. After an extended period of high temperature treatment in digesters at the Mason Farm Wastewater Treatment Plant, the biosolids are applied as a soil amendment and fertilizer to specially permitted agricultural lands. The amount of biosolids that can be applied is determined by its nutrient content.

Additional details about OWASA's biosolids program are available in an information packet presented to the Orange County Board of Commissioners on February 3, 2004 and in a recent Discussion Paper to the OWASA Board of Directors (February 3, 2006 Draft).

Regulatory Oversight

Biosolids may only be land applied through a Federal/State permitting system administered by the North Carolina Division of Water Quality (DWQ). OWASA holds permits for both Class A and Class B biosolids. Class A materials receive treatment for a longer period of time and at higher temperatures than Class B biosolids. Because the Class A product contains fewer microbial organisms, its application to the land requires less regulatory oversight than Class B. Class B materials may be applied only to sites specifically listed in the Class B permit, while Class A biosolids may be applied to any sites that meet the overall requirements

for slope, setbacks, and so forth. In addition to meeting the microbial standards, all of OWASA's biosolids – both Class A and B – qualify for the USEPA/NCDWQ Exceptional Quality (EQ) designation because concentrations of critical trace metals are below the threshold values established for EQ biosolids. The EQ status of OWASA biosolids reflects the non-industrial nature of our utility service area, which typically produces only low levels of trace metals.

OWASA holds permits to apply liquid biosolids to 1,044 acres of agricultural land in Orange and Chatham Counties. Approximately 880 acres of this property are privately owned. One hundred sixty-four acres are owned by OWASA in our 700-acre Headwaters tract west of Orange Grove Road in Orange County. The attached map shows all sites in Orange County that are currently permitted for biosolids application by OWASA and other entities.

Water Quality Considerations

Although the Class A designation provides the operational flexibility to apply biosolids at a greater number of locations, the only difference in quality between Class A and Class B material is its lower microbial content. No differences exist between Class A and B biosolids in allowable concentrations of other key water quality parameters, such as nutrients (nitrogen and phosphorus) and trace metals (mercury, cadmium, lead, copper, etc.), which have been the primary focus of OWASA's source water protection efforts.

North Carolina's water quality classifications and standards recognize five different categories of water supplies based on the natural and developed characteristics of their watersheds. WS-I waters, the most highly protected supplies, are described as "those within *natural and undeveloped* watersheds in public ownership with no permitted point source (wastewater) discharges." All of the state's WS-I waters are located in the mountainous western region of North Carolina. OWASA's University Lake and Cane Creek watersheds – as well as most of the other water supplies in Orange County (see attached map) – are classified as WS-II, which are described by state regulations as "generally in *predominantly undeveloped* watersheds and only general permits for discharges are allowed."

Biosolids and Water Supply Watersheds

State regulations allow biosolids to be land applied within water supply watersheds. The City of Burlington holds a biosolids permit for locations in the Cane Creek watershed (see attached map). OWASA, however, has historically chosen not to land apply within the Cane Creek or University Lake watersheds – not because of additional water quality risks, but out of a concern about customer perception. Although this principle has been followed as an operating guideline, we are not aware of any previously adopted policy of the Board of Directors that addresses biosolids application with respect to water supply watersheds.

It is important to note that our *February 3, 2004 Biosolids Management* fact sheet presented to the Orange County Commissioners stated incorrectly that "OWASA . . . has chosen not to

land apply biosolids in Class WS II (protected) watersheds . . .” The map attached to this memorandum and the map attached to the February 3, 2004 fact sheet both correctly identify OWASA biosolids sites in the Eno River watershed upstream of Hillsborough’s water supply intake, but the map produced in 2004 did not include watershed delineations. The Eno River above Hillsborough is in fact a WS-II water supply source, but its WS-II classification was not recognized in OWASA’s 2004 information package to the County Commissioners. None of the OWASA biosolids sites in Chatham County are located in WS-II watersheds.

As shown on the attached map, OWASA’s land application permit includes 358 acres in the WS-II Eno River watershed, and the City of Burlington’s permit includes 363 acres in the Cane Creek watershed. No sites are currently permitted in the University Lake watershed. The Town of Cary previously had a DWQ permit to apply Class B biosolids on two sites in the University Lake watershed, but these sites are no longer used by Cary, which now operates a thermal drying facility.

OWASA Biosolids in OWASA Watersheds?

Recent presentations have noted OWASA’s need for additional biosolids management options, including more land for the continued application of liquid biosolids and perhaps the future application of de-watered biosolids. It is suggested that OWASA seek sites in the Cane Creek and University Lake watersheds for the following reasons:

Water quality considerations – A properly managed biosolids application program operated in compliance with industry standards and regulatory requirements represents no additional risk to downstream water quality. Other activities in the Cane Creek and University Lake watersheds are subject to substantially less regulatory oversight and likely represent greater water quality risks than the land application of biosolids.

Availability of agricultural land – The Cane Creek and University Lake watersheds contain about 6,300 and 3,600 acres, respectively, of pasture, grassland, and cropland, much of which would be suitable for biosolids application. (Most of the nearly 2,000 acres of OWASA-owned property in the Cane Creek watershed is either still forested or is located too close to the reservoir shoreline or tributary streams to satisfy regulatory setback and buffer requirements.)

Reduced transportation costs – Land in OWASA’s watersheds is closer to the Mason Farm Wastewater Plant than many of our existing biosolids sites in Orange and Chatham Counties. Reduced distances mean reduced transportation costs, fuel consumption, and other environmental effects of transportation.

Recommended Next Steps

Staff recommends discussing these issues at the Board’s June 8, 2006 meeting, and if the Board concurs, seeking public comments at the July 13, 2006 Board meeting. Staff proposes

Biosolids Memorandum

June 1, 2006

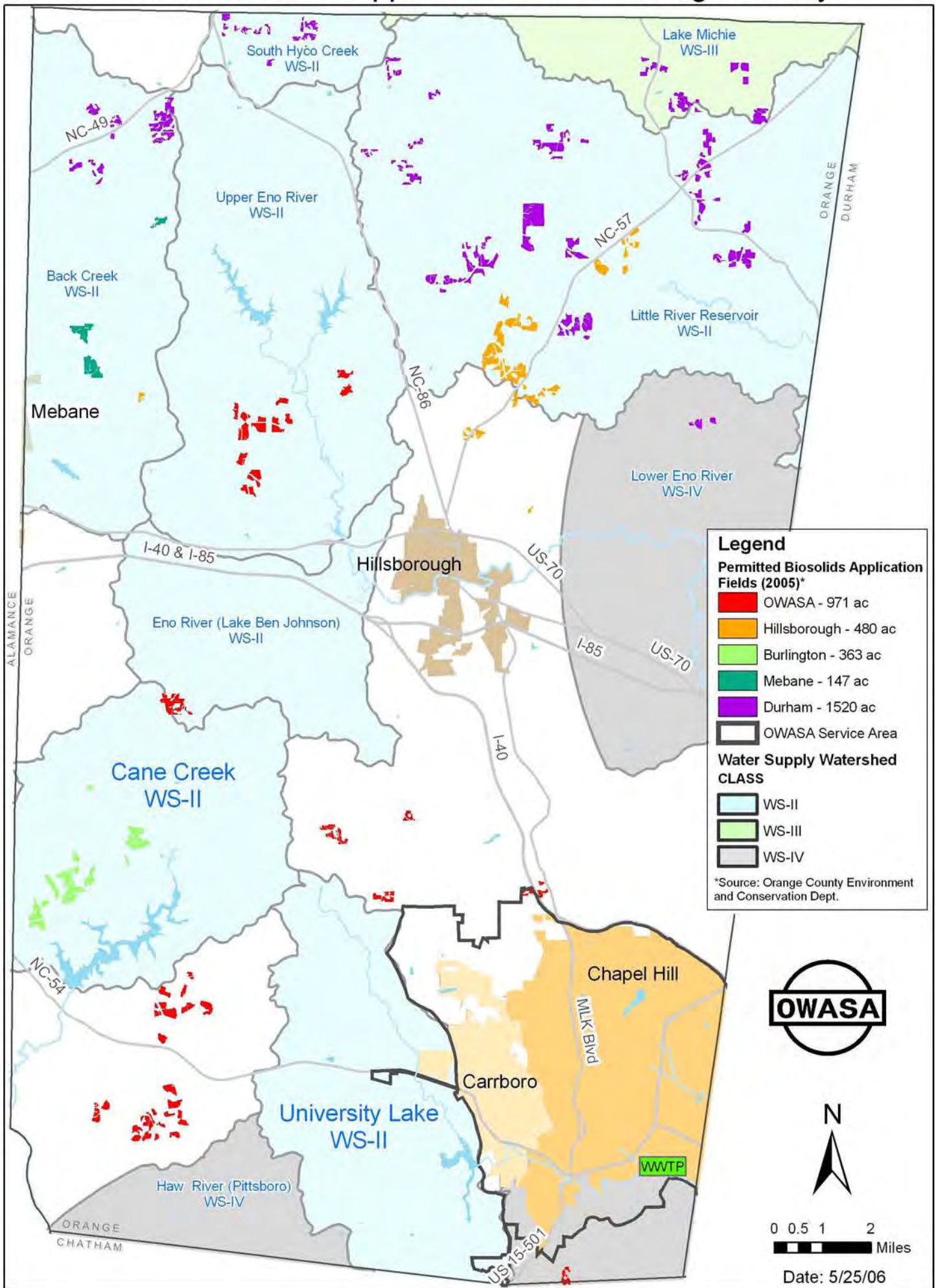
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that this memorandum and additional background information be transmitted to the Towns and County and that comments be solicited from OWASA customers and watershed property owners. Feedback would be incorporated as appropriate into further consideration of the proposal to seek biosolids application sites in the Cane Creek and University Lake watersheds.

A handwritten signature in black ink, appearing to read "Ed Holland", written over a horizontal line.

Edward A. Holland, AICP
Planning Director

Permitted Biosolids Application Sites in Orange County



ITEM 10

AGENDA ITEM

- RESOLUTION ADOPTING THE ANNUAL BUDGET FOR ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR BEGINNING JULY 1, 2006 THROUGH JUNE 30, 2007

BACKGROUND

- In accordance with North Carolina G.S. 159-13 and Section 7.05 of the Bond Order, Orange Water and Sewer Authority shall, on or before the 1st day of July in each fiscal year, adopt an Annual Budget for the ensuing fiscal year.
- The Fiscal Year 2006-2007 Annual Budget prepared by the OWASA staff presents projections of operating revenues and estimates of expenditures for the current year and upcoming fiscal year.
- The Fiscal Year 2006-2007 estimated revenues and appropriations remain unchanged from the budget under consideration during the May 25, 2006 Public Hearing.

ACTION NEEDED

- Adoption of the Fiscal Year 2006-2007 Annual Budget.

ALTERNATIVES

- Defer adoption of the Annual Budget. If the Annual Budget is not adopted, the Preliminary Budget adopted on April 27, 2006 shall be in force and shall be treated as the Annual Budget under the requirements of G.S. 159-16 and provisions of Section 7.05 of the Bond Order until a final budget is adopted.

STAFF RECOMMENDATION

- Adoption by the Board of Directors of the Fiscal Year 2006-2007 Annual Budget as set forth in the attached budget document.

June 8, 2006

MEMORANDUM

TO: Board of Directors
THROUGH: Ed Kerwin
FROM: Kevin M. Ray
DATE: May 31, 2006
SUBJECT: Adoption of Annual Budget

OWASA's Bond Order and North Carolina General Statutes require that on or before the 1st day of July of each fiscal year, OWASA shall prepare and adopt an Annual Budget for that fiscal year. In consultation with the Board of Directors, staff has prepared an Annual Budget that presents reasonable projections of revenues and estimates of expenditures for Fiscal Year 2006 – 2007.

The Board of Directors adopted a Preliminary Annual Budget on April 27, 2006 and a draft Annual Budget was presented to the Board in conjunction with a public hearing held on May 25, 2006 to receive public comment on the draft Annual Budget.

The Annual Budget in its present form is substantially the same as the draft budget presented during the Public Hearing on May 25, 2006, reflecting 6.0% and 6.25% rate adjustments to water and sewer rates, respectively. The Fiscal Year 2006-2007 Annual Budget includes a 3.8% salary pool for employee merit increases.

The proposed Annual Budget contains a total operating appropriation, before construction credits, of \$17.3 million; representing an increase over the current-year appropriation of 8.7%. This increase reflects increases anticipated in the cost of chemicals, utilities, fuel and maintenance.

OWASA's Annual Budget received the Government Finance Officers Association's (GFOA) *Award for Distinguished Budget Presentation* for the current and preceding fiscal years. Staff is confident that this year's Budget will meet the requirements of the award program and will again submit it to the GFOA for award consideration.

Kevin M. Ray
Director of Finance and Customer Service

**RESOLUTION ADOPTING THE ANNUAL BUDGET FOR
ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR
JULY 1, 2006 THROUGH JUNE 30, 2007**

WHEREAS, Section 7.05 of the Bond Order and North Carolina G.S. 159 require that on or before the first day of July in each fiscal year the Authority will adopt a Budget for the ensuing fiscal year; and

WHEREAS, such budget is to include estimates of revenues of the water and sewer system, current Operations and Maintenance expenses, estimated Interest Income and Debt Service costs, and disbursements from the General Fund for Capital Improvements and Equipment purchases.

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina G.S. 159-13 the attached pages marked 1 through 6 be, and they hereby are, adopted as the official Budget of Orange Water and Sewer Authority of the Fiscal Year beginning July 1, 2006 through June 30, 2007.
2. That the appropriations for departments, functions, and projects as shown in the attached budget for the respective purposes and in the respective amounts therein specified are hereby made.
3. That the Executive Director shall administer the budget, and is hereby authorized to expend the funds for the purposes set forth therein.

Adopted this 8th day of June, 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, P.E.
Secretary

**ORANGE WATER AND SEWER AUTHORITY
STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE
(OPERATING)**

**FY 2007
Annual Budget**

Operating Revenue

Water	\$15,423,000
Sewer	10,785,000
Service Initiation Fee	145,000
Other	<u>688,900</u>

Total Operating Revenue **27,041,900**

Operating Expense

General and Administrative	4,485,881
Operations	<u>12,828,501</u>

Total Operating Expense **17,314,382**

Net Operating Income **9,727,518**

Non-operating Revenue

Customer Fees	2,538,506
Interest	<u>1,000,000</u>

Total Net Income **13,266,024**

Debt Service

Existing	8,058,000
New	<u>1,419,000</u>

Total Debt Service **9,477,000**

Net Income Less Debt Service **\$3,789,024**

Debt Coverage Ratio **1.40**

**ORANGE WATER AND SEWER AUTHORITY
STATEMENT OF INCOME AND EXPENSE
(CAPITAL/NON-OPERATING)**

**FY 2007
Annual Budget**

General Fund

Resources		
Transfer From Revenue	\$3,789,024	
Assessments	27,000	
Grants and Contributions	<u>1,926,000</u>	
Annual Income Available for Capital		5,742,024
Transfer from Construction Fund (Bond Proceeds)		19,015,500
Total Available for Capital		24,757,524
Capital Expenditures		
Project ordinances		
General Fund Contribution	8,798,500	
Funded by Bond Proceeds	<u>19,015,500</u>	
Total Project Resolutions		27,814,000
Capital Equipment		126,000
Total Capital Outlay		27,940,000
Annual General Fund Balance		(3,182,476)
General Fund Beginning Balance		8,679,000
General Fund Ending Balance		<u>\$5,496,524</u>
Project Funding		
Under Contract	0	
Future Years	577,485	
Operating Balance	<u>4,919,040</u>	<u>\$5,496,524</u>
Unallocated General Fund Balance		\$0

REVENUE FUND

	Water	Sewer	Total
Fund Balance July 1, 2006			\$20,000
Receipts			
Operating Revenue			
Customer Billings	15,423,000	10,785,000	26,208,000
Service Initiation Fee	72,500	72,500	145,000
Other	<u>344,450</u>	<u>344,450</u>	<u>688,900</u>
Total Operating Revenue	15,839,950	11,201,950	27,041,900
Non-operating Revenue			
Customer Fees	1,269,253	1,269,253	2,538,506
Interest Income	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>
Total Non-operating Revenue	1,769,253	1,769,253	3,538,506
Total Receipts	16,339,950	11,701,950	30,580,406
Expenditures			
Current Expense	8,657,191	8,657,191	17,314,382
Debt Service	<u>2,843,100</u>	<u>6,633,900</u>	<u>9,477,000</u>
Total Expenditures	11,500,291	15,291,091	26,791,382
Net Revenue			3,789,024
To General Fund			3,789,024
Fund Balance June 30, 2007			<u>\$20,000</u>
Change in Available Balance			\$0

In accordance with OWASA's Amended and Restated Bond Order, Series 2001, all revenues derived from the operation of the water and sewer system, with the exception of grants and assessment proceeds which are earmarked for other purposes, are deposited into the Revenue Fund. These revenues are first applied to the payment of current expenses and then to the repayment of outstanding debt. Any excess amounts above the cost of current operations and debt service are available for capital improvements and may be transferred, by certification to the Trustee, to the General Fund. The Revenue Fund is administered by OWASA.

BOND SERVICE FUND

Fund Balance July 1, 2006		\$6,199,190
Receipts		
Transfers from Revenue fund	9,454,500	
Interest	<u>22,500</u>	
Total Receipts		9,477,000
Expenditures		
Debt Service	8,888,926	
Total Expenditures		<u>8,888,926</u>
Fund Balance June 30, 2007		<u>\$6,787,264</u>
Change in Available Balance		\$588,074

The Bond Service Fund is established by the Amended and Restated Bond Order, Series 2001 and serves as the mechanism for repaying the current portion of long-term debt. The Bond Order requires that the total of any principal and interest payments on long-term debt be transferred to the Bond Service Fund no later than 45 working days prior to the due date of such payments. This Fund is comprised of restricted assets and is administered by the Bond Trustee, and is expected to increase by \$588,000 due to additional debt to be issued in FY 2006-07.

GENERAL FUND

Fund Balance July 1, 2006		\$8,679,000
Receipts		
Transfer From Revenue fund	3,789,024	
Transfer From Construction Fund (Bond Proceeds)	19,015,500	
Interest	600,000	
Assessments	27,000	
Grants and contributions	<u>1,926,000</u>	
Total Receipts		<u>25,357,524</u>
Total Balance Before Expenditures		34,036,524
Expenditures		
Capital Equipment/Leases	\$126,000	
Project Resolutions	27,814,000	
Transfer to Revenue Fund	600,000	
Total Expenditures		<u>28,540,000</u>
Fund Balance June 30, 2007		<u><u>\$5,496,524</u></u>
Allocation of Fund Balance June 30, 2006		
Project Funding		
Under Contract	0	
Future Years	577,485	
Operating Balance, Working Capital	<u>4,919,040</u>	
Total Allocation		<u><u>\$5,496,524</u></u>
Unallocated General Fund Balance June 30, 2006		<u>\$0</u>
Change in Available Balance		(\$3,182,476)

Establishment of the General Fund is required by statute. Monies in the General Fund may be used for any lawful purpose and, in addition to bond proceeds, are OWASA's primary source to pay for capital improvements. Interest earnings in the General Fund are considered debt-pledged revenue and are to be transferred to the credit of the Revenue Fund. The General Fund is administered by OWASA. The balance of the General fund is projected to decrease by approximately 36%. This is a result of OWASA's capital spending plans and reflects the outflow of funds for capital improvements that were previously appropriated for future use in the preceding year's budget.

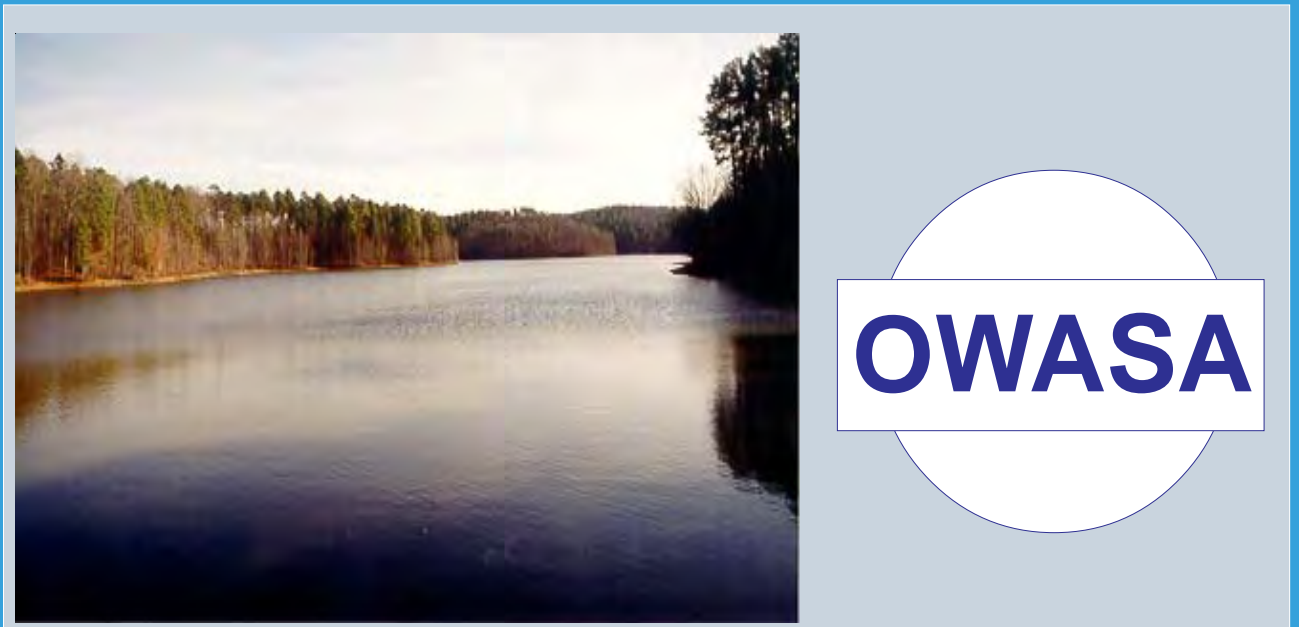
**CONSTRUCTION FUND
(CAPITAL PROJECTS)**

Fund Balance July 1, 2006	\$0
Bond Proceeds	20,000,000
Interest	100,000
Project Resolutions	<u>19,015,500</u>
Fund Balance June 30, 2007	<u>\$1,084,500</u>
Change in Available Balance	\$1,084,500

Available bond proceeds are credited to the Construction Fund at the closing of a bond sale. As capital project obligations for which bonds were issued are incurred, these proceeds are transferred as reimbursements to the General Fund. The ending balance reflects the the withdrawal of proceeds to fund the capital projects for which they were earmarked.

Annual Budget

Fiscal Year 2006-2007



ORANGE WATER AND SEWER AUTHORITY
CARRBORO, NORTH CAROLINA

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ORANGE WATER AND SEWER AUTHORITY

Quality Service Since 1977

BUDGET MESSAGE

To the Board of Directors

I am pleased to present the Annual Budget for the service year from July 1, 2006 through June 30, 2007. This Budget is a sound financial plan for Orange Water and Sewer Authority (OWASA) and has been prepared in accordance with OWASA's *Strategic Financial Planning and Management Document*, the *Amended and Restated Bond Order* adopted on September 13, 2001 and *The Local Government Budget and Fiscal Control Act*.

Through the budget process, the Board of Directors determines the level of water and sewer services that OWASA provides to the Carrboro-Chapel Hill urban area and the resources available for service operations and capital projects.

In summary, this budget reflects three key areas of emphasis for the coming year: capital improvements project needs identified in the 15-year *Capital Improvements Program (CIP)*, proactive maintenance of the water and sewer infrastructure, and operating costs required to sustain and enhance service levels during FY 2006-07.

The budget consists of projected revenue and miscellaneous receipts of \$32.5 million, capital project costs of \$27.8 million, operating and maintenance costs of \$17.3 million, debt service payments of \$9.5 million, and capital equipment purchases of \$126,000.

The budget document provides a multi-year comparison of budgeted expenditures and variances. Measurable efforts toward achievement of the goals and objectives developed for each department are reported through OWASA's *Performance Measurement Report* on a quarterly basis to the Executive Director and semi-annually to the Board of Directors.

Highlights of the Budget

Key elements of this Budget include:

- Continuation of the seasonal water conservation rate structure approved by the Board in June 2001.
- Adjustments of 6.00% and 6.25%, respectively in most water and wastewater rates, fees and charges. This increase is needed primarily to fund capital projects related to service reliability and adequate system capacity. These adjustments are consistent with projections derived from OWASA's 15-year financial planning model.
- Under the seasonal water conservation rate structure, the water commodity charge will be \$5.51 per thousand gallons of water consumed during the warmer, drier months of May through September. During the cooler, lower demand months of October through April, the water commodity charge is lowered to \$2.90 per thousand gallons.

For a typical residential customer using 6,000 gallons of water per month, the rate adjustments would increase the average monthly water and sewer bill from \$59.88 to \$63.56, an increase of \$3.68.

- An annual operating budget of \$17.3 million, an increase of 8.7% over the current year appropriation before construction credits. The increase reflects the cost of supplies, utilities, maintenance and personnel compensation. No new positions are proposed for the new budget year.

- A merit increase pool equaling 3.8% of current-year salaries and wages is proposed. Merit increases for individual employees will be determined through a performance evaluation process in accordance with established policies. Merit increases normally take effect in November of each year.
- A Capital Improvement Budget of \$27.8 million for FY 2006-07, as identified in the 15-year *Capital Improvements Program*. Key projects include:
 - the continued renewal and replacement of aging infrastructure,
 - ongoing improvements to, and expansion of, the Mason Farm Wastewater Treatment Plant, and
 - construction of the Stone Quarry Pump Station.
- A bond issue of approximately \$20 million primarily to complete the improvements and expansion of the Mason Farm Wastewater Treatment Plant. Annual debt service payments are estimated to increase by \$1.4 million as a result of the new borrowing.

The budget for OWASA's operating services and capital projects is developed in accord with:

- OWASA's *Mission Statement*.
- *Strategic Financial Planning and Management Document*, a document developed by OWASA to provide a comprehensive and systematic approach to financial planning and the development and implementation of management policies and related decisions.
- A comprehensive water and sewer master planning process, last updated in October of 2005, which includes reports and analyses of system needs.
- North Carolina General Statute Chapter 159 known as *The Local Government Budget and Fiscal Control Act*.
- OWASA's 15-year financial planning model, which takes into account economic assumptions, growth trends, operating and capital project costs and the desired debt service coverage ratio.
- OWASA's *Statement of Strategic Issues and Policies* for FY 2006-07.
- The 15-year *Capital Improvements Program*.
- The budget calendar as developed under the requirements of the *Strategic Financial Planning and Management Document*.

The budget process begins in November and concludes with adoption of an annual budget in June. To satisfy statutory requirements for an interim budget, should a final budget not be adopted by July 1st, the Board of Directors adopts a *Preliminary Budget* in April.

During the budget process, OWASA staff works closely with the Board's Budget and Financial Planning Committee in developing and refining documents for submittal to the full Board of Directors.

OWASA's Budget Process

Priorities and Assumptions

Public hearings on the OWASA budget and rate adjustments were held at the OWASA Board of Directors' regular meeting on Thursday, May 25, 2006 at the Chapel Hill Town Hall. In accordance with State law, the adopted budget may be amended at any time during the year to reflect changes in services, projects and costs. Such amendments can be made in any form by the Board of Directors' action, but the budget must remain balanced. In the State of North Carolina, the legal budgetary level of control is at the departmental level. In addition to the departmental information presented in this document, compliance at this level is disclosed in OWASA's Comprehensive Annual Financial Report.

The OWASA Board's adopted *Mission and Values Statement*, which is included in Section I, sets forth fundamental priorities for serving the community.

These priorities address quality water and wastewater services, environmental responsibility, customer service, employee development and well being, fiscal and operational efficiencies, relationships with local governments and effective sustainability.

Assumptions used in the budget process include projected water sales and growth in customer accounts, inflation factors, and the cost of borrowing. These assumptions were submitted to the Board of Directors for review and consideration in December, 2005.

Legal/Regulatory Assumptions

Federal, State, Local and Judicial

- OWASA must prepare and adopt a balanced budget in accordance with the NC Budget and Fiscal Control Act.
- Statutes governing local government purchasing and contracting require the development of and adherence to a Minority and Women Owned Business Enterprise Program in soliciting and accepting bids for certain construction work. OWASA's program adds modest administrative costs to the construction bidding process but should have no impact on the overall cost of construction.
- The OWASA Board of Directors is empowered to fix and revise rates, fees and other charges for services furnished or to be furnished by the Authority. Such rates, fees and charges are not subject to supervision or regulation by any bureau, board, commission or other agency of the State or by any political subdivision.
- Rates, fees and charges shall be fixed and revised so that revenues, together with any other available funds, shall be sufficient at all times:
 - (1) To pay the cost of maintaining, repairing and operating the water and wastewater systems including reserves for such purposes, and
 - (2) To pay all of the principal and interest on all bonds issued by the Authority.
- Fees and charges are applicable throughout the service area.

Intergovernmental

Sale and Purchase Agreements

- OWASA shall charge reasonable rates, based on cost of service, to all classes of users, serving all users within each class impartially and without unjust discrimination, with no differential in rates based on the location of a customer.
- OWASA shall operate the water and sewer systems at the lowest rates possible consistent with its obligation to provide proper and efficient service.
- OWASA will furnish, for as long as the University shall desire, potable water, meeting acceptable purity standards, in such quantity as may be required to meet its needs.
- The University will purchase all its potable water from OWASA, unless OWASA is unable to provide an adequate supply.
- The University will be provided reliable and adequate sewer services to meet its needs.
- If 5-year cumulative rate revisions exceed 20%, then the University may request a rate study be prepared by a qualified consultant and its results shared.
- OWASA agrees to meet the reasonable water and sewer needs of Carrboro and Chapel Hill.

Bond Order (Series 2001 as amended and restated)

- Interest earnings on bond proceeds and related accounts are included in the debt service ratio calculation.
- OWASA shall not provide free service, and shall charge all users including public bodies based on established rates, except for water used in fire protection, washing and flushing streets and testing water lines.
- While the Board amended the *Strategic Financial Planning and Management Document* to reflect a targeted 1.5 debt service ratio, the Bond Order continues to require a minimum ratio of 1.2.
- Rate adjustments in FY 2005-06 are sufficient to provide for FY 2006-07 debt service payments.

Organizational Assumptions

Financial Goals and Objectives

- The *Strategic Financial Planning and Management Document* specifies a working capital reserve balance at least equal to the greater of the following: 25% of the Operations & Maintenance Budget or 20% of the total estimated cost of capital improvements projects identified for the succeeding three years.

Twenty-five percent of estimated of operating costs for FY 2006-07 equals \$4.3 million.

Twenty percent of planned capital improvements for years 2008 through 2010 equals \$6.2 million, assuming an 80% project completion rate.

The projected General Fund ending balance for FY 2006-07 is \$5.5 million.

- The *Strategic Financial Planning and Management Document* specifies 30-40% cash funding of capital improvements. We project 32% cash funding of capital projects during FY 2006-07.
- The debt service coverage ratio for FY 2006-07 is projected to be 1.40. OWASA has begun a comprehensive rate study to include a revenue needs analysis and a determination of a rate structure to ensure full cost recovery of provided services. Subject to modifications arising from the rate study, projected annual rate increases are as follows:

Projected Rate Adjustments

FY07-08	6.25% Water	6.25% Sewer
FY08-09	6.25% Water	6.50% Sewer
FY09-10	6.25% Water	6.50% Sewer
FY10-11	6.25% Water	8.0% Sewer

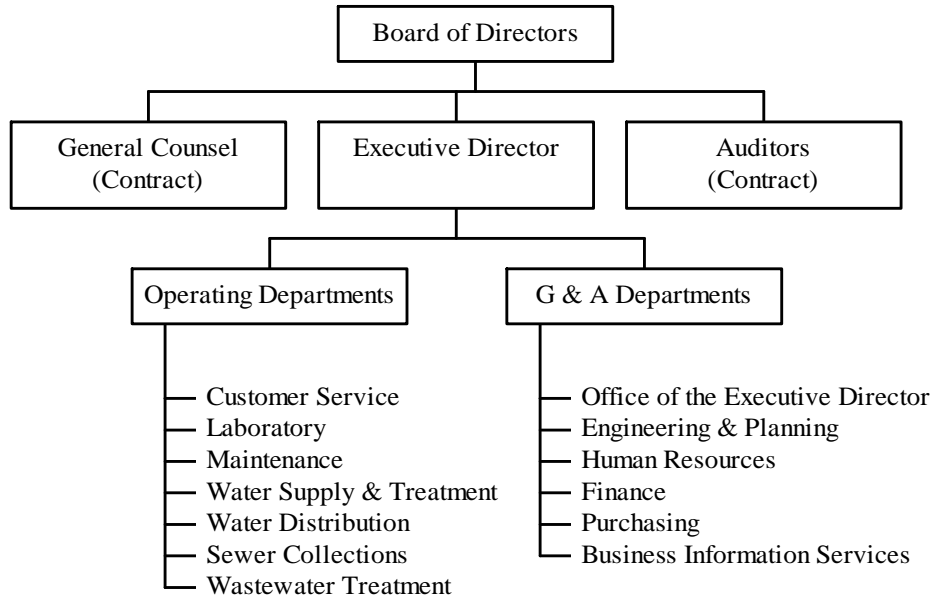
- Modest growth is expected during the budget year. A general inflation factor in the range of 3.0% to 3.5% appears prudent for FY 2006-07.
- While renewal premium quotes for property and liability insurance coverage are not yet available, preliminary discussions with the NC League of Municipalities indicate modest increases in FY 2006-07 due primarily to the addition of new infrastructure related to the ongoing CIP.
- Interest earnings improved throughout FY 2005-06, and most investments are expected to earn 4.5% or better in FY 2006-07.

Customer Demand and Service Levels – the following projections are based on historical and current year trending.

- Revenue forecasts for FY 2005-06 were based on sales projections of 7.96 million gallons per day (MGD). Sales volume averaged 7.93 MGD through March, 2006.
- Additional demand from new residential and commercial customers is estimated at 0.14 mgd for FY 2006-07, plus 0.17 MGD from additional University consumption, for a total increase of 0.31 MGD. FY 2006-07 demand projections are based on a total assumed demand of 7.93 mgd (current year revised projection) + 0.31 mgd (additional demand) = 8.24 MGD.
- Initial plans call for approximately \$27.8 million in capital improvements during FY 2006-07.
- A projected construction cost escalation rate of 3.0 to 3.5% is projected for FY 2006-07 while a long-term average of 5% has been historically used for planning purposes. Staff will continue to monitor price trends for construction materials such as metals and concrete created by growing global demand for these items.

**Organization
Overview by Division**

Orange Water and Sewer Authority



**Staffing
Summary**

The Board has authorized a total of 150 positions. Staffing level (full-time equivalents) by department is as follows:

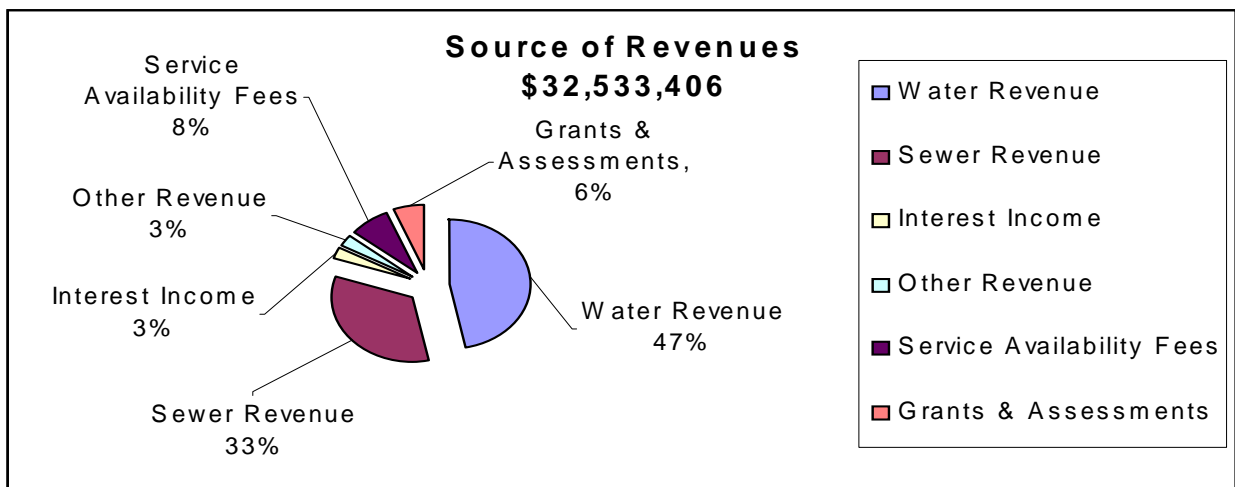
Operating Departments		G&A Departments	
Customer Service	8	Office of the Executive Director	10
Laboratory	10	Engineering & Planning	15
Maintenance	15	Human Resources	6
Water Supply & Treatment	12	Finance	6.5
Water Distribution	32	Purchasing	2.5
Sewer Collections	15	Business Information Services	4
Wastewater Treatment	14		

Summarized Annual Operations and Maintenance Income and Expenses (Revenue Fund)

Description	Resources	Expenses	Balance
Total Operating Revenue	\$27,041,900		
Operations and Maintenance Expenses			
Net Expenses, General and Administrative		\$4,485,881	
Net Expenses, Operations		<u>\$12,828,501</u>	
Net Total Operating Expenses		\$17,314,382	
Net Operating Income			\$9,727,518
Interest	\$1,000,000		
Availability Fees	\$2,538,506		
 Total Net Income			 \$13,266,024
 Total Debt Service		 \$9,477,000	
 Debt Coverage Ratio			 1.40

Summarized Annual Capital/Nonoperating Income and Expenses (General Fund)

Description	Resources	Expenses	Balance
General Fund Beginning Balance (7/1/06)			\$8,679,000
Transfer From Revenue	\$3,789,024		
Transfers from Construction Fund (Bond Proceeds)	\$19,015,500		
Grants and Assessments	\$1,953,000		
Funds Available for Capital Improvements			\$33,436,524
Total Estimated Capital Expenditures		(\$27,940,000)	
 General Fund Ending Balance (6/30/2007)			 \$5,496,524



Revenue Summary

In providing essential public water and sewer services to the Chapel Hill, Carrboro and portions of southern Orange County, Orange Water and Sewer Authority incurs substantial operating and capital expenses. OWASA operates as a nonprofit enterprise fund and has no legislative authority to levy taxes nor does OWASA receive tax revenues from local governments for ongoing operations. OWASA finances its ongoing water and sewer operations and extensive capital improvements almost entirely through customer paid fees and charges. OWASA establishes rates sufficient to generate revenue to meet operation and maintenance costs, pay debt service, and provide over time 30 to 40 percent cash funding for the Capital Improvements Program. Rates and fees are periodically adjusted in response to resource needs as evaluated by OWASA's 15-year Financial Planning Model.

OWASA gross receipts, with minor exception, are restricted by bond indenture. All revenues except grants and assessments must be deposited to the credit of the Revenue Fund. Monies in the Revenue Fund are expended in the following order. As *net* receipts are pledged to the repayment of outstanding debt, the first charge to the Revenue Fund is for current expense, and then debt service. Any funds remaining after current expenses and debt payments are transferred to the General Fund, and can be used for any lawful purpose.

The majority of OWASA's revenues are generated by the sale of drinking water and the collection and treatment of wastewater, and related services. As depicted in the graph on page 8, in FY 2006-07, 47% of total revenue is anticipated from water services while wastewater services are expected to generate 33%. Service availability fees comprise approximately 8% of total revenues. Plan review and construction observation fees, grants, assessments, rental, royalty and interest income contribute the remaining 12% of total revenues.

Fees for water and sewer services include charges for service initiation, line tapping, meter installation, monthly service charges and a commodity charge for each 1,000 gallons of water used. A higher commodity charge applies during the peak consumption season from May through September, and a correspondingly decreased rate applies from October through April. FY 2002-03 was the first full year in which these seasonal rates were in effect. Due to a record drought during that year and its lingering effect on demand, the effectiveness of these rates in moderating consumer demand has yet to be fully determined.

OWASA's primary revenue sources are summarized below.

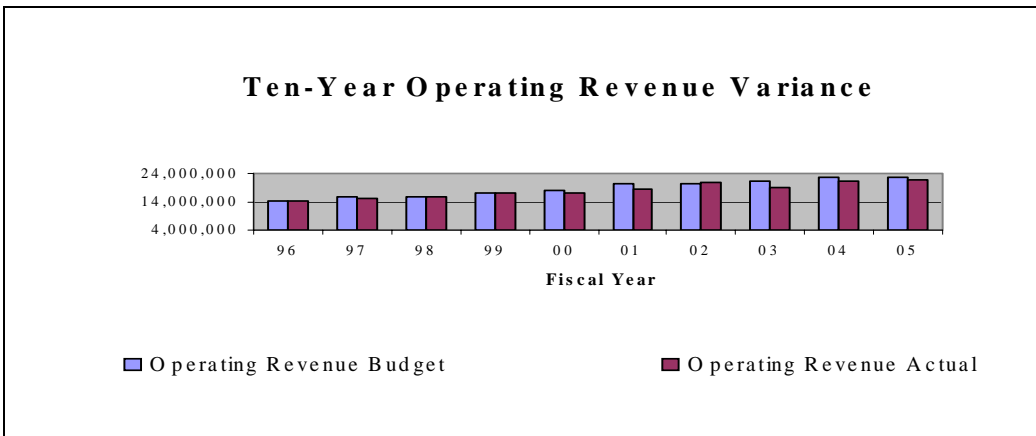
Fixed monthly charge	Calculated to recover costs related to certain direct and indirect customer service efforts, meter and lateral maintenance, and capital costs associated with supplying water to, and collecting wastewater from the customers' property and is based on the water meter size.
Commodity charge	Calculated to recover the remaining direct and indirect costs of water supply and treatment, water distribution, sewer collection and treatment, general administration, and water and sewer capital not recovered by the monthly service charge. This charge is applicable to all water accounts based on meter readings in thousand gallon increments of water consumed.
Water and sewer availability fees	Calculated to recover a portion of the capital costs of providing water and sewer system facility capacity. The availability fee is applicable to each new connection to a water or sewer main, regardless of who may have paid for the installation of the main to which the connection is to be made. For the purpose of availability fees, customer accounts are divided into three categories: (1) Single-family Residential, (2) Multifamily Residential, Individually Metered; and (3) Nonresidential. The Nonresidential category includes master-metered multifamily apartment complexes and all commercial, University, and institutional accounts. The use of these categories is justified by distinctive patterns of water and sewer consumption.
Service initiation fees	The purpose of this charge is to defray the labor and administrative costs associated with the establishment of a water and/or sewer account. This includes establishing service and account records for billing. Applicable to all accounts requiring field work, be it setting a meter, reconnection of service or reading the meter.

Tapping fees	The purpose of this charge is for making a tap into a water main, and private sewer lateral into the main sewer line or sewer manhole. The charge will recover the cost for time and equipment plus an allowance for overhead.
Meter installation	The purpose of this charge is to recover costs of extending service from the distribution system to individual properties, and includes the installation of a service connection from the water main to the curb or property line and the setting of a meter within the premises.
Plan review and construction observation fees	The purpose of this charge is to recover the operating cost for providing review of construction plans for the extension of water and sewer facilities. The charge also recovers the operating cost for providing field observation on the installation of these facilities. The plan review and construction observation fees are applicable to all extensions of the public water and/or sewer system regardless of the party which may be undertaking the improvements. The fees are applied separately to water main and sewer main extensions.

A key assumption in developing the budget relates to growth. Revenue projections are calculated using this assumption, combined with the known historical number of accounts, and applying the various rates to these known and assumed demand levels. Historically, OWASA has enjoyed a steady and predictable rate of growth of approximately 500 new services a year. The state of the economy is also factored into short and long-term growth assumptions; resulting in a revised growth projection of 390 new services in FY 2006-07. While empirical data indicate stable demand by customer class, the drought of 2002 and its aftermath produced a dramatic decrease in demand by all classes. Revenue projections for FY2006-07 reflect a revised assumption concerning reduced volume sales arising from this drop in demand. The Customer Service and Demand Levels section found on page 6 in the Priorities and Assumptions section of this *Executive Summary* provides further information concerning demand assumptions used in projecting FY 2006-07 revenues.

In addition to the recovery of the cost of providing budget-year water and sewer services, rates and fees must be set at a level sufficient to seed future capital improvement costs and related debt, in order to avoid “rate shock” in future years when construction related expenditures are made. OWASA uses a 15-year planning horizon to link future needs to current-year rates. Our 15-year modeling indicates 6.00% and 6.25% rate adjustments for water and sewer services, respectively, will be necessary in FY 2006-07 to achieve funding for near-future capital improvements and operating needs.

The following graph summarizes the historical trend of OWASA’s primary revenue stream, and our track record in projecting those revenues. Greater detail of OWASA’s historical revenue trends is presented in both tabular and graphical form in the *Supplemental Information* section.



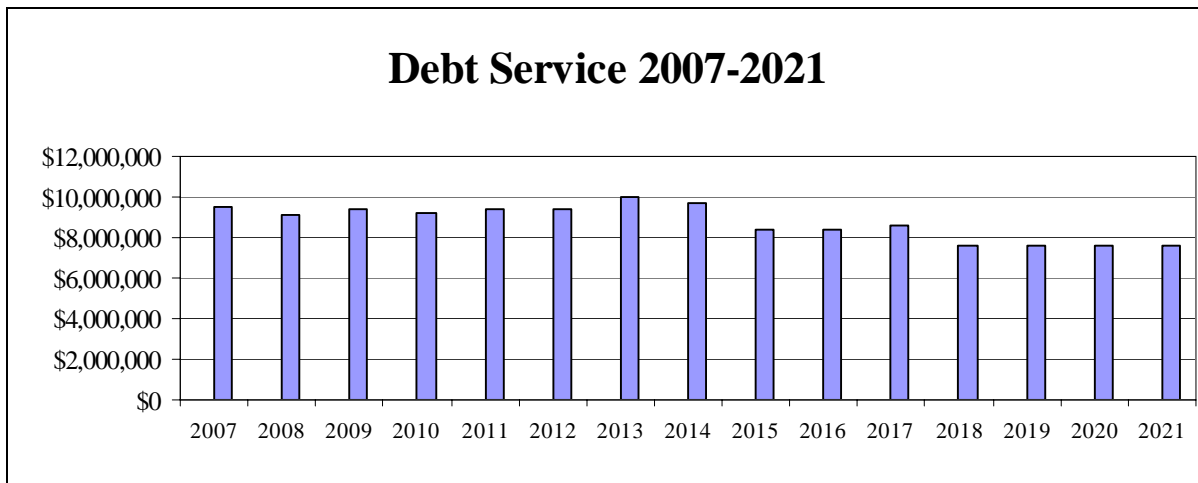
**Debt
Payments
and Debt
Policy**

Debt, in the form of Revenue Bonds, is used to finance on average 60 to 70 percent of OWASA's Capital Improvements. The remainder is funded with annual revenues and fund balance.

OWASA employs the 15-year financial planning model to forecast the need for borrowing. Portions of five bond issues are currently outstanding. As of June 30, 2005, the amount outstanding for each issue was as follows; Series 1999 - \$3.3 million, Series 2001 - \$23.8 million, Series 2003 refunding issue - \$12.3 million, Series 2004A and 2004B issues of \$41.9 million, and Series 2005 refunding bonds - \$18.4 million, for a total outstanding debt of \$99.7 million. The graph of debt service payments below reflects annual debt service for these outstanding issues.

The ratio of debt coverage to net income is an important measure of OWASA's financial performance and helps gauge an appropriate level of debt. This ratio compares total net income for a given year with the total debt service required in that year. OWASA's bond order sets the minimum required debt coverage ratio at 1.2. OWASA's *Strategic Financial Planning and Management Document* targets a minimum ratio of 1.5.

Because OWASA issues revenue bonds, there is no statutory limit on the amount of debt, but OWASA applies sound financial management principles in financing decisions.



**Planned
Operation and
Maintenance
Expenditures
Summary**

The chart below shows the planned operations and maintenance expenditures for OWASA's Operating departments and General and Administrative departments. The graph demonstrates the relative proportions of the total costs by each category of expense.

ORANGE WATER AND SEWER AUTHORITY

FISCAL YEAR 2007

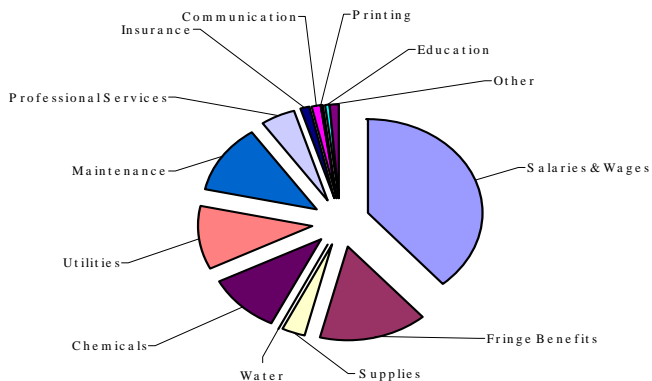
Total Budget By Division / By Category

	General and Administrative	Operating Departments	Total FY 07 Budget
Salaries & Wages	\$2,392,627	\$4,437,182	\$6,829,808
Fringe Benefits	807,412	1,910,023	2,717,436
Materials & Supplies	82,509	530,739	613,248
Water Purchases	\$0	0	0
Chemicals	\$0	1,808,450	1,808,450
Utilities	182,200	1,736,700	1,918,900
Maintenance	247,100	1,926,881	2,173,981
Professional Services	574,280	246,700	820,980
Insurance	48,411	209,906	258,317
Communication	104,936	83,500	188,436
Printing & Reproduction	13,660	7,950	21,610
Education and Development	80,825	62,405	143,230
Other	123,675	101,230	224,905
Total	<u>\$4,657,635</u>	<u>\$13,061,666</u>	<u>\$17,719,301</u>
Construction Credit	(\$171,754)	(\$233,165)	(\$404,919)
Net Expenses	\$4,485,881	\$12,828,501	\$17,314,382

**Operation & Maintenance
Expenditures**

(Rounded to Nearest \$1,000)

- Salaries & Wages \$6,829
- Fringe Benefits \$2,717
- Materials & Supplies \$613
- Water Purchases \$0
- Chemicals \$1,808
- Utilities \$1,918
- Maintenance \$2,173
- Professional Services \$820
- Insurance \$258
- Communication \$188
- Printing & Reproduction \$21
- Education and Devel. \$143
- Other \$224



Total: \$17,719,301 (Before Construction Credits of \$404,919)

Capital Equipment Summary

Each year OWASA replaces capital equipment items that have exceeded their useful lives and purchase other new equipment that is added to meet increased operational needs. The following is a summary of the replacements and additions budgeted for FY 2006-2007.

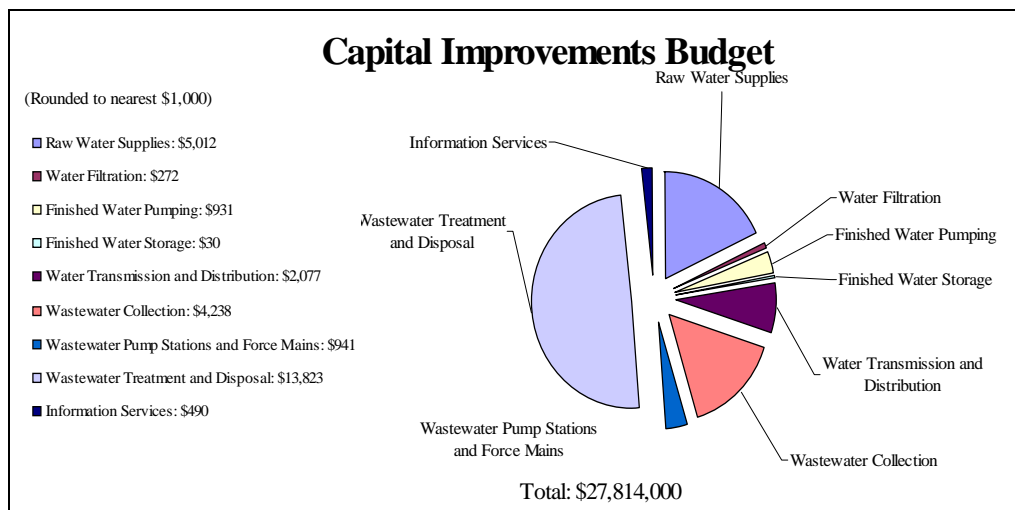
Capital Equipment Summary			
2	Replacement Vehicles		\$57,000
4	Items of Replacement Equipment		<u>\$69,000</u>
		Total	<u>\$126,000</u>

Capital Improvements Program Summary

Capital improvements are necessary to renew aging infrastructure and to provide safe, reliable, high quality water and wastewater services expected by OWASA's customers. These improvements represent the majority of OWASA's annual expenditures. Capital expenditures are not expensed during the year of outlay; rather they are recorded as capital assets and are depreciated over the economic useful life of the assets.

To a large extent, the financing of capital improvements drives the periodic adjustment of rates and fees and the need to issue debt.

A 15-year planning period is used to develop the Capital Improvements Program (CIP) and financing decisions are made for the first five years of that planning period in the form of a Capital Improvement Budget (CIB). Details of the 15-year CIP and 5-year CIB are included in Section I. Only the first year of the CIB is included in each fiscal year's budget ordinance. For FY 2006-2007, Capital Improvement projects total \$27.8 million, as shown below.



Strategic Issues and Policies

Below are the Strategic Issues and Policies that have been identified by the Board of Directors and OWASA staff to guide the development of the budget and generally describe the major issues, policies, and concerns that should be addressed in the upcoming annual budget and Capital Improvements Plan deliberations.

Continued Uncertainty in Future Demand Projections

Community demands for water and wastewater services will continue to grow, but the rate of that growth is expected to be less stable and predictable than it was during the first 25 years of OWASA's operations. In addition to unusual and highly variable weather patterns during recent years, water sales have reflected greater customer response to conservation efforts, including OWASA's seasonal rate structure and the year-round conservation requirements adopted by Carrboro, Chapel Hill, and Orange County. We expect that future demand trends will reflect other changes underway in the community. New development, especially on the University campus, is incorporating more and more water-saving technology. Single family detached home development, which has grown at a remarkably stable rate of 350-400 new homes per year for the past 15 or more years, is expected to lessen as buildable land becomes less available in the Carrboro-Chapel Hill Urban Services Area. This trend will likely result in fewer new homes with large irrigation-intensive landscaping and a greater proportion of smaller single residential and/or multi-family units that require less water. Increasing requests for infill and redevelopment projects in Carrboro and Chapel Hill may represent a significant shift in traditional development trends in the OWASA service area.

Estimated operating budget impact: To Be Determined (TBD)

Water Conservation and Demand Management

In addition to conservation practices and technology changes already underway, OWASA will continue to evaluate additional options in order to fulfill the *Goal and Objectives of OWASA's Long-Term Water Conservation and Demand Management Program* adopted by the Board of Directors in April 2005. Work will continue on the development of a phased long-term water conservation plan; however, the initial phase is not expected to have major effects on the operating and maintenance (O&M) budget or staffing levels for Fiscal Year (FY) 2007.

Estimated operating budget impact: Minimal.

UNC/OWASA Wastewater Reclamation and Reuse Project

A reclaimed water system contract was executed with the University on April 10, 2006. Primary water reuse project activities during FY 2007 will include final engineering and design of the system, permitting and management support, and construction.

FY 2008 will likely be the last full year of "traditional" OWASA water service to the University before the new reuse system begins operation in FY 2009. At that time more than 500,000 gallons per day of highly treated wastewater effluent will replace the use of potable drinking water at several UNC chilled water facilities. When the reuse program is implemented, future O&M budgets will reflect: (a) a decrease in total potable sales volumes; (b) a decrease in raw water and finished water pumping and drinking water treatment volumes; (c) additional operating costs of the reuse system; and (d) additional revenues for reclaimed water service. The expected benefits the water reuse system will have on deferral of water supply and treatment capacity requirements will be reflected in our 15-year Capital Improvements Plan. All engineering design and permitting costs will be paid with proceeds from our \$1.866 million grant from the North Carolina Clean Water Management Trust Fund.

Estimated operating budget impact: \$175,000 net increase in FY 2009.

Conclusion

We believe the FY 2006-07 Budget reflects the OWASA Board of Directors' guidance and priorities, is responsive to community needs and meets OWASA's contractual responsibilities and regulatory requirements.

This budget reflects OWASA's continuing commitment to maintain, replace and renew water and sewer system components to ensure the high quality and reliability of services to our customers.



Ed Kerwin
Executive Director

Section I

Orange Water and Sewer Authority Overview

Orange Water and Sewer Authority Board of Directors Mission Statement

Board of Directors Roster

Staff Roster

Budget Preparation and Calendar for Fiscal Year 2006-2007

Appropriations for Fiscal Year 2006-2007

Fund Balance Statements

Funds Flow Statement

Planned Expenditures

Debt Service for Fiscal Year 2007-2030

Capital Equipment Listing Consolidated

Capital Improvements Budget (FY 2006-2007)

Rehabilitation/Replacement Projects (Force Account)

ORANGE WATER AND SEWER AUTHORITY MISSION STATEMENT

OWASA will provide our customers with high quality water and wastewater services through responsible, sustainable, and creative stewardship of the resources and assets we manage. We will do this with a productive, empowered, talented, and diverse work force, which strives for excellence.

OUR VALUES

- **Quality Drinking Water**
We will provide the highest quality drinking water for our customers through proactive and sustainable watershed management, and the effective and reliable operations and maintenance of the water supply, treatment, and distribution system.
- **Environmental Responsibility**
We will protect the environment through the effective and reliable operation and maintenance of the wastewater collection, treatment, and recycling systems. We will manage our resources and assets in an environmentally responsible manner, maintaining or exceeding any regulatory requirements or mandates.
- **Excellence in Customer Service**
We are dedicated to excellence in serving customers in all aspects of our business services. We will be leaders in keeping our customers informed and will provide them meaningful opportunities to participate in decisions that are important to the community.
- **Employees**
We value our employees as our most important resource and we will provide them competitive compensation and benefits, and maintain a safe and rewarding work environment. We will promote diversity and equal opportunity for development and advancement for all employees.
- **Efficiency and Value**
We will perform all services in a financially sound and responsible manner with sufficient revenues to properly operate and fully maintain the water and wastewater system. As OWASA relies solely on user fees, we will continue to be guided by cost-of-service principles with regards to our rates, fees, and charges. We are committed to continuous improvement in all of our services and will provide high value to our customers.
- **Sustainability**
We will proactively plan, construct, operate, maintain, and finance the water and wastewater system in a manner consistent with the principles of environmental, social and economic sustainability. We will work hard to meet the needs of our current and future customers, community, and environment without compromising the ability of future generations to meet their needs. We will strive to make the highest and best use of our local water resources and we will adopt practices which encourage conservation of water, energy, and other natural resources.
- **Local Government Compatibility**
We will manage our responsibilities in a manner consistent and compatible with the adopted growth management policies and land use plans of the Town of Carrboro, the Town of Chapel Hill, and Orange County. We will maintain open and positive communications with our local governments. We will also maintain open and positive communications with neighboring water utilities and cooperate in regional initiatives where appropriate and consistent with OWASA's commitment to its member governments.
- **Innovation and Creativity**
We will seek innovation and creativity in accomplishing our mission and enhancing our services. We will invest in ongoing research and development for new and improved ways to accomplish our mission.

ORANGE WATER AND SEWER AUTHORITY

CHAIR

**Michael A. Clarke
Carol Woods Retirement Community
750 Weaver Dairy Rd # 1202
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 06/30/08**

VICE CHAIR

**Penny Rich
109 Oldham Place
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires: 6/30/07**

SECRETARY

**Randolph M. Kabrick
207 Woodleaf Drive
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires 6/30/07**

**Terri Bucker
306 Yorktown Drive
Chapel Hill, NC 27516
Appointed by Carrboro; Term Expires 6/30/06**

**Milton S. Heath, Jr.
504-A North Street
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 12/31/06**

**Marge Anders Limbert
5816 Hideaway Drive
Chapel Hill, NC 27516
Appointed by Orange County; Term Expires 6/30/08**

**Mark Marcoplos
7207 Southern Trail
Chapel Hill, NC 27516
Appointed by Orange County; Term Expires 6/30/06**

**Gordon Merklein
504 Highgrove Drive
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires 6/30/07**

**Laura Sandvik
103 Parker Street
Carrboro, NC 27510
Appointed by Carrboro; Term Expires 6/30/08**

ORANGE WATER AND SEWER AUTHORITY

OWASA SENIOR MANAGEMENT TEAM

M. Imtiaz Ahmad, P.E., Director of Engineering and Planning

Sandra Bradshaw, Laboratory Manager

Jan Bryant-Berry, C.L.G.P.O. Procurement Manager

Gwen Burston, S.P.H.R., Director of Human Resources

F. Stuart Carson, P.E., Engineering Manager – Capital Projects

Mary Darr, P.E., Operations Engineer

Patrick K. Davis, Utility Manager Generalist

Greg Feller, Public Affairs Administrator

Stephanie S. Glasgow, MESH, PHR, Safety and Training Administrator

Walter Gottschalk, Wastewater Treatment and Biosolids Recycling Manager

Thurman Green, Distribution and Collection Systems Manager

John Greene, P.E., General Manager of Operations

Edward Holland, A.I.C.P., Planning Director

Johnny Johnson, Plants Maintenance Manager

Ed Kerwin, Executive Director

Andrea Orbich, Executive Assistant

Kevin M. Ray, Director of Finance and Customer Service

Robert Russell, Customer Service Manager

Todd Spencer, P.E., Engineering Manager – Systems Development

D. Douglas Terry, Water Supply and Treatment Manager

Judy Weller, Accounting Manager

Stephen Woolley, Director of Business Information Services

GENERAL COUNSEL

**Robert Epting, Esquire
Epting and Hackney**

Budget Preparation and Calendar for FY 2006-2007

OWASA's budget process is an interaction between the staff and the Board of Directors that starts in November each year. Many key elements are prescribed in the *Strategic Financial Planning and Management Document*. All major milestones are published on a budget calendar that is updated as required. The operation and maintenance budget, the capital improvements budget, and the capital improvements plan are prepared in parallel processes by the staff with guidance and review by various Committees of the Board.

OWASA maintains its financial records and presents its financial reports as an *enterprise fund* and as such, uses the *accrual method* for financial reporting. The annual budget, however, is prepared using the *modified accrual method* (Please refer to the *Glossary* for definitions of these terms). The primary material differences arising from application of the full accrual basis to OWASA's financial record keeping and reporting and the use of the modified accrual basis for budgeting is illustrated below.

Transaction type	Financial Reporting (Accrual)	Budgetary (Modified Accrual)
Depreciation expense	<i>Included</i> as an expense	<i>Excluded</i> as an expense
Principal portion of debt payments	<i>Excluded</i> as an expense	<i>Included</i> as an expense
Vacation accrual expense	<i>Included</i> as an expense	<i>Excluded</i> as an expense
Assessment income	Recognized in year assessed	Recognized in year collected

The budget development process begins with individual departmental preparation of incremental line-item budget requests for continuation of current operations and if necessary, include detailed estimates for any new initiatives or cost reduction strategies. Revenues are initially estimated based upon current rate structures and current year expenses are projected as accurately as possible. As the *Capital Improvements Plan* is finalized, the funding requirements are loaded into a 15-year Financial Planning Model that is used to evaluate alternatives of possible rate adjustments and debt financing arrangements to meet the funding needs and full cost recovery. Revenue estimates are adjusted to incorporate any changes directed by the Board. The following is the budget calendar followed for preparation of this budget.

**ORANGE WATER AND SEWER AUTHORITY
FY2006-2007 BUDGET CALENDAR**

- August 5, 2005 **Budget and Financial Planning Committee** – to discuss the timing and scope of a Rate Study Work Session.
- September 8, 2005 **Board of Directors Work Session I** – to discuss the need and purpose of a proposed rate study.
- September 14, 2005 **Budget and Financial Planning Committee** – to discuss the timing and scope of a second Rate Study Work Session.
- September 29, 2005 **Board of Directors Work Session II** – to discuss the need and purpose of a proposed rate study.
- October 6, 2005 **Budget and Financial Planning Committee** – to discuss selection criteria of a rate study consultant.
- October 31, 2005 **Budget and Financial Planning Committee** – to discuss rate study consultant selection.
- November 16, to December 2, 2005 **Managers' Current-year Budget Review** – of first quarter performance with the Executive Director and Director of Finance and Customer Service.

December 15, 2005	Board of Directors Meeting – discussion of the Statement of Strategic Issues and Policies and Financial Planning Assumptions, and presentation of proposed Budget Calendar.
January 3, 2006 capital	Staff discussion of the preparation of operating and maintenance appropriations and equipment requests, economic assumptions, and the distribution of Capital Equipment Request Forms and Departmental Budget Narratives.
January 20, 2006	Submission of Capital Equipment Request Forms and Budget Narratives to the Director of Finance and Customer Service, and submission of departmental CIP requests to the Director of Engineering and Planning.
February 10, 2006	Submission of departmental Operations and Maintenance budget requests to the Director of Finance and Customer Service.
February 20 to and March 24, 2006	Departmental budget request review with the Executive Director and Director of Finance Customer Service.
February 22, 2006	Budget and Financial Planning Committee – to review the First Draft of the Capital Improvements Budget.
April 13, 2006	Board of Directors Budget Work Session – to present anticipated significant FY 2006-07 operating budget variances.
April 19, 2006 Report.	Budget and Financial Planning Committee – to review the Second Draft of the Capital Improvements Budget, and presentation of the Multiyear Financial Planning Model
April 21, 2006	Delivery of the proposed Preliminary Annual Budget to the Board of Directors.
April 27, 2006	Board of Directors Meeting – adoption of the Preliminary Annual Budget.
May 5, 2006	Delivery of the First Draft Annual Budget and proposed Schedule of Rates, Fees and Charges to the Board of Directors.
May 11, 2006	Board of Directors Meeting – to discuss the First Draft Annual Budget and proposed Schedule of Rates, Fees and Charges.
May 19, 2006	Delivery of the Second Draft of the Final Annual Budget to the Board of Directors.
May 25, 2006	Board of Directors Meeting – Public Hearing on the Second Draft of the Final Annual Budget and Public Hearing for the purpose of receiving public comment on the proposed adjustments to rates, fees, and charges.
June 2, 2006	Delivery of Third Draft Final Annual Budget to the Board of Directors.
June 8, 2006	Board of Directors Meeting – adoption of FY 2006-07 Annual Budget and adoption of Schedule of Rates, Fees and Other Charges.
June 30, 2006 (On or About)	Distribution of FY 2006-07 Annual Budget.

STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE (OPERATING)

	FY 2005	FY 2006		FY 2006	FY 2007	
	Actual	Budget	FY 2006	Budget to	Budget to	FY 2007
			Projected	Projected	Projected	Budget
Operating Revenue						
Water	\$12,489,800	\$13,803,000	-3.00%	\$13,388,910	15.19%	\$15,423,000
Sewer	8,563,004	10,457,000	-3.00%	10,143,290	6.33%	10,785,000
Service Initiation Fee	134,958	125,000	8.64%	135,800	6.77%	145,000
Other	<u>703,905</u>	<u>650,000</u>	23.08%	<u>800,000</u>	-13.89%	<u>688,900</u>
Total Operating Revenue	21,891,667	25,035,000	-2.26%	24,468,000	10.52%	27,041,900
Operating Expense						
General and Administrative Operations	3,689,846	4,244,790	-12.37%	3,719,900	20.59%	4,485,881
Total Operating Expense	<u>10,619,293</u>	<u>11,571,118</u>	2.71%	<u>11,885,000</u>	7.94%	<u>12,828,501</u>
Total Operating Expense	14,309,139	15,815,908	-1.33%	15,604,900	10.95%	17,314,382
Net Operating Income	<u>7,582,528</u>	<u>9,219,091</u>	-3.86%	<u>8,863,100</u>	9.75%	<u>9,727,518</u>
Non-operating Revenue						
Customer Fees	1,872,820	2,393,213	-19.35%	1,930,175	31.52%	2,538,506
Interest	<u>821,194</u>	<u>750,000</u>	36.27%	<u>1,022,000</u>	-2.15%	<u>1,000,000</u>
Total Net Income	10,276,542	12,362,304		11,815,275		13,266,024
Debt Service						
Existing	7,340,387	7,304,608	-1.67%	7,182,968	12.18%	8,058,000
New	0	<u>877,618</u>		<u>877,618</u>		<u>1,419,000</u>
Total Debt Service	7,340,387	8,182,226	-1.49%	8,060,586	17.57%	9,477,000
Net Income Less Debt Service	<u>2,936,156</u>	<u>4,180,079</u>	-10.18%	<u>3,754,689</u>	0.91%	<u>3,789,024</u>
Debt Coverage Ratio	1.40	1.51		1.47		1.40

Although a departure from pro forma presentation, this income statement discloses the source and application of revenues while accurately matching the fund structure employed by Orange Water and Sewer Authority. It reflects the adequacy of operating revenues to defray the cost of day to day operations and, with the inclusion of nonoperating income as defined in the master bond indenture, to satisfy debt service requirements. As presented in the Statement of Income and Expense (Capital/Non-Operating), excess revenues are then available for transfer to the General Fund, the established funding mechanism for all capital expenditures.

STATEMENT OF INCOME AND EXPENSE (CAPITAL/NON-OPERATING)

	FY 2005 Actual	FY 2006 Budget	FY 2006 Budget to FY 2006 Projected	FY 2006 Projected	FY 2007 Budget to FY 2006 Projected	FY 2007 Budget
General Fund						
Resources						
Transfer From Revenue	2,936,156	4,180,079	-10.18%	3,754,689	0.91%	3,789,024
Assessments	41,604	61,000	-67.21%	20,000	35.00%	27,000
Grants and Contributions	<u>537,571</u>	<u>412,000</u>	NA	<u>333,813</u>	476.97%	<u>1,926,000</u>
Annual Income Available for Capital	3,515,331	4,653,079	-11.70%	4,108,502	39.76%	5,742,024
Transfer from Construction Fund (Bond Proceeds)	<u>18,005,545</u>	<u>21,835,000</u>	-27.24%	<u>15,887,265</u>	19.69%	<u>19,015,500</u>
Total Available for Capital	21,520,876	26,488,079	-24.51%	19,995,767	23.81%	24,757,524
Capital Expenditures						
Project Ordinances						
General Fund Contribution	10,904,623	5,741,000	-61.19%	2,228,277	294.86%	8,798,500
Funded by Bond Proceeds	<u>6,287,943</u>	<u>21,835,000</u>	-27.24%	<u>15,887,265</u>	19.69%	<u>19,015,500</u>
Total Project Resolutions	17,192,566	27,576,000	-34.31%	18,115,542	53.54%	27,814,000
Capital Equipment	<u>251,900</u>	<u>347,400</u>	-31.98%	<u>236,300</u>	-46.68%	<u>126,000</u>
Total Capital Outlay	17,444,466	27,923,400	-34.28%	18,351,842	52.25%	27,940,000
Annual General Fund Balance	<u>4,076,410</u>	<u>(1,435,322)</u>	-214.53%	<u>1,643,925</u>	-293.59%	<u>(3,182,476)</u>
General Fund Beginning Balance	8,686,626	13,950,000	-8.51%	12,763,036	-32.00%	8,679,000
General Fund Ending Balance	12,763,036	12,514,678	-30.65%	8,679,000	-36.67%	5,496,524
Project Funding						
Under Contract	6,869,405	6,414,000	-41.10%	3,777,775	-100.00%	0
Future Years	2,316,346	2,146,703	-53.42%	1,000,000	-42.25%	577,485
Operating Balance	3,577,285	3,953,975	-1.33%	3,901,225	26.09%	4,919,040
Unallocated General Fund Balance	0	0		0		0

CONSOLIDATED SUMMARY - INTRAGOVERNMENTAL SERVICE FUNDS

	Beginning Balance	Revenues	Expenditures	Ending Balance	\$ Change in Balance
Revenue Fund	\$20,000	\$30,580,406	\$30,580,406	\$20,000	\$0
Bond Service Fund	6,199,190	9,477,000	8,888,926	6,787,264	\$588,074
General Fund	8,679,000	25,357,524	28,540,000	5,496,524	(\$3,182,476)
Construction Fund	0	20,100,000	19,015,500	1,084,500	\$1,084,500
Total	<u>\$ 14,898,190</u>	<u>\$ 85,514,930</u>	<u>\$ 87,024,832</u>	<u>\$ 13,388,288</u>	<u>\$ (1,509,902)</u>

OWASA's Fund Accounting Structure

The Budget Ordinance reflects inflows and outflows of economic resources that ultimately represent activities related to the General Fund. For example, the Construction Fund is restricted and not considered part of the General Fund, but is required by OWASA's Bond Order as the depository for unexpended bond proceeds. However, requisitions from the Construction Fund represent inflows to the General Fund. Other funds presented here are either required contractually or are sub-accounts of the General Fund. Because of the close relationship of these funds to the General Fund, the following Fund Statements are included as attachments to the Budget Ordinance and are adopted as such. All of these funds, unrestricted and restricted, are treated as a part of the General Fund in OWASA's audited financial statements.

In accordance with OWASA's Amended and Restated Bond Order, Series 2001, all revenues from the operation of the water and sewer system, with the exception of grants and assessment proceeds, which are earmarked for other purposes, are deposited into the Revenue Fund. These revenues are first applied to the payment of current expenses and then to the repayment of outstanding debt. Any excess amounts above the cost of current operations and debt service are available for capital improvements and may be transferred, upon certification to the Trustee, to the General Fund. The Revenue Fund is administered by OWASA.

The Bond Service Fund is established by the Amended and Restated Bond Order, Series 2001 and serves as the mechanism for repaying the current portion of long-term debt. The Bond Order requires that the total of any principal and interest payments on long-term debt be transferred to the Bond Service Fund no later than 45 working days prior to the due date of such payments. This Fund is comprised of restricted assets and is administered by the Bond Trustee.

Establishment of the General Fund is required by statute. Monies in the General Fund may be used for any lawful purpose and, in addition to bond proceeds, are OWASA's primary source to pay for capital improvements. Interest earnings in the General Fund are considered debt-pledged revenue and are to be transferred to the credit of the Revenue Fund. The General Fund is administered by OWASA. The balance of the General fund is projected to decrease by approximately 36%. This is a result of OWASA's capital spending plans and reflects the outflow of funds for capital improvements that were previously appropriated for future use in the preceding year's budget.

Available bond proceeds are credited to the Construction Fund at the closing of a bond sale. As capital project obligations for which bonds were issued are incurred, these proceeds are transferred as reimbursements to the General Fund. The ending balance reflects the the withdrawal of proceeds to fund the capital projects for which they were earmarked.

REVENUE FUND

	Water	Sewer	Total
Fund Balance July 1, 2006			\$20,000
Receipts			
Operating Revenue			
Customer Billings	15,423,000	10,785,000	26,208,000
Service Initiation Fee	72,500	72,500	145,000
Other	<u>344,450</u>	<u>344,450</u>	<u>688,900</u>
Total Operating Revenue	15,839,950	11,201,950	27,041,900
Non-operating Revenue			
Customer Fees	1,269,253	1,269,253	2,538,506
Interest Income	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>
Total Non-operating Revenue	1,769,253	1,769,253	3,538,506
Total Receipts	16,339,950	11,701,950	30,580,406
Expenditures			
Current Expense	8,657,191	8,657,191	17,314,382
Debt Service	<u>2,843,100</u>	<u>6,633,900</u>	<u>9,477,000</u>
Total Expenditures	11,500,291	15,291,091	26,791,382
Net Revenue			3,789,024
To General Fund			3,789,024
Fund Balance June 30, 2007			<u>\$20,000</u>
Change in Available Balance			\$0

In accordance with OWASA's Amended and Restated Bond Order, Series 2001, all revenues derived from the operation of the water and sewer system, with the exception of grants and assessment proceeds which are earmarked for other purposes, are deposited into the Revenue Fund. These revenues are first applied to the payment of current expenses and then to the repayment of outstanding debt. Any excess amounts above the cost of current operations and debt service are available for capital improvements and may be transferred, by certification to the Trustee, to the General Fund. The Revenue Fund is administered by OWASA.

BOND SERVICE FUND

Fund Balance July 1, 2006		\$6,199,190
Receipts		
Transfers from Revenue fund	9,454,500	
Interest	<u>22,500</u>	
Total Receipts		9,477,000
Expenditures		
Debt Service	8,888,926	
Total Expenditures		<u>8,888,926</u>
Fund Balance June 30, 2007		<u>\$6,787,264</u>
Change in Available Balance		\$588,074

The Bond Service Fund is established by the Amended and Restated Bond Order, Series 2001 and serves as the mechanism for repaying the current portion of long-term debt. The Bond Order requires that the total of any principal and interest payments on long-term debt be transferred to the Bond Service Fund no later than 45 working days prior to the due date of such payments. This Fund is comprised of restricted assets and is administered by the Bond Trustee, and is expected to increase by \$588,000 due to additional debt to be issued in FY 2006-07.

GENERAL FUND

Fund Balance July 1, 2006		\$8,679,000
Receipts		
Transfer From Revenue fund	3,789,024	
Transfer From Construction Fund (Bond Proceeds)	19,015,500	
Interest	600,000	
Assessments	27,000	
Grants and contributions	<u>1,926,000</u>	
Total Receipts		<u>25,357,524</u>
Total Balance Before Expenditures		34,036,524
Expenditures		
Capital Equipment/Leases	\$126,000	
Project Resolutions	27,814,000	
Transfer to Revenue Fund	600,000	
Total Expenditures		<u>28,540,000</u>
Fund Balance June 30, 2007		<u>\$5,496,524</u>
Allocation of Fund Balance June 30, 2006		
Project Funding		
Under Contract	0	
Future Years	577,485	
Operating Balance, Working Capital	<u>4,919,040</u>	
Total Allocation		<u>\$5,496,524</u>
Unallocated General Fund Balance June 30, 2006		<u>\$0</u>
Change in Available Balance		(\$3,182,476)

Establishment of the General Fund is required by statute. Monies in the General Fund may be used for any lawful purpose and, in addition to bond proceeds, are OWASA's primary source to pay for capital improvements. Interest earnings in the General Fund are considered debt-pledged revenue and are to be transferred to the credit of the Revenue Fund. The General Fund is administered by OWASA. The balance of the General fund is projected to decrease by approximately 36%. This is a result of OWASA's capital spending plans and reflects the outflow of funds for capital improvements that were previously appropriated for future use in the preceding year's budget.

**CONSTRUCTION FUND
(CAPITAL PROJECTS)**

Bond Proceeds	20,000,000
Interest	100,000
Project Resolutions	<u>19,015,500</u>
Fund Balance June 30, 2007	<u>\$1,084,500</u>
Change in Available Balance	\$1,084,500

Available bond proceeds are credited to the Construction Fund at the closing of a bond sale. As capital project obligations for which bonds were issued are incurred, these proceeds are transferred as reimbursements to the General Fund. The ending balance reflects the the withdrawal of proceeds to fund the capital projects for which they were earmarked.

FUNDS FLOW STATEMENT

1. Revenue Fund

Operating Revenue	\$ 27,041,900	
Customer Fees	2,538,506	
Interest Income	<u>1,000,000</u>	
Total Revenues		30,580,406

Operating and Maintenance Expense	17,314,382	
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2. Bond Service Fund (transfers to)

9,477,000

Total Expenditures		<u>26,791,382</u>
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Excess operating revenue (to be transferred to the General Fund)		3,789,024
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3. General Fund

Beginning Balance 07/01/06	8,679,000	
Transfer from Revenue Fund	3,789,024	
Assessments	27,000	
Grants and Contributions	<u>1,926,000</u>	

Total General Fund Balance (available for allocation)		14,421,024
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4. Construction Fund - Bond Proceeds

19,015,500

Total General Fund and Bond Proceeds		33,436,524
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Project Resolutions	27,814,000	
Capital Equipment and Leases	<u>126,000</u>	

Total General Fund Expenditures		27,940,000
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General Fund Ending Balance 06/30/07		<u>\$ 5,496,524</u>
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Project Resolutions		
Under Contract	0	
Future Years	577,485	
Operating Balance	<u>4,919,040</u>	

Total Allocation of General Fund Balance		<u>\$ 5,496,524</u>
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Planned Expenditures For General & Administrative and Operations Departments

ORANGE WATER AND SEWER AUTHORITY

FISCAL YEAR 2007

Total Budget By Division / By Category

	General and Administrative	Operating Departments	Total FY 07 Budget
Salaries & Wages	\$2,392,627	\$4,437,182	\$6,829,808
Fringe Benefits	807,412	1,910,023	2,717,436
Materials & Supplies	82,509	530,739	613,248
Water Purchases	\$0	0	0
Chemicals	\$0	1,808,450	1,808,450
Utilities	182,200	1,736,700	1,918,900
Maintenance	247,100	1,926,881	2,173,981
Professional Services	574,280	246,700	820,980
Insurance	48,411	209,906	258,317
Communication	104,936	83,500	188,436
Printing & Reproduction	13,660	7,950	21,610
Education and Development	80,825	62,405	143,230
Other	123,675	101,230	224,905
Total	<u>\$4,657,635</u>	<u>\$13,061,666</u>	<u>\$17,719,301</u>
Construction Credit	(\$171,754)	(\$233,165)	(\$404,919)
Net Expenses	\$4,485,881	\$12,828,501	\$17,314,382

**ORANGE WATER AND SEWER AUTHORITY
Total Recommendation**

Category	FY05 Actual	FY06 Budget	FY06 Projected	FY07 Recom.	FY06 Budget to FY07 Budget
Salaries & Wages	\$6,300,981	\$6,625,759	\$6,293,764	\$6,829,808	3.08%
Fringe Benefits	\$2,221,892	\$2,525,116	\$2,352,104	\$2,717,436	7.62%
Materials & Supplies	\$459,496	\$559,133	\$462,821	\$613,248	9.68%
Water Purchases	\$0	\$0	\$0	\$0	0.00%
Chemicals	\$1,047,204	\$1,318,000	\$1,583,002	\$1,808,450	37.21%
Utilities	\$1,482,062	\$1,652,170	\$2,040,812	\$1,918,900	16.14%
Maintenance	\$1,944,951	\$1,989,575	\$2,196,694	\$2,173,981	9.27%
Professional Services	\$505,731	\$804,150	\$610,427	\$820,980	2.09%
Insurance	\$254,242	\$256,094	\$227,828	\$258,317	0.87%
Communication	\$179,461	\$199,720	\$182,196	\$188,436	-5.65%
Printing & Reproduction	(\$6,858)	\$19,610	\$14,518	\$21,610	10.20%
Education and Development	\$86,624	\$155,435	\$65,571	\$143,230	-7.85%
Other	\$307,626	\$194,638	\$194,341	\$224,905	15.55%
Totals	<u>\$14,783,413</u>	<u>\$16,299,401</u>	<u>\$16,224,080</u>	<u>\$17,719,301</u>	8.71%
Construction Credit	(\$543,115)	(\$611,450)	(\$297,348)	(\$404,919)	-33.78%
Net Expense	\$14,240,298	\$15,687,951	\$15,926,732	\$17,314,382	10.37%

Debt Service for Fiscal Years 2007-2030

Schedule of Existing Long Term Bond Debt Service:

Purpose	Issue Dates	Interest Rates	Outstanding at 06/30/06
Series 1999 Revenue Bonds	4/15/99	3.8% to 4.25%	\$2,620,000
Series 2001 Revenue Bonds	10/01/01	3.5% to 5.0%	23,680,000
Series 2003 Revenue Refunding Bonds	04/09/03	2.5% to 5.0%	11,335,000
Series 2004A Revenue Bonds	06/17/04	3.0% to 5.25%	20,220,000
Series 2004B Revenue Bonds	06/17/04	Variable	20,000,000
Series 2005 Revenue Refunding Bonds	06/09/05	3.5% to 5.0%	<u>\$18,675,000</u>
Total Bonded Debt			<u>\$96,530,000</u>

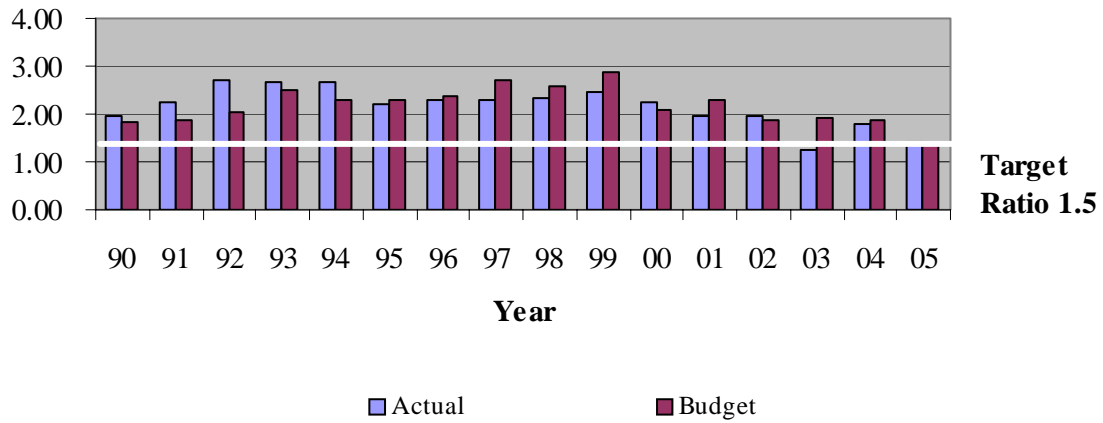
Schedule of Existing and Proposed Annual Debt Service:

Fiscal Year Ending June 30	Existing Debt Service	Proposed Debt Service (Estimated)	Total Existing and Proposed Debt Service
2007	8,058,000	1,419,000	9,477,000
2008	7,669,000	1,419,000	9,088,000
2009	8,006,000	1,419,000	9,425,000
2010	7,819,000	1,419,000	9,238,000
2011	8,012,000	1,419,000	9,431,000
2012	8,005,000	1,419,000	9,424,000
2013	7,874,000	2,154,000	10,028,000
2014	7,528,000	2,154,000	9,682,000
2015	6,293,000	2,154,000	8,447,000
2016	6,290,000	2,154,000	8,444,000
2017	6,495,000	2,154,000	8,649,000
2018	5,479,000	2,154,000	7,633,000
2019	5,479,000	2,154,000	7,633,000
2020	5,479,000	2,154,000	7,633,000
2021	5,479,000	2,154,000	7,633,000
2022	5,479,000	2,154,000	7,633,000
2023	5,479,000	2,154,000	7,633,000
2024	5,479,000	2,154,000	7,633,000
2025	5,479,000	2,154,000	7,633,000
2026	5,479,000	2,154,000	7,633,000
2027	5,479,000	2,154,000	7,633,000
2028	5,479,000	2,154,000	7,633,000
2029	5,479,000	2,154,000	7,633,000
2030	5,479,000	2,154,000	7,633,000
Total	<u>\$153,276,000</u>	<u>\$47,286,000</u>	<u>\$200,562,000</u>

Historical Debt Service Overview

The Debt Service Coverage Ratio (Total Net Income/Total Debt Service) is an indicator of OWASA's ability to repay its bonded debt. The desired target ratio is 1.5. The Bond Order sets the minimum required ratio at 1.2.

**15-Year Debt Service Coverage Ratio
Comparison Of Projected To Actual**



FY 2006-2007 CAPITAL EQUIPMENT LISTING, CONSOLIDATED

<u>Cat. *</u>	<u>(Qty)</u>	<u>Department Titles and Item Descriptions</u>	<u>Amount</u>
Laboratory Department			
R	(1)	Hybrid 4-Wheel Drive Compact SUV	\$30,000
Purchasing Department			
R	(1)	Hybrid Compact Vehicle	\$27,000
Water Supply and Treatment			
R	(1)	Buoy system for Cane Creek	\$7,000
Water Distribution Department			
R	(1)	Vibratory roller and (2) FC200 Hand Held Computers	\$39,000
Sewer Collection Department			
A	(1)	Sewer camera	\$23,000
Grand Total			<u>\$126,000</u>

*Categories: R = Replacement of existing asset, A = Addition to current assets

CAPITAL IMPROVEMENTS BUDGET

The following are projects from the 15-year Capital Improvement Program funded in FY 2006-07. The complete 15-year program and the 5-year Capital Improvement Budget undergo annual review and updating. Capital expenditures are defined as those that pay for the addition, rehabilitation and replacement of water and sewer system infrastructure and other depreciable assets.

<u>Cat</u>	<u>Proj.</u>	<u>Title</u>	<u>Amount</u>
270		<u>Raw Water Supplies</u>	
	04	JORDAN LAKE RAW WATER SUPPLY INTAKE AND PUMPING FACILITY	\$12,000
	07	WATERSHED PRESERVATION	\$2,360,000
	09	STONE QUARRY ACQUISITION	\$15,000
	11	UNIVERSITY LAKE PUMP STATION IMPROVEMENTS	\$107,000
	17	STONE QUARRY PUMP STATION 2006 REBID	\$2,465,000
	18	RAW WATER SECURITY IMPROVEMENTS	\$53,000
272		<u>Water Filtration</u>	
	05	WATER TREATMENT PLANT INSTRUMENTATION & CONSTRUCTION	\$25,000
	10	WATER TREATMENT PLANT REHABILITATION PROJECTS	\$182,000
	14	WATER TREATMENT PLANT SECURITY IMPROVEMENTS	\$55,000
	15	JONES FERRY WTP - SECONDARY CONTAINMENT	\$10,000
273		<u>Finished Water Pumping</u>	
	08	BOOSTER PUMP STATION AT I-40	\$756,000
	09	BOOSTER PUMP STATION AT BARBEE CHAPEL ROAD	\$175,000
274		<u>Finished Water Storage</u>	
	03	FINISHED WATER STORAGE SECURITY IMPROVEMENTS	\$30,000
275		<u>Water Transmission and Distribution</u>	
	15	WATER MAIN - ROAD IMPROVEMENT PROJECTS	\$242,000
	20	WATER LINE REHABILITATION, REPLACEMENT PROJECTS	\$1,233,000
	23	ABBAY ROAD/BOOTH ROAD WATER MAIN REPLACEMENT	\$205,000
	25	REINFORCEMENT PROJECTS	\$277,000
	45	12" WATER MAIN - FORDHAM BOULEVARD	\$30,000
	46	16" WATER MAIN - DOBBINS DRIVE	\$15,000
	53	WATER DISTRIBUTION SYSTEM HYDRAULIC MODEL UPDATE	\$75,000
276		<u>Wastewater Collection</u>	
	01	BOLIN CREEK INTERCEPTOR (PHASE III)	\$955,000
	04	MORGAN CREEK INTERCEPTOR	\$60,000
	09	BOLIN CREEK BASIN - REHAB AND REPLACEMENT PROJECTS	\$1,689,000
	10	BOOKER CREEK BASIN - REHAB AND REPLACEMENT PROJECTS	\$158,000
	18	SERVICE AREA SEWER LINE REHABILITATION AND REPLACEMENT PROJECTS	\$220,000
	33	MEETING OF THE WATERS INTERCEPTOR	\$1,156,000

CAPITAL IMPROVEMENTS BUDGET - Continued

277	<u>Wastewater Pump Stations and Force Mains</u>	
01	PUMP STATION IMPROVEMENTS	\$30,000
03	HERITAGE HILLS FORCE MAIN REPLACEMENT	\$69,000
15	LLOYD STREET/STARLIGHT PUMP STATION PHASE OUT	\$431,000
18	CLAYTON ROAD PUMP STATION PHASE OUT PROJECT	\$310,000
19	TINKERBELL PUMP STATION PHASE OUT PROJECT	\$10,000
20	PINEY MOUNTAIN PUMP STATION	\$91,000
278	<u>Wastewater Treatment and Disposal</u>	
06	MASON FARM WWTP 14.5 MGD UPGRADE AND EXPANSION	\$9,359,000
07	MASON FARM WWTP 18.5 MGD UPGRADE AND EXPANSION	\$100,000
08	BIOSOLIDS DEWATERING FACILITIES AT MASON FARM	\$1,960,000
09	MASON FARM WWTP - ODOR CONTROL PROJECT	\$300,000
10	MASON FARM WWTP - FLOOD PROTECTION ENHANCEMENT	\$50,000
11	MASON FARM WWTP REHABILITATION & IMPROVEMENT	\$128,000
30	RECLAIMED WATER TREATMENT, PUMPING AND STORAGE FACILITIES	\$566,000
31	RECLAIMED WATER TRANSMISSION SYSTEM	\$1,360,000
280	<u>Information Services</u>	
01	INFORMATION SERVICES	\$490,000
	Total	<u>\$27,814,000</u>

Rehabilitation/Replacement Projects (In-House)

These projects are planned for completion by OWASA's staff to rehabilitate or replace existing portions of water and sewer mains. These projects represent an investment in capital assets which extend the useful life of the systems and are therefore recorded as capital expenditures.

While these projects are recorded as capital assets, labor and equipment costs are charged to operating departments by way of the interface of payroll and job costing functions with the general ledger. To avoid overstatement of operating expense, labor and equipment costs are recorded as credits to the Water Distribution and Sewer Collection operating budget, thereby offsetting recorded operating expense that has been capitalized. Overhead, which approximates 129% of labor costs, is credited to the General and Administrative operating budget to offset other operating costs associated with the capital project. Costs for materials are charged directly to each project from an inventory account and therefore are not included in the construction credit amount.

Total funds of \$3,369,000 for rehabilitation and replacement projects are reflected in the Capital Improvements Budget. Of this amount, \$2,510,093 is expected to be completed by contractors. Below is a list with cost component itemization of rehabilitation projects scheduled to be completed by OWASA's construction crews.

Force Account Rehabilitation/ Replacement Projects FY 2006-07 (Construction Credit)

*Water System Project Titles	Size (in.)	Length (ft.)	Material Cost	Equipment Cost	Labor Cost	Overhead Cost	Total
McDade Street	6	960	55,166	12,634	20,273	\$26,152	\$114,225
Providence Road	8	520	45,193	27,908	29,337	\$37,845	\$140,283
Greenwood Road	8	2,452	163,998	15,752	26,105	\$33,675	\$239,530
Houston Drive	8	472	19,315	3,024	5,644	\$7,281	\$35,264
Coilister Court	8	58	2,853	519	918	\$1,184	\$5,474
Short Street	4	332	21,118	2,264	6,685	\$8,624	\$38,691
Markham Drive	8	914	22,713	11,339	10,471	\$13,508	\$58,031
Velma Road	8	1,520	72,397	14,477	16,979	\$21,903	\$125,756
Michaux Road	8	891	51,235	12,105	16,731	\$21,583	\$101,654
Water System Subtotals		8,119	\$453,988	\$100,022	\$133,143	\$171,754	<u>\$858,907</u>
Water System Const. Credit (Equip + Labor)					<u>\$233,165</u>		
*Sewer Collection System Project Titles	Size (in.)	Length (ft.)	Material Cost	Equipment Cost	Labor Cost	Overhead Cost	Total
	N/A	N/A	N/A	N/A	N/A	N/A	\$0
Sewer Collection System Subtotals			\$0	\$0	\$0	\$0	<u>\$0</u>
Sewer Coll. Dept. Const. Credit (Equip + Labor)					<u>\$0</u>		
Total Budget Yr. Rehabilitation Projects (2006)		<u>8,119</u>	<u>\$453,988</u>	<u>\$100,022</u>	<u>\$133,143</u>	<u>\$171,754</u>	<u>\$858,907</u>

Section II

Overview of OWASA Departments

Organization Chart

Including number of Authorized Positions

General and Administrative Departments

Office of the Executive Director

Engineering and Planning

Human Resources

Finance

Purchasing

Business Information Services

Operating Departments

Customer Service

Water Supply and Treatment

Water Distribution

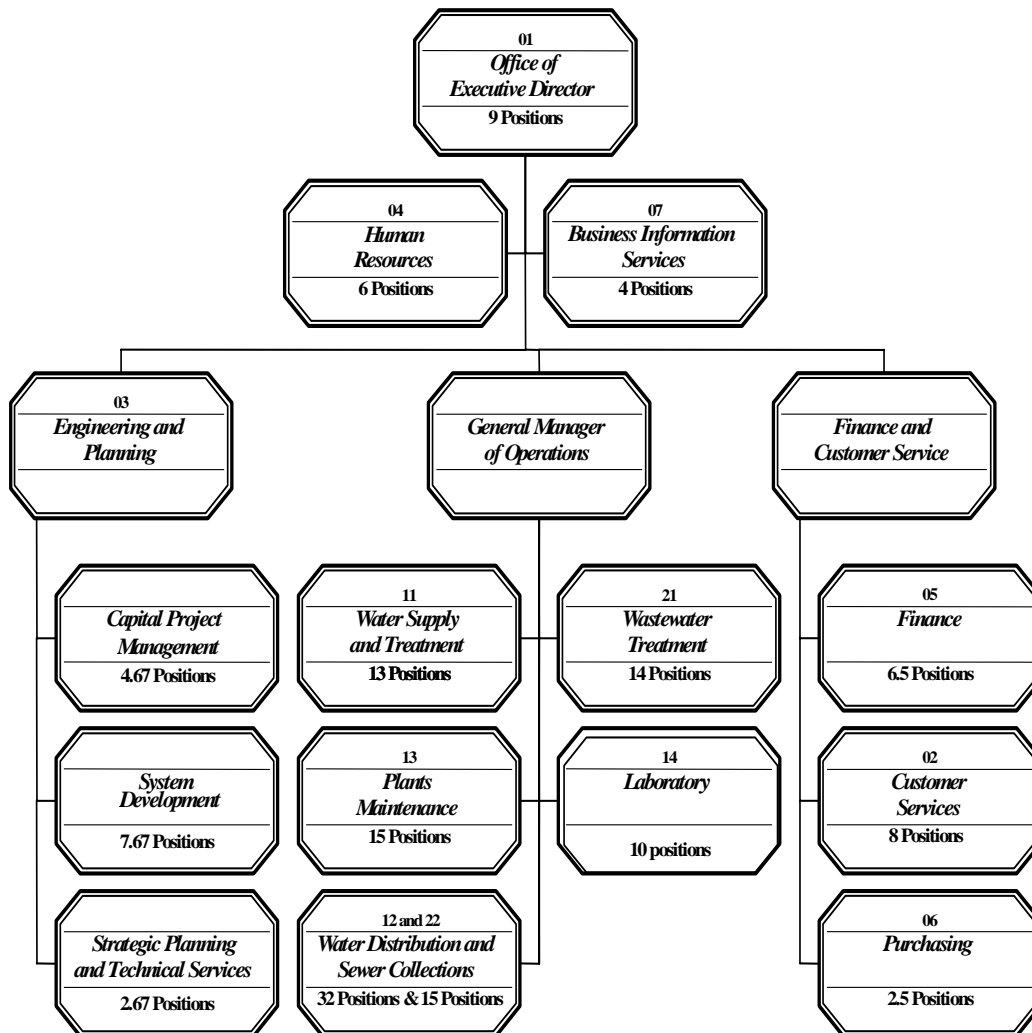
Maintenance

Laboratory

Wastewater Treatment

Sewer Collections

Orange Water and Sewer Authority Staff/Department Structure



Total: 150 Positions

01 OFFICE OF EXECUTIVE DIRECTOR
(General and Administrative)

MISSION

Administrative functions include the Board of Directors, Executive Director, and support personnel involved in the general management of OWASA.

The Board of Directors is responsible for managing and operating OWASA in accordance with authority derived from the North Carolina General Statutes, OWASA's Bond Order, OWASA's Bylaws, the 1977 Agreements of Sale and Purchase with The University of North Carolina at Chapel Hill, with the Town of Carrboro, and with the Town of Chapel Hill, and other legal and organizational documents. The Board sets the overall mission and policies of the organization, appoints the Executive Director, General Counsel, and auditors, and provides oversight and monitoring of OWASA's activities.

The Executive Director is the Chief Administrative Officer responsible for the overall management and supervision of OWASA's services. The Executive Director employs and organizes the staff, assigns responsibilities, and is responsible for carrying out the policies and directives of OWASA. A support staff provides direct assistance to the Executive Director, including Public Affairs, Sustainability Programs and Administrative Support.

SUMMARY OF ACTIVITIES

- Provide leadership to ensure that the organization's overall mission is accomplished.
- Promote and maintain outstanding service and communications with OWASA's customers.
- Provide the Board of Directors timely support and information.
- Ensure that all water and wastewater facilities and programs are operated in compliance with all applicable standards.
- Develop, implement, and maintain effective long-term financial, operational and environmental sustainability plans.
- Implement sound fiscal policies, budgets, and controls.
- Provide high-level technical and administrative direction and support for the sustainability and resource management activities throughout the organization.
- Maintain effective coordination, cooperation, and communication with local governments, The University of North Carolina at Chapel Hill, State and Federal agencies, and continue involvement in civic, professional, and community affairs activities.
- Promote continued innovation and creativity in providing services in a more effective, cost-efficient and sustainable manner.
- Promote training and development of all employees in order to improve OWASA's services.
- Motivate employees and encourage teamwork throughout the organization.

OFFICE OF EXECUTIVE DIRECTOR

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$712,057	\$755,772	\$684,076	\$829,088	10%
Operating Services	\$312,092	\$392,024	\$352,925	\$457,201	17%
Subtotal	\$1,024,150	\$1,147,796	\$1,037,001	\$1,286,289	12%
Const. Credit	(\$183,101)	(\$162,695)	(\$32,063)	(\$171,754)	
Net Totals	\$841,048	\$985,101	\$1,004,938	\$1,114,535	13%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	9	9	9

Key Performance Measurements

Public Affairs: The number of News Releases covered by local media compared to the total number released.

Number covered/Total prepared	FY 2004	FY 2005	FY 2006*
Goal: 100%	61%	77%	57%

*Year 2006 measurements are through the 2nd quarter of FY 2006.

OFFICE OF THE EXECUTIVE DIRECTOR

Three-year Budget Comparison Fiscal Years 2005 - 2007

	05 Actual to 06 Budget		06 Budget to 06 Proj.		06 Budget to 07 Budget		
	FY 2005 Actual	Change	FY 2006 Budget	Variance	FY 2006 Projected	Change	FY 2007 Budget
Personnel Costs							
Salaries and Wages	\$547,991		\$576,187		\$513,491	9%	\$626,004
Fringe Benefits	<u>164,067</u>		<u>179,585</u>		<u>170,585</u>	13%	<u>203,084</u>
Total Personnel Costs	712,057	6%	755,772	-9%	684,076	10%	829,088
Other Operating Expense							
Materials and Supplies	6,124		8,260		6,286	56%	12,860
Utilities	60,321		57,000		68,339	23%	70,200
Maintenance	0		500		0	-100%	0
Professional Services	141,247		180,600		177,175	19%	214,600
Insurance	45,694		48,411		46,296	0%	48,411
Communication	31,128		44,870		20,357	18%	53,120
Printing and Reproduction	402		2,360		271	-64%	860
Education and Development	4,365		16,200		9,266	2%	16,550
Other	<u>22,812</u>		<u>33,823</u>		<u>24,935</u>	20%	<u>40,600</u>
Total Operating Expenditures	312,092	26%	392,024	-10%	352,925	17%	457,201
Total Expenditures	<u>1,024,150</u>	12%	<u>1,147,796</u>	-10%	<u>1,037,001</u>	12%	<u>1,286,289</u>
Construction Credit	(183,101)		(162,695)		(32,063)		(171,754)
Net Expense	<u>\$841,048</u>	17%	<u>\$985,101</u>	2%	<u>\$1,004,938</u>	13%	<u>\$1,114,535</u>

03 ENGINEERING AND PLANNING DEPARTMENT
(General and Administrative)

MISSION

The Engineering and Planning Department is responsible for planning, developing, and managing OWASA's Capital Improvements Program and the Comprehensive Water and Sewer Master Plan. The Department accomplishes these responsibilities by administering, reviewing, inspecting, and approving third-party water and sewer projects (projects which are initiated by outside parties, such as private developers), and by providing the planning and engineering expertise for the operation and maintenance of the water and wastewater plants and infrastructure.

SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities, and assist in developing programs to educate and inform the public about water and sewer construction projects.
- Maintain an updated Comprehensive Water and Sewer Master Plan that provides the overall framework for short and long-term water and wastewater facility improvement, expansion, replacement, and rehabilitation.
- Develop and manage all aspects of the Capital Improvements Program.
- Provide management services to ensure that capital projects are completed on time, within budget, and with a high level of quality.
- Provide engineering support for the operation and maintenance of water and wastewater facilities and infrastructure.
- Conduct reviews, recommendations for approval, and provide other third-party project services in a timely and responsive manner.
- Provide inspection services for third-party water and sewer projects.
- Provide regular updates and revision of OWASA's standard engineering specifications and procedures.
- Manage and maintain a Geographic Information System (GIS) that proactively integrates GIS technology with the many operating and business functions of OWASA.

ENGINEERING AND PLANNING

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$992,033	\$1,096,898	\$971,408	\$1,117,294	2%
Operating Services	\$14,047	\$88,730	\$62,475	\$74,910	-16%
Subtotal	\$1,006,080	\$1,185,628	\$1,033,882	\$1,192,204	1%
Const. Credit	\$0	\$0	\$0	\$0	
Net Totals	\$1,006,080	\$1,185,628	\$1,033,882	\$1,192,204	1%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	15	15	15

Key Performance Measurements

Pipeline inspected. The footage of pipeline inspected on third-party development projects.

Feet Inspected	FY 2004	FY 2005	FY 2006*
Goal: 45,000	47,022	46,750	25,489

Average plan review time. Average length of time to review plan from date received to review of letter.

Work Days	FY 2004	FY 2005	FY 2006*
Goal: <15	12	12	12

Actual capital project expense to budget as a percentage of total capital budget.

Percent of Total Capital Budget	FY 2004	FY 2005	FY 2006*
Goal: > 80%	73%	84% **	38%

*Year 2006 measurements are through the 2nd quarter of FY 2006

**Budget increase from \$27M to \$34M.

ENGINEERING AND PLANNING

Three-year Budget Comparison

Fiscal Years 2005 - 2007

	05 Actual to		06 Budget to		06 Budget to		
	FY 2005	06 Budget	FY 2006	06 Proj.	FY 2006	07 Budget	FY 2007
	Actual	Change	Budget	Variance	Projected	Change	Budget
Personnel Costs							
Salaries and Wages	\$789,936		\$860,770		\$763,799	1%	\$873,495
Fringe Benefits	<u>202,097</u>		<u>236,128</u>		<u>207,609</u>	3%	<u>243,798</u>
Total Personnel Costs	992,033	11%	1,096,898	-11%	971,408	2%	1,117,294
Other Operating Expense							
Materials and Supplies	7,885		8,080		10,742	103%	16,385
Utilities	0		0		0	0%	0
Maintenance	1,670		4,400		2,149	-43%	2,500
Professional Services	2,815		45,000		33,375	-44%	25,000
Communication	90		400		496	0%	400
Printing and Reproduction	(17,151)		3,600		4,246	0%	3,600
Education and Development	16,189		25,000		9,053	-1%	24,775
Other	<u>2,549</u>		<u>2,250</u>		<u>2,414</u>	0%	<u>2,250</u>
Total Operating Expenditures	14,047	532%	88,730	-30%	62,475	-16%	74,910
Total Expenditures	<u>1,006,080</u>	18%	<u>1,185,628</u>	-13%	<u>1,033,882</u>	1%	<u>1,192,204</u>
Construction Credit	0		0		0		0
Net Expense	<u>\$1,006,080</u>	18%	<u>\$1,185,628</u>	-13%	<u>\$1,033,882</u>	1%	<u>\$1,192,204</u>

04 HUMAN RESOURCES DEPARTMENT
(General and Administrative)

MISSION

The Human Resources Department is responsible for the development and cultivation of human resources and safety and training initiatives including recruitment, selection, policy compliance and development, benefits administration, payroll development, pay plan implementation, employee insurance management, and employee records management. The Human Resources Department monitors changes in State and Federal personnel regulations and laws to assure the timely update and compliance of OWASA's safety and personnel practices. The Human Resources Department reviews and proposes revisions to employee benefits, classification and pay plans to assure that OWASA remains in a competitive compensation relationship with the labor market. The role of the Department is to assure both management and the employees that personnel matters are being handled both fairly, equitably, and without discrimination in accordance with good personnel practices and in compliance with applicable policies, regulations, and laws.

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- Administer the classification and pay plan for the organization and ensure the organizations pay and benefits package is competitive in the market place.
- Recruit capable candidates for vacant positions.
- Review employee training and development programs, especially related to enhancing competency for promotion.
- Encourage uniformity and timeliness in processing of performance appraisals.
- Actively promote equal employment/affirmative action objectives.
- Promote good employee relations and a positive working environment.
- Review personnel policies and practices and make recommendations for revisions.
- Process in a timely and appropriate manner employee claims for Life and Long-Term Disability insurance coverage.
- Process and monitor employee payroll to ensure timeliness and correctness.
- Provide a safety program to enhance safety awareness, prevent worker injuries, and promote safe work practices in all operations.
- Promote the general well-being of the work force through counseling, special personal need assistance, and advice to employees and managers through available resources.
- Ensure that all physically challenged job applicants are evaluated in accordance with the Americans with Disabilities Act.

HUMAN RESOURCES

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$369,817	\$363,761	\$289,494	\$380,168	5%
Operating Services	\$128,185	\$155,455	\$113,220	\$174,101	12%
Subtotal	\$498,002	\$519,216	\$402,715	\$554,269	7%
Const. Credit	\$0	\$0	\$0	\$0	
Net Totals	\$498,002	\$519,216	\$402,715	\$554,269	7%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	6	6	6

Key Performance Measurements

Attrition Rate. The percentage of vacancies of the total number of authorized positions.

Percentage of vacancies	FY 2004	FY 2005	FY 2006*
Goal: \leq 8%	10.6%	9.7%	5.3%

Average time to fill vacancies. Average number of days to fill vacancies from when the position was vacated until the new employee starts.

Average Time	FY 2004	FY 2005	FY 2006*
Goal: 90 Days	58	94.0	123.0

Safety Management: Industry Rate is the number of lost workdays per year due to injuries or illness per 100 full-time workers. (Note: This rate is updated on a Calendar Year basis).

Incident Rate	FY 2004	FY 2005	FY 2006*
Goal: \leq 7.5%	1.8%	1.40%	2.80%

*Year 2006 measurements are through the 2nd quarter of FY 2006

HUMAN RESOURCES

Three-year Budget Comparison Fiscal Years 2005 - 2007

	05 Actual to FY 2005 Actual		06 Budget to FY 2006 Budget		06 Budget to FY 2006 Projected		06 Budget to FY 2007 Budget	
		06 Budget Change		06 Proj. Variance		07 Budget Change		
Personnel Costs								
Salaries and Wages	\$230,928		\$223,972		\$217,356	3%		\$230,988
Fringe Benefits	<u>138,889</u>		<u>139,789</u>		<u>72,138</u>	7%		<u>149,180</u>
Total Personnel Costs	369,817	-2%	363,761	-20%	289,494	5%		380,168
Other Operating Expense								
Materials and Supplies	18,568		21,400		9,820	1%		21,610
Utilities	0		0		0	0%		0
Maintenance	6,555		100		828	0%		100
Professional Services	32,565		54,000		23,734	27%		68,400
Communication	30,295		35,800		43,514	14%		40,916
Printing and Reproduction	1,200		1,500		691	0%		1,500
Education and Development	11,096		11,300		9,757	2%		11,500
Other	<u>27,906</u>		<u>31,355</u>		<u>24,876</u>	-4%		<u>30,075</u>
Total Operating Expenditures	128,185	21%	155,455	-27%	113,220	12%		174,101
Total Expenditures	<u>498,002</u>	4%	<u>519,216</u>	-22%	<u>402,715</u>	7%		<u>554,269</u>
Construction Credit	0		0		0			0
Net Expense	<u>\$498,002</u>	4%	<u>\$519,216</u>	-22%	<u>\$402,715</u>	7%		<u>\$554,269</u>

05 FINANCE DEPARTMENT

(General and Administrative)

MISSION

The Finance Department is responsible for maintaining the fiscal affairs of OWASA in a professional manner and consistent with generally accepted accounting principles and statutory requirements. Areas of responsibility include accounts payable, accounts receivable, the general ledger, asset records, cash investment, payroll, cost accounting, budget development, revenue and expenditure forecasting, grants management, and financial reporting. The Finance Department is also responsible for oversight and coordination of studies of rates and fees, and the issuance of revenue bonds.

Data recorded and maintained by the Finance Department supplies the Board of Directors, Executive Director, and department managers information needed to make important financial decisions regarding OWASA's present status and future operation and development.

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- Manage OWASA's cash and investments to optimize return while maintaining adequate liquidity to meet expenditures in a timely manner.
- Process all invoices in a timely and accurate manner taking advantage of discounts for payments and maintain effective relationships with vendors.
- Process biweekly payroll accurately and timely.
- Provide prompt and accurate management reports based on the general ledger and cost accounting system.
- Monitor budgeted funds for operations and capital appropriations.
- Develop forecasted budget data for subsequent fiscal year.
- Maintain general ledger and related subsidiary ledgers.
- Maintain a reliable and timely cost accounting system.
- Investment of cash to yield maximum interest earnings using fiscally sound investment practices while maintaining adequate working capital.
- Administer the Strategic Financial Planning and Management Document.
- Review adequacy of rates and fees to generate necessary revenues to support a physically sound organization.

FINANCE

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$427,612	\$454,529	\$421,106	\$464,880	2%
Operating Services	\$169,058	\$266,800	\$146,319	\$264,530	-1%
Subtotal	\$596,670	\$721,329	\$567,425	\$729,410	1%
Const. Credit	\$0	\$0	\$0	\$0	
Net Totals	\$596,670	\$721,329	\$567,425	\$729,410	1%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	6.5	6.5	6.5

Key Performance Measurements

Percent of revenues uncollectable is a comparison of bad debts written-off as a % of total revenues.

Percent of revenues uncollectable	FY 2004	FY 2005	FY 2006*
Goal: < .14%	0.17%	53.00%	17.00%

O & M budget expense to budget is the % of actual expenditures to current budget for OWASA.

OWASA budget expense to budget	FY 2004	FY 2005	FY 2006*
Goal: < 97%	86%	88%	97%

Revenue to budget is the revenue actually collected as a % of the amount projected in the current budget.

Revenue to budget	FY 2004	FY 2005	FY 2006*
Goal: 100%	93%	97%	103%

*Year 2006 measurements are through the 2nd quarter of FY 2006

FINANCE

**Three-year Budget Comparison
Fiscal Years 2005 - 2007**

	05 Actual to FY 2005 Actual	06 Budget to 06 Budget Change	FY 2006 Budget	06 Budget to 06 Proj. Variance	FY 2006 Projected	06 Budget to 07 Budget Change	FY 2007 Budget
Personnel Costs							
Salaries and Wages			\$341,246		\$312,511	0%	\$342,391
Fringe Benefits	\$327,542		<u>113,283</u>		<u>108,595</u>	8%	<u>122,488</u>
Total Personnel Costs	427,612	6%	454,529	-7%	421,106	2%	464,880
Other Operating Expense							
Materials and Supplies	2,036		5,450		4,824	9%	5,950
Utilities	0		0		0	0%	0
Maintenance	0		0		0	0%	0
Professional Services	144,860		234,350		128,836	0%	234,280
Communication	3,834		5,000		4,528	0%	5,000
Printing and Reproduction	6,164		7,000		6,547	7%	7,500
Education and Development	11,755		13,800		448	-24%	10,500
Other	<u>409</u>		<u>1,200</u>		<u>1,137</u>	8%	<u>1,300</u>
Total Operating Expenditures	169,058	58%	266,800	-45%	146,319	-1%	264,530
Total Expenditures	<u>596,670</u>	21%	<u>721,329</u>	-21%	<u>567,425</u>	1%	<u>729,410</u>
Construction Credit	0		0		0		0
Net Expense	<u>\$596,670</u>	21%	<u>\$721,329</u>	-21%	<u>\$567,425</u>	1%	<u>\$729,410</u>

06 PURCHASING DEPARTMENT

(General and Administrative)

MISSION

To enhance the operations of OWASA, its staff and Board by providing effective purchasing contract administration and inventory management. Serve as the central procuring activity for selected commodities and services and be the management and control point for the acquisition systems which are executed on a decentralized basis throughout the organization, and train the staff on purchasing procedures and policies. Review contract documents, negotiating required changes or additions to protect OWASA's interests, conduct all formal bids for supplies and equipment, conduct competitive acquisitions through Request For Proposal process, develop procurement policy recommendations, and advise the Board and Executive Director. To acquire and account for an inventory of repair parts for the water and sewer systems, provide centralized receiving functions and operate a pool of common use administrative vehicles. Produce revenue through disposal of surplus personal property by coordinating sales and exchanges of property in accordance with OWASA policy.

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- Review and modify contract documents and agreements to ensure fair and legal terms and conditions for OWASA and to reduce or eliminate risks by carefully structuring requirements.
- Establish and monitor small purchase procurement procedures for use by all operating departments within the organization, which enhance their ability to perform their assigned missions, providing them maximum flexibility while maintaining adequate internal controls.
- Provide training to all OWASA staff members who have procurement responsibilities.
- Maintain an inventory of the water and sewer system repair parts required to meet the operating needs of the Distribution and Collections Department. Track reported consumption and replenishment of these parts with at least 95 percent accuracy. Conduct inventories document adjustments. Report inventory value monthly.
- Process purchase actions within three working days.
- Create, or update the policies procedures that govern acquisition functions to promote greater efficiency and stronger internal control.

PURCHASING

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$111,784	\$115,916	\$116,818	\$121,347	5%
Operating Services	\$18,348	\$31,525	\$16,365	\$25,504	-19%
Subtotal	\$130,132	\$147,441	\$133,183	\$146,851	0%
Const. Credit	\$0	\$0	\$0	\$0	
Net Totals	\$130,132	\$147,441	\$133,183	\$146,851	0%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	2.5	2.5	2.5

Key Performance Measurements

Inventory transactions. Tracks additions, withdrawals and returns of inventoried items to determine equipment utilization and personnel efficiency in the warehouse.

Inventory Transactions	FY 2004	FY 2005	FY 2006**
Goal: N/A	4,135	4,347	1,493

Percentage unaccounted for inventory (shrinkage). The net dollar value of adjustments (gains and losses combined) made to the inventory balance as a result of a physical count divided by the inventory beginning balance value.

Percent Inventory Unaccounted For	FY 2004	FY 2005	FY 2006*
Goal: < 5%	5.3%	1.0%	N/A

*Determined at year-end during the physical count of inventory.

**Year 2006 measurements are through the 2nd quarter of FY 2006

PURCHASING

**Three-year Budget Comparison
Fiscal Years 2005 - 2007**

	FY 2005 Actual	05 Actual to 06 Budget Change	FY 2006 Budget	06 Budget to 06 Proj. Variance	FY 2006 Projected	06 Budget to 07 Budget Change	FY 2007 Budget
Personnel Costs							
Salaries and Wages	\$88,215		\$90,275		\$89,387	3%	\$93,146
Fringe Benefits	<u>23,569</u>		<u>25,641</u>		<u>27,430</u>	10%	<u>28,201</u>
Total Personnel Costs	111,784	4%	115,916	1%	116,818	5%	121,347
Other Operating Expense							
Materials and Supplies	8,017		8,825		8,486	-1%	8,704
Utilities	4,019		5,000		3,277	0%	5,000
Maintenance	3,460		6,000		1,239	-25%	4,500
Professional Services	0		1,200		0	-100%	0
Communication	648		2,100		62	-33%	1,400
Printing and Reproduction	0		200		0	0%	200
Education and Development	1,766		7,000		2,447	-36%	4,500
Other	<u>438</u>		<u>1,200</u>		<u>854</u>	0%	<u>1,200</u>
Total Operating Expenditures	18,348	72%	31,525	-48%	16,365	-19%	25,504
Total Expenditures	<u>130,132</u>	13%	<u>147,441</u>	-10%	<u>133,183</u>	0%	<u>146,851</u>
Construction Credit	0		0		0		0
Net Expense	<u>\$130,132</u>	13%	<u>\$147,441</u>	-10%	<u>\$133,183</u>	0%	<u>\$146,851</u>

07 BUSINESS INFORMATION SERVICES

(General and Administrative)

MISSION

Business Information Services (BIS) is responsible for developing and supporting OWASA's computer, telecommunications, and office systems through high quality service to internal and external customers; improved coordination, productivity, and efficiency among OWASA departments and work groups; and reliable access to high quality information that supports decision-making at all levels of the organization.

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- BIS functions are carried out through planning, procurement, installation, maintenance, and staff training in the following areas: Local Area Network (LAN) Management, office and business process automation, personal computing, data transmission, radio communication, telephone, voicemail, mobile phones, pagers, office equipment (fax, copiers, typewriters).
- Develops, maintains, and implements, a long-range technology plan for the effective and efficient use of technology for information systems throughout the organization.
- BIS serves as OWASA's clearinghouse for assessing organization-wide information service needs and priorities, and allocates or re-allocates technology resources accordingly through the acquisition, modification, and/or re-assignment of hardware and software, and through recommendations for staff training. BIS establishes appropriate technology standards, specifications, security levels, and changes procedures for OWASA's information system.

BUSINESS INFORMATION SERVICES

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$250,914	\$273,625	\$267,997	\$287,263	5%
Operating Services	\$373,496	\$412,450	\$389,985	\$461,350	12%
Subtotal	\$624,410	\$686,075	\$657,982	\$748,613	9%
Const. Credit	\$0	\$0	\$0	\$0	
Net Totals	\$624,410	\$686,075	\$657,982	\$748,613	9%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	4	4	4

Key Performance Measurements

Workstations maintained. Total number of individual workstations maintained

Workstations Maintained	FY 2004	FY 2005	FY 2006*
Projected: N/A	107	113	113

Network reliability. Calculation of network operational days as a percentage of total available network days.

% of Network operational days	FY 2004	FY 2005	FY 2006*
Goal: >99%	99.8%	99.8%	99.8%

Workstation reliability. Calculation of workstation operational days as a percentage of total available days.

% of Workstation operational days	FY 2004	FY 2005	FY 2006*
Goal: >99%	99.6%	99.7%	99.6%

*Year 2006 measurements are through the 2nd quarter of FY 2006

BUSINESS INFORMATION SERVICES

**Three-year Budget Comparison
Fiscal Years 2005 - 2007**

	05 Actual to FY 2005 Actual	06 Budget to FY 2006 Budget	06 Budget to 06 Proj. Variance	FY 2006 Projected	06 Budget to 07 Budget Change	FY 2007 Budget
Personnel Costs						
Salaries and Wages	\$205,549		\$218,089	\$215,044	4%	\$226,602
Fringe Benefits	<u>45,366</u>		<u>55,536</u>	<u>52,953</u>	9%	<u>60,661</u>
Total Personnel Costs	250,914	9%	273,625	267,997	5%	287,263
Other Operating Expense						
Materials and Supplies	9,486		7,000	15,676	143%	17,000
Utilities	107,248		105,000	105,037	2%	107,000
Maintenance	186,526		192,000	213,605	25%	240,000
Professional Services	12,736		40,000	0	-20%	32,000
Communication	9,276		12,700	3,457	-68%	4,100
Printing and Reproduction	0		0	76	0%	0
Education and Development	721		7,500	3,215	73%	13,000
Other	<u>47,504</u>		<u>48,250</u>	<u>48,919</u>	0%	<u>48,250</u>
Total Operating Expenditures	373,496	10%	412,450	389,985	12%	461,350
Total Expenditures	<u>624,410</u>	10%	<u>686,075</u>	<u>657,982</u>	9%	<u>748,613</u>
Construction Credit	0		0	0		0
Net Expense	<u>\$624,410</u>	10%	<u>\$686,075</u>	<u>\$657,982</u>	9%	<u>\$748,613</u>

02 CUSTOMER SERVICE DEPARTMENT

MISSION

The Customer Service Department is responsible for establishing and promoting quality service for OWASA customers. Areas of responsibility include the greeting and reception of callers and visitors; accurate and timely reading of meters; billing and collection of water and sewer accounts, septage accounts, and special assessments; receiving and accounting for all Accounts Receivable; investigating water theft; responding to inquiries and requests from customers and others; investigation of special circumstances that might account for high consumption or billing irregularities; and support of other departments with historical analyses and information.

SUMMARY OF ACTIVITIES

- Courteously greet all callers and visitors to OWASA, identifying their needs and providing service.
- Operate and maintain the customer billing system to produce accurate and timely bills.
- Accurately and efficiently read water meters to ensure correct consumption is billed to customers.
- Collect payments and deposit revenues in accordance with generally acceptable accounting principles.
- Develop, interpret and administer OWASA policies relating to customer service and billing and collection of delinquent accounts.
- Provide technical assistance to the organization in projecting water sales, growth trends and reports on unserved areas.
- Develop the knowledge and skills of employees by providing training in computer software, telephone etiquette and workshops in customer service techniques.
- Enforce OWASA rules concerning past due bills, returned checks and water theft.
- Maintain involvement in civic, professional and community affairs activities.
- Maintain meter box layer on the Geographic Information System.

CUSTOMER SERVICE

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$591,748	\$635,404	\$605,336	\$422,379	-34%
Operating Services	\$363,611	\$236,232	\$295,653	\$204,932	-13%
Totals	\$955,359	\$871,636	\$900,989	\$627,311	-28%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	13	13	13

Key Performance Measurements

Meters Read. Total number of meters read.

Numbers of meter read	FY 2004	FY 2005	FY 2006*
Goal: N/A	234,146	235,632	117,720

Meter Reading Percentage. The percentage of meters that were read rather than estimated for bill preparation.

Percent of meters read	FY 2004	FY 2005	FY 2006*
Goal: 100%	99%	99%	99%

Cost per account. Total cost incurred to maintain each customer account.

Cost incurred	FY 2004	FY 2005	FY 2006*
Goal: \leq \$3.65	\$3.65	\$3.77	\$3.65

*Year 2006 measurements are through the 2nd quarter of FY 2006

CUSTOMER SERVICE

**Three-year Budget Comparison
Fiscal Years 2005 - 2007**

	05 Actual to FY 2005 Actual	06 Budget to FY 2006 Budget	06 Budget to 06 Proj. Variance	FY 2006 Projected	06 Budget to 07 Budget Change	FY 2007 Budget	
Personnel Costs							
Salaries and Wages	\$444,415		\$462,841	\$439,041	-32%	\$313,992	
Fringe Benefits	<u>147,333</u>		<u>172,562</u>	<u>166,295</u>	-37%	<u>108,387</u>	
Total Personnel Costs	591,748	7%	635,404	605,336	-34%	422,379	
Other Operating Expense							
Materials and Supplies	14,904		15,050	15,516	-83%	2,600	
Utilities	0		0	0		0	
Maintenance	8,566		11,000	13,206	-100%	0	
Professional Services	74,080		68,500	116,483	17%	80,000	
Insurance	2,790		3,072	2,401	0%	3,072	
Communication	97,670		90,000	101,841	-19%	73,000	
Printing and Reproduction	1,562		2,000	2,412	150%	5,000	
Education and Development	2,433		11,000	2,350	-47%	5,800	
Other	<u>161,606</u>		<u>35,610</u>	<u>41,444</u>	0%	<u>35,460</u>	
Total Operating Expenditures	363,611	-35%	236,232	295,653	-13%	204,932	
Total Expenditures	<u>955,359</u>	-9%	<u>871,636</u>	3%	<u>900,989</u>	-28%	<u>627,311</u>
Construction Credit	0		0	0		0	
Net Expense	<u>\$955,359</u>	-9%	<u>\$871,636</u>	3%	<u>\$900,989</u>	-28%	<u>\$627,311</u>

11 WATER SUPPLY AND TREATMENT DEPARTMENT

MISSION

The Water Supply and Treatment Department is responsible for providing a continuous supply of high quality drinking water to OWASA customers. Departmental functions include operation of two water supply reservoirs with public recreation facilities, the Jones Ferry Road Water Treatment Plant, water treatment residuals processing and disposal facilities; and the operation of five elevated storage tanks within the distribution system. The department administers the watershed protection programs.

SUMMARY OF ACTIVITIES

- Efficiently and effectively operate the raw water storage and water treatment facilities in full compliance with all Federal and State regulations while providing high quality drinking water that is aesthetically pleasing to OWASA customers.
- Answer all weekend and after-hours water and sewer emergency calls from OWASA customers in a courteous and timely fashion and dispatch appropriate personnel to resolve customer problems.
- Enhance customer awareness of watershed protection and water treatment by conducting facility tours and provide general information relating to water quality and treatment to augment the education system.
- Ensure continued compliance with the Natural Pollutant Discharge Elimination System's permit requirements for discharging process water generated by the water treatment processes.
- Operate and maintain the recreational facilities at University Lake and Cane Creek Reservoir in a courteous and friendly manner.
- Continue strong emphasis on the development and training of employees to improve their knowledge, skills, and abilities, including State operator certification.
- Reinforce the teamwork approach collective commitments required by department employees to accomplish objectives within the operation of the lakes and water treatment facilities.
- Oversee and manage OWASA owned land and conservation easements in the University Lake and Cane Creek watersheds.

WATER SUPPLY AND TREATMENT

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$816,836	\$877,329	\$866,000	\$915,518	4%
Operating Services	\$1,118,868	\$1,304,021	\$1,354,692	\$1,477,266	13%
Totals	\$1,935,705	\$2,181,350	\$2,220,692	\$2,392,784	10%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	13	13	13

Key Performance Measurements

Million gallons treated. Measurement of the number of million gallons of raw water treated as determined by influent flow meters at the Jones Ferry Road Water Treatment Plant.

Number of gallons treated	FY 2004	FY 2005	FY 2006*
Goal: N/A	3,406 Billion	3,303 Billion	1,803 Billion

Costs per thousand gallons treated. A measure of the total operational cost, under the control of the Water Supply and Treatment Manager, to treat one million gallons of raw water. This includes cost for the reservoirs and Water Treatment Plant, and does not include maintenance and other overhead costs.

Costs per thousand gallons	FY 2004	FY 2005	FY 2006*
Goal: < \$0.55	\$0.53	\$0.60	\$0.66

Number of primary drinking water standards noncompliances. A monthly report is filed with the North Carolina Division of Environmental Health regarding the quality of the drinking water. Any noncompliance of primary drinking water standards would be reported.

Number of primary drinking water standards noncompliances	FY 2004	FY 2005	FY 2006*
Goal: 0	0	0	0

*Year 2006 measurements are through the 2nd quarter of FY 2006

WATER SUPPLY AND TREATMENT

Three-year Budget Comparison Fiscal Years 2005 - 2007

	05 Actual to FY 2005 Actual	06 Budget to FY 2006 Budget	06 Budget to 06 Proj. Variance	FY 2006 Projected	06 Budget to 07 Budget Change	FY 2007 Budget
Personnel Costs						
Salaries and Wages	\$598,305			\$623,714	4%	\$649,296
Fringe Benefits	<u>218,531</u>			<u>242,286</u>	5%	<u>266,222</u>
Total Personnel Costs	816,836	7%	877,329	-1%	866,000	4%
Other Operating Expense						
Materials and Supplies	40,541		34,330	36,741	23%	42,325
Water Purchases	0		0	0	0%	0
Chemicals	543,777		680,000	769,289	24%	840,750
Utilities	346,931		375,370	378,862	12%	418,900
Maintenance	44,934		33,450	23,963	-24%	25,275
Professional Services	62,310		97,000	76,154	-35%	62,600
Insurance	68,865		71,921	58,785	0%	71,921
Communication	195		150	372	33%	200
Printing and Reproduction	0		100	0	0%	100
Education and Development	5,311		6,750	6,591	-3%	6,525
Other	<u>6,006</u>		<u>4,950</u>	<u>3,936</u>	75%	<u>8,670</u>
Total Operating Expenditures	1,118,868	17%	1,304,021	4%	1,354,692	13%
Total Expenditures	<u>1,935,705</u>	13%	<u>2,181,350</u>	2%	<u>2,220,692</u>	10%
Construction Credit	\$0		\$0		0	\$0
Net Expense	<u><u>\$1,935,705</u></u>	13%	<u><u>\$2,181,350</u></u>	2%	<u><u>\$2,220,692</u></u>	10%

12 WATER DISTRIBUTION DEPARTMENT

MISSION

The Water Distribution Department is responsible for maintaining the existing finished water distribution system from the Water Treatment Plant clearwell to the meters at customers' premises with exception of the system's storage tanks. The Water Distribution Department is responsible for developing and implementing efficient and effective measures for the maintenance and repair of all components of the water distribution infrastructure. The Water Distribution Department is also responsible for replacing certain deteriorated mains to maintain the integrity and hydraulic capacity of the existing system.

SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Conduct regular flushing of water mains to ensure water quality throughout the distribution system.
- Coordinate the repair and replacement of billing meters.
- Maintain ongoing valve and fire hydrant maintenance and repair programs to help ensure reliable operation of the entire distribution system.
- Maintain integrity of water distribution lines by continuing rehabilitation program.
- Investigate distribution system for sources of unaccounted water (water pumped to system but not metered).
- Administer a Cross-Connection Control Program.
- Explore ways to increase productivity on new pipe installation (water line rehabilitation projects).

WATER DISTRIBUTION

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$1,270,236	\$1,427,774	\$1,343,663	\$1,725,263	21%
Operating Services	\$897,164	\$917,230	\$753,441	\$983,807	7%
Subtotal	\$2,167,400	\$2,345,004	\$2,097,104	\$2,709,070	16%
Const. Credit	(\$250,257)	(\$332,428)	\$0	(\$233,165)	
Net Totals	\$1,917,143	\$2,012,576	\$2,097,104	\$2,475,905	23%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	27	27	27

Key Performance Measurements

Miles of pipe maintained. Miles of water distribution piping maintained from the Jones Ferry Road Water Treatment Plant to the customers' service lines.

Miles of pipe maintained	FY 2004	FY 2005	FY 2006*
Goal: N/A	343	346	346

Cost per mile of pipe maintained. Measure of the total maintenance costs per mile under the control of the Distribution and Collection Systems Manager for maintaining the water distribution system, not including overhead or costs funded in other departments.

Cost per mile of pipe	FY 2004	FY 2005	FY 2006*
Goal: < \$4,700	\$4,661	\$5,014	\$2,313

Percentage water accounted for. The volume of finished water billed, divided by the volume of finished water pumped to the distribution system.

Percentage water accounted for	FY 2004	FY 2005	FY 2006*
Goal: > 90%	91%	91.0%	93.0%

*Year 2006 measurements are through the 2nd quarter of FY 2006

WATER DISTRIBUTION

Three-year Budget Comparison Fiscal Years 2005 - 2007

	05 Actual to FY 2005 Actual	06 Budget Change	FY 2006 Budget	06 Budget to 06 Proj. Variance	FY 2006 Projected	06 Budget to 07 Budget Change	FY 2007 Budget
Personnel Costs							
Salaries and Wages			\$990,635		\$949,192	18%	\$1,173,411
Fringe Benefits			<u>437,139</u>		<u>394,471</u>	26%	<u>551,852</u>
Total Personnel Costs	1,270,236	12%	1,427,774	-6%	1,343,663	21%	1,725,263
Other Operating Expense							
Materials and Supplies	49,215		61,550		57,309	34%	82,327
Utilities	199,639		245,600		215,614	-3%	238,300
Maintenance	622,318		582,500		464,037	5%	612,600
Professional Services	3,500		0		0	0%	20,000
Insurance	11,884		11,635		10,772	0%	11,635
Communication	412		400		120	0%	400
Printing and Reproduction	821		1,500		95	0%	1,500
Education and Development	8,005		12,645		4,553	13%	14,345
Other	<u>1,371</u>		<u>1,400</u>		<u>942</u>	93%	<u>2,700</u>
Total Operating Expenditures	897,164	2%	917,230	-18%	753,441	7%	983,807
Total Expenditures	<u>2,167,400</u>	8%	<u>2,345,004</u>	-11%	<u>2,097,104</u>	16%	<u>2,709,070</u>
Construction Credit	(250,257)		(332,428)		0		(233,165)
Net Expense	<u>\$1,917,143</u>	5%	<u>\$2,012,576</u>	4%	<u>\$2,097,104</u>	23%	<u>\$2,475,905</u>

13 MAINTENANCE DEPARTMENT

MISSION

The Maintenance Department is responsible for the efficient and effective program for predictive, preventive, and corrective maintenance for the water and wastewater treatment plants and related equipment. The maintenance department is responsible for ensuring that all necessary facilities and equipment are available for use and to ensure that the water and sewer needs of all customers are reliably met. Provide and operate a centralized pool of common use administrative vehicles. Maintain high state of readiness for vehicles and equipment by being the central point of coordination for maintenance and repair services combining in-house capabilities with contracted repair services to attain the highest possible fleet reliability and the lowest possible operating cost. Track operating costs and repair histories on all equipment and vehicles, and assist operating departments with the acquisition of new vehicles.

SUMMARY OF ACTIVITIES

- Maintain all equipment necessary to provide an uninterrupted supply of water to OWASA customers, in compliance with all applicable regulatory requirements.
- Maintain all equipment necessary to provide reliable pumping of wastewater without spillage or overflow.
- Maintain all equipment necessary to provide continuous treatment of wastewater to meet operating permits and regulatory compliance.
- Maintain OWASA facilities in good condition with respect to structural integrity and appearance.
- Obtain the most value from installed equipment by effective maintenance, and replace obsolete equipment with current technologies when reliability or cost of continued maintenance exceeds replacement cost. Apply non-proprietary technology with a goal of equipment standardization throughout OWASA.
- Maintain a computerized maintenance management system to facilitate work scheduling, tracking of equipment history and reliability, and development of a database of suppliers and parts for installed equipment.
- Provide training and professional development for maintenance staff in order to keep current with changing technologies, equipment, and work practices, including safety regulations.
- Actively participate in the design review of new OWASA facilities and capital equipment.
- Operate a maintenance and repair program for the fleet of operational vehicles and equipment, which produces a high rate of availability and reliability with low operating expenses across the organization.

PLANTS MAINTENANCE

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$852,898	\$911,672	\$836,900	\$937,081	3%
Operating Services	\$747,334	\$853,409	\$1,071,822	\$986,862	16%
Totals	\$1,600,231	\$1,765,081	\$1,908,722	\$1,923,942	9%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	15	15	15

Key Performance Measurements

Work orders completed. The number of corrective maintenance work orders completed for the water and wastewater operations.

Number of Work Orders Completed	FY 2004	FY 2005	FY 2006*
Goal: N/A	5,733	6,114	3,260

Equipment availability percentage. Percentage of critical equipment which is available for service. A 100% index for this standard would indicate that every piece of equipment is ready to operate at all times.

Percent of critical equip. available for service	FY 2004	FY 2005	FY 2006*
Goal: > 98%	99.9%	99.9%	99.9%

Fleet reliability. Percent of vehicles available for service. A 100% index for this standard would mean that all vehicles are ready to operate at all times.

Percentage of vehicles available for service	FY 2004	FY 2005	FY 2006*
Goal: > 95%	99.9%	99.9%	99.9%

* Year 2006 measurements are through the 2nd quarter of FY 2006

PLANTS MAINTENANCE

Three-year Budget Comparison Fiscal Years 2005 - 2007

	05 Actual to FY 2005 Actual	06 Budget Change	FY 2006 Budget	06 Budget to 06 Proj. Variance	FY 2006 Projected	06 Budget to 07 Budget Change	FY 2007 Budget
Personnel Costs							
Salaries and Wages			\$652,560		\$590,861	1%	\$660,338
Fringe Benefits			<u>259,112</u>		<u>246,039</u>	7%	<u>276,742</u>
Total Personnel Costs	852,898	7%	911,672	-8%	836,900	3%	937,081
Other Operating Expense							
Materials and Supplies	39,940		42,780		35,788	-6%	40,087
Utilities	1,340		1,000		651	0%	1,000
Maintenance	674,570		769,650		1,014,023	16%	893,076
Professional Services	0		0		0	0%	20,000
Insurance	19,690		19,749		16,312	0%	19,749
Communication	552		1,000		89	0%	1,000
Printing and Reproduction	0		0		0	0%	0
Education and Development	11,240		19,230		4,959	-38%	11,950
Other	<u>0</u>		<u>0</u>		<u>0</u>	0%	<u>0</u>
Total Operating Expenditures	747,334	14%	853,409	26%	1,071,822	16%	986,862
Total Expenditures	<u>1,600,231</u>	10%	<u>1,765,081</u>	8%	<u>1,908,722</u>	9%	<u>1,923,942</u>
Construction Credit	0		0		0		0
Net Expense	<u>\$1,600,231</u>	10%	<u>\$1,765,081</u>	8%	<u>\$1,908,722</u>	9%	<u>\$1,923,942</u>

14 LABORATORY DEPARTMENT

MISSION

The Laboratory Department provides analytical support and expertise for water and wastewater operations. All State and Federal certifications for the water and wastewater laboratories are maintained. The laboratory provides reliable analytical data for the water and wastewater plants regulatory reporting and process control, distribution system water quality monitoring, watershed management, pretreatment and biosolids programs.

SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Maintain laboratory support to ensure a high quality drinking water supply to OWASA customers.
- Maintain the laboratory program to ensure that the wastewater discharge is in compliance with its operating permit.
- Continue the analytical monitoring of the industrial pretreatment operations and biosolids handling programs.
- Continue to operate the laboratory in compliance with all applicable State and Federal requirements.
- Maintain a Quality Assurance and a Quality Control Program for the laboratory in accordance with State and Federal requirements.
- Improve data handling procedures to provide timely analytical monitoring data for process control and regulatory reporting.
- Continue to train and develop employees to improve their technical knowledge, skills, as well as maintain a full staff of experienced analysts.

LABORATORY

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$517,759	\$549,478	\$548,257	\$570,983	4%
Operating Services	\$262,948	\$348,154	\$274,544	\$331,276	-5%
Totals	\$780,707	\$897,632	\$822,800	\$902,259	1%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	10	10	10

Key Performance Measurements

Number of analysis. Measurement of the number of analyses performed for the water and wastewater operations.

Number of Analysis	FY 2004	FY 2005	FY 2006*
Goal: N/A	49,805	55,688	27,417

Number of quality control analysis. Measurement of the number of laboratory quality control analyses performed.

Number of quality control analysis	FY 2004	FY 2005	FY 2006*
Goal: N/A	53,829	55,544	29,693

Percentage of analysis invalidated due to in-house error. Indicates effectiveness of the staff.

Percentage of invalidated	FY 2004	FY 2005	FY 2006*
Goal: <1.0%	<1%	<1%	<1%

*Year 2006 measurements are through the 2nd quarter of FY 2006

LABORATORY

Three-year Budget Comparison Fiscal Years 2005 - 2007

	05 Actual to		06 Budget to		06 Budget to		
	FY 2005	06 Budget	FY 2006	06 Proj.	FY 2006	07 Budget	FY 2007
	Actual	Change	Budget	Variance	Projected	Change	Budget
Personnel Costs							
Salaries and Wages	\$388,331		\$399,435		\$396,194	2%	\$409,096
Fringe Benefits	<u>129,428</u>		<u>150,043</u>		<u>152,063</u>	8%	<u>161,886</u>
Total Personnel Costs	517,759	6%	549,478	0%	548,257	4%	570,983
Other Operating Expense							
Materials and Supplies	179,049		237,908		155,265	-3%	229,900
Utilities	0		500		419	0%	500
Maintenance	43,656		46,475		54,552	10%	50,930
Professional Services	21,857		38,500		42,598	-37%	24,100
Insurance	8,940		9,411		7,799	0%	9,411
Communication	3,432		6,000		5,979	25%	7,500
Printing and Reproduction	0		100		0	0%	100
Education and Development	3,741		6,260		4,580	-4%	6,035
Other	<u>2,272</u>		<u>3,000</u>		<u>3,353</u>	-7%	<u>2,800</u>
Total Operating Expenditures	262,948	32%	348,154	-21%	274,544	-5%	331,276
Total Expenditures	<u>780,707</u>	15%	<u>897,632</u>	-8%	<u>822,800</u>	1%	<u>902,259</u>
Construction Credit	0		0		0		0
Net Expense	<u>\$780,707</u>	15%	<u>\$897,632</u>	-8%	<u>\$822,800</u>	1%	<u>\$902,259</u>

21 WASTEWATER TREATMENT DEPARTMENT

MISSION

The Wastewater Treatment Department is responsible for reliably providing efficient and effective treatment of the wastewater and treatment residuals generated daily by all OWASA customers. Primary Departmental functions include operation of the Mason Farm Wastewater Treatment Plant, the biosolids recycling program, monitoring the operation of the wastewater pump stations and the odor control programs at the plant and in the collection system. This involves operating and controlling a variety of physical, chemical, and biological treatment processes plus operating specialized equipment for the recycling of biosolids. Additional responsibilities include the Pretreatment, and Septage Disposal Programs. The Wastewater Treatment Department complies with the plant's National Pollutant Discharge Elimination System (NPDES) Permit, the Land Application Permit (WQ, Non-Discharge), the new Stormwater Discharge Permit plus various Local, State, and Federal regulations that pertain to both discharges from the OWASA facilities plus the general operation requirements to meet all applicable standards.

SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Maintain continuous compliance with State and Federal wastewater discharge standards.
- Manage biosolids recycling in an environmentally and operationally sound manner.
- Continue the existing program of monitoring wastewater lift station operation emphasizing performance and reliability.
- Effectively control odors and provide prompt response to public inquires.
- Continue strong emphasis on the development and training of employees to improve their knowledge, skills, and abilities, including state operator certification.
- Effectively work and coordinate with the contractor on the WWTP 14.5 MGD expansion project.

WASTEWATER TREATMENT

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$860,083	\$918,838	\$928,989	\$980,817	7%
Operating Services	\$1,220,960	\$1,463,832	\$1,929,007	\$1,952,732	33%
Totals	\$2,081,043	\$2,382,670	\$2,857,996	\$2,933,549	23%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	14	14	14

Key Performance Measurements

Million gallons treated. Measurement of the number of million gallons treated at the Mason Farm Wastewater Treatment Plant as determined by the influent flow meters.

Measurement of the No. of gallons	FY 2004	FY 2005	FY 2006*
Goal: N/A	2,831 Billion	2,983 Billion	1,367 Billion

Cost per thousand gallons treated. A measure of the total operational cost under the control of the Wastewater Treatment & Biosolids Recycling Manager to treat one thousand gallons of wastewater. This includes operational costs for the Mason Farm Wastewater Treatment Plant and does not include maintenance and other overhead costs.

Cost per thousand gallons treated	FY 2004	FY 2005	FY 2006*
Goal: < \$0.72	\$0.69	\$0.70	\$1.05

Number of National Pollutant Discharge Elimination System (NPDES) permit noncompliances. The number of NPDES permit noncompliances as reported by the Mason Farm Wastewater Treatment Plant on the monthly report to the North Carolina Division of Water Quality.

Number of NPDES permit noncompliances	FY 2004	FY 2005	FY 2006*
Goal: 0	1	1	0

*Year 2006 measurements are through the 2nd quarter of FY 2006

WASTEWATER TREATMENT

Three-year Budget Comparison

Fiscal Years 2005 - 2007

	05 Actual to FY 2005 Actual	06 Budget to 06 Budget Change	FY 2006 Budget	06 Budget to 06 Proj. Variance	FY 2006 Projected	06 Budget to 07 Budget Change	FY 2007 Budget
Personnel Costs							
Salaries and Wages			\$650,488		\$666,458	5%	\$684,133
Fringe Benefits			<u>268,350</u>		<u>262,531</u>	11%	<u>296,683</u>
Total Personnel Costs	860,083	7%	918,838	1%	928,989	7%	980,817
Other Operating Expense							
Materials and Supplies	39,017		57,000		54,508	38%	78,500
Chemicals	290,299		410,000		663,219	69%	691,000
Chemicals - Odor Control	375		18,000		4,873	-17%	15,000
Utilities	666,187		759,700		1,011,567	23%	937,000
Maintenance	91,508		44,500		61,932	2%	45,500
Professional Services	9,762		45,000		12,074	-11%	40,000
Insurance	86,046		90,832		77,183	0%	90,832
Communication	374		500		614	20%	600
Printing and Reproduction	35		250		0	0%	250
Education and Development	4,435		8,050		3,398	-12%	7,050
Other	<u>32,922</u>		<u>30,000</u>		<u>39,640</u>	57%	<u>47,000</u>
Total Operating Expenditures	1,220,960	20%	1,463,832	32%	1,929,007	33%	1,952,732
Total Expenditures	<u>2,081,043</u>	14%	<u>2,382,670</u>	20%	<u>2,857,996</u>	23%	<u>2,933,549</u>
Construction Credit	0		0		0		0
Net Expense	<u>\$2,081,043</u>	14%	<u>\$2,382,670</u>	20%	<u>\$2,857,996</u>	23%	<u>\$2,933,549</u>

22 SEWER COLLECTION DEPARTMENT

MISSION

The Sewer Collection Department is responsible for maintaining the public sewer collection system extending from customer's private service lateral at the public sewer main to the Mason Farm Wastewater Treatment Plant. The Sewer Collection Department uses precise and systematic approaches to minimize and prevent overflows of sewage to local creeks and streams. The department operates ongoing programs to clear and mow easements and maintain sewer lines.

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- Manage an efficient and effective predictive, preventive, and corrective maintenance program for the wastewater collection infrastructure.
- Maintain an ongoing program to reduce inflow/infiltration into the sewer collections system.
- Annually mow and clear easements and regularly clean sewer mains.
- Maintain a computerized maintenance management programs for all aspects of its operation.
- Ensure proper employee training and development in new methods of maintenance of sewer lines and usage of related equipment. Enhance knowledge and skills of employees to increase proficiency through participation in education and training workshops and in-house programs.
- Administer grease monitoring and control program.

SEWER COLLECTION

Budget Summary

Expenditures By Category	FY 2005 Actual	FY 2006 Budgeted	FY 2006 Projected	FY 2007 Budget	Budget Change 2006 to 2007
Personnel Services	\$749,097	\$769,880	\$765,826	\$795,164	3%
Operating Services	\$634,428	\$690,297	\$817,765	\$786,997	14%
Subtotal	\$1,383,525	\$1,460,177	\$1,583,590	\$1,582,161	8%
Const. Credit	(\$40,920)	\$0	\$0	\$0	
Net Totals	\$1,342,604	\$1,460,177	\$1,583,590	\$1,582,161	8%

Personnel Summary

	FY 2005 Actual	FY 2006 Budget	FY 2007 Budget
Positions	15	15	15

Key Performance Measurements

Miles of pipe maintained. Miles of wastewater collection piping maintained from the customers' service laterals to the Mason Farm Wastewater Treatment Plant.

Miles of pipe maintained	FY 2004	FY 2005	FY 2005*
Goal: N/A	294	296	296

Cost per mile of pipe maintained. Measure of the total maintenance costs under the control of the Distribution and Collection Systems Manager for maintaining the wastewater collection system, not including overhead or costs funded in other departments.

Cost per mile of pipe maintained	FY 2004	FY 2005	FY 2005*
Goal: < \$3,000	\$3,494	\$4,017	\$1,823

Number of sewer blockages per 100 miles of pipe maintained. Total number of sewer blockages divided by the number of miles of sewer pipes.

Number of blockages per miles of pipe	FY 2004	FY 2005	FY 2005*
Goal: TBD	2.7	9.2	5.1

*Year 2006 measurements are through the 2nd quarter of FY 2006

SEWER COLLECTIONS

Three-year Budget Comparison Fiscal Years 2005 - 2007

	05 Actual to FY 2005 Actual	06 Budget Change	FY 2006 Budget	06 Budget to 06 Proj. Variance	FY 2006 Projected	06 Budget to 07 Budget Change	FY 2007 Budget
Personnel Costs							
Salaries and Wages			\$535,817		\$516,717	2%	\$546,915
Fringe Benefits	<u>224,325</u>		<u>234,063</u>		<u>249,108</u>	6%	<u>248,249</u>
Total Personnel Costs	749,097	3%	769,880	-1%	765,826	3%	795,164
Other Operating Expense							
Materials and Supplies	44,713		51,500		51,860	7%	55,000
Chemicals	80,567		80,000		0	50%	120,000
Chemicals - Odor Control	132,186		130,000		145,621	9%	141,700
Utilities	96,377		103,000		257,047	37%	141,000
Maintenance	261,188		299,000		347,160	0%	299,500
Professional Services	0		0		0	0%	0
Insurance	10,334		12,697		8,280	0%	12,697
Communication	1,554		800		768	0%	800
Printing and Reproduction	110		1,000		180	0%	1,000
Education and Development	5,566		10,700		4,955	0%	10,700
Other	<u>1,833</u>		<u>1,600</u>		<u>1,894</u>	188%	<u>4,600</u>
Total Operating Expenditures	634,428	9%	690,297	18%	817,765	14%	786,997
Total Expenditures	<u>1,383,525</u>	6%	<u>1,460,177</u>	8%	<u>1,583,590</u>	8%	<u>1,582,161</u>
Construction Credit	(40,920)		0		0		0
Net Expense	<u>\$1,342,604</u>	9%	<u>\$1,460,177</u>	8%	<u>\$1,583,590</u>	8%	<u>\$1,582,161</u>

Section III

Supplemental Information

Glossary

GLOSSARY

ACCRUAL BASIS OF ACCOUNTING – A basis of accounting under which increases and decreases in economic resources are recognized as soon as the underlying event or transaction occurs. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

ALLOCATE - To set apart portions of budgeted expenditures which are specifically designated for special purposes.

ANNUAL BUDGET - A budget covering a single fiscal year (July 1 - June 30).

APPROPRIATION - A legal authorization to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and the time it may be expended.

APPROPRIATION RESOLUTION - A resolution through which appropriations are given legal effect.

AUTHORITY – A public agency which performs a specified range of services that are usually financed from fees or service charges.

BOND - A written promise to pay a specific amount of money with interest within a specific time period, usually long-term.

BONDS ISSUED - Bonds that are sold.

BUDGET - A financial plan containing projected expenditures and resources for a specified number of years.

BUDGET DOCUMENT - A formal document presented to the Board of Directors containing the Authority's financial plan for a fiscal year. The budget document is divided into two major parts - the budget message and an operating budget. The operating budget section contains summaries of expenditures and resources. The budget document is presented in two phases, preliminary and final.

BUDGET MESSAGE – An overview of the proposed budget which discusses the major budget items and the Authority's present and future financial condition.

BUDGETARY CONTROL - The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

CAPITAL IMPROVEMENT BUDGET (CIB) - Addresses the capital needs and projected resources over a five-year period. The projection of long-range capital budget needs is important for the following reasons: planning for replacement and repair of equipment and facilities; to identify capital projects several years in advance of their actual need; for consideration of less costly alternatives; for the optimal timing of capital projects; to provide for timely application for state and federal grants; and to provide the Board of Directors information upon which to base decisions affecting revenues and expenditures.

CAPITAL IMPROVEMENT PLAN (CIP) - Capital projects that include construction, equipment purchases, major renovation of buildings, water and sewer lines, or other structures.

CAPITAL OUTLAYS - Expenditures budgeted to purchase or add to fixed assets costing \$5,000 or more, which are not lease-purchased.

CAPITAL PROJECT - A project expected to have a useful life greater than 10 years and an estimated total cost of \$25,000 or more. Capital projects include the construction, purchase, or major renovation of buildings, water and sewer lines, or other structures.

DEBT SERVICE - The payment of principal and interest on long-term debt.

DEBT SERVICE RATIO - A ratio that expresses the relationship of total net revenue to existing debt.

DEFICIT - An excess of expenditures over revenues or expense over income.

ENTERPRISE FUND – An accounting entity for reporting financial activity where a fee is charged to external customers for goods and services. Reporting of activities through an enterprise fund is required when the reporting entity's debt is backed solely by fees, or if a legal or policy requirement exists to recover costs through fees.

FISCAL YEAR - A 12-month period (July 1 - June 30) to which the annual operating budget applies and at the end of which an assessment is made of the Authority's financial condition and performance of its operations.

FUND - An accounting entity created to record the financial activity for a selected financial grouping. A fund is set up to carry out a special function or attain certain objectives in accordance with set laws and regulations.

FUND BALANCE - An amount of resources set aside within a fund to provide adequate cash flow and reserves.

FUND TYPE - Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types include; general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

GENERAL FUND - A fund which provides for the accounting of all financial resources except those designated to other funds.

GRANTS - A contribution or gift in cash or other assets from another government to be used for a specified purpose.

LEASE-PURCHASE AGREEMENTS - A contractual agreement by which capital outlay, costing in excess of \$10,000, is purchased over a five-year period through lease payments.

LONG TERM DEBT - Debt with a maturity of more than one year after the date of issuance.

MGD - Millions of gallons per day. Used in measuring volume of water and wastewater flow. One (1) mgd = 1.5 cubic feet per second.

MODIFIED ACCRUAL BASIS OF ACCOUNTING - A basis of accounting under which increases and decreases in financial resources are recognized only to the extent that they reflect near-term inflows and outflows of cash. Revenues are recognized only if available to finance expenditures during the accounting period, and expenses are recognized when due and paid.

NONOPERATING EXPENSES - Expenses which are not directly related to the Authority's primary activities.

NPDES - National Pollution Discharge Elimination System. Regulations that protect effluent receiving water (e.g. Morgan Creek) for swimming and fishing by limiting the amount of oxygen-consuming pollutants, primarily carbon and nitrogen, which can be discharged into the stream.

PUMP STATION - Structure containing pumps and accessory piping, valves and other mechanical and electrical equipment for pumping water, wastewater or other liquids. A pump station used to pump wastewater from a sewer main of lower elevation to a sewer main of higher elevation.

PURCHASE AND SALE AGREEMENT - An agreement between the State of North Carolina on behalf of the University of North Carolina and the Orange Water and Sewer Authority that conveyed the water and wastewater treatment facilities previously owned by UNC to OWASA as of February 15, 1977. Similar and separate agreements were also executed with the Towns of Chapel Hill and Carrboro.

OPERATING BUDGET - A budget that applies to all outlays other than capital outlays.

OPERATING EXPENSE - Expenses which are directly related to the Authority's primary activities.

PERFORMANCE MEASURES - A unit produced as a result of the activities carried out by a program (i.e., miles of pipe inspected, feet of water and sewer lines rehabilitated).

PROGRAM BUDGET - A plan whereby expenditures are budgeted by programs of work and grouped into specific service areas.

PROGRAM PERFORMANCE MEASURE - An indicator that reflects how effectively and efficiently a program is being carried out.

PROGRAM OBJECTIVE - A specific statement about what is to be accomplished or achieved (result) for a particular program during the fiscal year.

RESERVE - An account designated for a portion of the fund balance which is to be used for a specific purpose (i.e. maintenance reserve).

REVENUE BONDS – The primary method used by OWASA for long-term debt; they are repaid from user fees over the life of the assets. In general, these bonds have no claim on money derived from property taxes or special assessments.

REVENUES - Financial resources other than from bond issue proceeds.

SPECIAL ASSESSMENT - A levy on certain properties to defray part or all of the costs associated with improvements or services which will benefit those properties. For instance, a special assessment would be levied on property benefitting from the construction of water and sewer lines to serve a particular area.

SPECIAL REVENUE FUND - A fund used to account for the revenues from specific sources which are to be used for legally specified expenditures.

STRATEGIC FINANCIAL PLANNING AND MANAGEMENT DOCUMENT – A document describing Orange Water and Sewer Authority's (OWASA) comprehensive and systematic approach to financial planning and the development and implementation of management policies and related decisions that collectively guide OWASA in its efforts to provide the best and most economical water and sewer services to its present and future customers.

ITEM 11

AGENDA ITEM

- RESOLUTION ADOPTING SCHEDULE OF RATES, FEES, AND CHARGES APPLICABLE TO ALL CUSTOMERS ON AND AFTER OCTOBER 1, 2006

PURPOSE

- To request Board approval of the proposed adjustments to rates, fees, and charges as presented in Attachment 1.

BACKGROUND

- Orange Water and Sewer Authority prepares and adopts a *Schedule of Rates, Fees, and Charges* as permitted under North Carolina General Statute 162A-9 and in accordance with Section 7.04 of OWASA's Amended and Restated Bond Order.
- General Statute 162A-6(9) and Section 7.04 of OWASA's Bond Order provide for the revision of such rates, fees, and charges.
- OWASA's 15-year financial planning model indicates the need for additional revenues to provide sufficient financial resources for ongoing operations in general and the Capital Improvements Program in particular.
- The *Schedule of Rates, Fees, and Charges* reflects a 6.0% and 6.25% increase in most water and sewer rates, respectively, effective October 1, 2006.
- A Public Hearing to receive comments on the proposed adjustments to rates, fees and charges was held on May 25, 2006 and notice of such Public Hearing was published in local newspapers on May 14, and May 18, 2006.

ACTION NEEDED

- Adopt the attached Resolution Adopting Schedule of Rates, Fees, and Charges Applicable to All Customers On and After October 1, 2006.

June 8, 2006

MEMORANDUM

TO: Board of Directors
THROUGH: Ed Kerwin
FROM: Kevin M. Ray
DATE: June 1, 2006
SUBJECT: **Proposed Adjustments to Rates, Fees and Charges**

Background

The Board of Directors conducted a public hearing at 7 p.m. on Thursday, May 25, 2006, to receive comments on proposed adjustments to OWASA's rates and fees. The hearing was held in the Council Chamber at the Chapel Hill Town Hall.

Notice of the hearing was published in accordance with State law (General Statute 162A-9).

OWASA's 1977 Sale and Purchase Agreements with The University of North Carolina at Chapel Hill require that OWASA give The University at least 90 days advance notice of any proposed increase. An October 1, 2006 effective date will allow sufficient time to satisfy the 90-day notification requirement with The University.

Proposed Rate Adjustments

Water and sewer rates are proposed to increase by 6.0% and 6.25%, respectively, effective October 1, 2006. This adjustment is similar in size to last year, and as indicated by the 15-year financial planning model, is necessary to adequately fund the 15-Year Capital Improvements Plan and related debt service. Monthly charges such as service initiation, tapping fees and administrative charges are based on specific costs for these various tasks and services, and as such, are not subject to the uniform rate adjustments.

The attached *Schedule of Proposed Rates, Fees, and Charges* applicable to all customers on and after October 1, 2006 reflects the continued use of seasonal conservation rates.

Seasonal Water Conservation Rates

The current peak season water conservation rate became effective on May 1, 2006 with an attending water commodity charge of \$5.20 per thousand gallons and will remain in effect through September, 2006. As proposed, the off-peak seasonal commodity charge of \$2.90 will go into effect on October 1, 2006 and remain in effect until May 1, 2007, at which time the seasonal conservation rate of \$5.51 will become effective.

Service Availability Fees

An adjustment 6.0 % and 6.25% to water and sewer service availability fees, respectively, is recommended. As with other water and sewer utility fees, these rates will be evaluated and refined during the ongoing comprehensive rate study.

This year's proposed rates include a new charge to fund developer reimbursements. In addition to the sewer availability fee, an excess sewer capacity fee of four percent of the applicable sewer service availability fee will be charged to recover the costs of excess sewer capacity installed in areas covered by an agreement for credit payments to the constructing developer. This fee applies to residential and nonresidential customers.

Comprehensive Rate Study

Although the proposed adjustments to rates, fees and charges reflected in Attachment 1 were derived from current modeling capabilities, it is likely that the ongoing rate study will result in recommendations that differ from the proposed rate structure, particularly in relation to the recovery of costs of the wastewater system and alternative conservation pricing structures.

Conclusion

Staff recommends that the Board adopt the rate adjustments as shown in this memorandum and in Attachment 1.

Kevin M. Ray
Director of Finance and Customer Service

Attachment 1: *Schedule of Rates, Fees, and Charges*

**ORANGE WATER AND SEWER AUTHORITY
PROPOSED SCHEDULE OF RATES, FEES, AND CHARGES**

APPLICABLE TO ALL CUSTOMER BILLINGS ON AND AFTER OCTOBER 1, 2006
UNLESS OTHERWISE NOTED

SECTION I: SCHEDULE OF WATER RATES AND FEES.....Pg. 2 to Pg. 6

SECTION II: SCHEDULE OF SEWER RATES AND FEESPg. 7 to Pg. 10

SECTION III: SCHEDULE OF MISCELLANEOUS CHARGES.....Pg. 11 to Pg. 17

Background and Authorization

In providing essential public water and sewer services to the Chapel Hill, Carrboro and portions of southern Orange County, Orange Water and Sewer Authority (OWASA) incurs substantial operating and capital expenses. OWASA is a not-for-profit public utility and has no legislative authority to levy taxes, nor does OWASA receive tax revenues from local governments for ongoing operations. OWASA finances its water and sewer operations and extensive capital improvements almost entirely through customer paid fees and charges.

North Carolina G.S. 162A-9 requires that OWASA's "rates, fees and charges shall be fixed and revised so that the revenues of the authority, together with any other available funds, will be sufficient at all times" to fund operating and maintenance expenses and to pay the principal and interest on all debt issued or assumed by OWASA. OWASA's rates are established under a cost-of-service rate-making methodology. Each customer pays for the costs incurred by OWASA to provide the services and/or facility capacity required to meet customer demand.

The OWASA Board of Directors has determined that revisions presented in the attached Schedule of Rates Fees, and Charges are necessary to adequately fund OWASA's ongoing operations and long-range Capital Improvements Program. Additional revenues generated by these rate adjustments will provide OWASA with the financial resources necessary to: (1) fund operating costs; (2) adequately maintain existing water and sewer facilities; (3) fully comply with increasingly stringent environmental and public health standards; (4) meet debt service requirements; and (5) to create additional facility capacity to stay abreast of water and sewer service demand in a growing, dynamic community.

The attached Schedule of Rates, Fees, and Charges will replace the schedule adopted on June 9, 2005, which became effective on October 1, 2005.

SECTION I: WATER RATES AND FEES

MONTHLY WATER RATES

Water charges are billed monthly at approximately 30-day intervals. Charges are due upon receipt of the bill, and become delinquent 21 days after the original billing date. Monthly water rates consist of two components: a monthly service charge and a commodity (volume) charge.

Water Service Charge

This charge is calculated to recover costs related to certain direct and indirect customer service efforts, meter and lateral maintenance, and capital costs associated with supplying water to the customer's property. Applicable to all metered water accounts, independent of the quantity of water consumed, the monthly charge is based on meter size as follows:

<u>Meter Size</u>	<u>Monthly Service Charge</u>	
	Existing	Proposed
5/8"	\$9.84	\$10.43
1"	\$19.76	\$20.95
1-1/2"	\$42.74	\$45.30
2"	\$64.50	\$68.37
3"	\$132.63	\$140.59
4"	\$216.52	\$229.51
6"	\$471.50	\$499.79
8"	\$670.50	\$710.73

Water Irrigation Service Charge

This charge is calculated to recover certain direct and indirect customer service, meter and lateral maintenance, and water capital costs associated with supplying water to properties with irrigation systems. Applicable to all metered irrigation water accounts, regardless of the quantity of water consumed, the monthly charge is based on meter size as follows:

<u>Meter Size</u>	<u>Monthly Service Charge</u>	
	Existing	Proposed
5/8"	\$15.75	\$16.70
1"	\$31.48	\$33.37
1-1/2"	\$58.28	\$61.78
2"	\$89.63	\$95.01
3"	\$177.42	\$188.07
4"	\$272.35	\$288.69
6"	\$535.75	\$567.90
8"	\$852.00	\$903.12

Compound meter arrangements are billed on the largest meter in the grouping. In

addition to the applicable charge for the primary meter, existing OWASA-owned sub-meters are billed according to the above schedule. Sub-meters are no longer available and no additional sub-meters will be installed.

Meter changes from one size to another are billed at the rate applicable for the size of the new meter.

Meter readings for first and final bills are billed at a prorated amount based on days of service.

Water Commodity Charge

This charge is calculated to recover the direct and indirect costs of water supply and treatment, water distribution, general administration and water capital not recovered by the monthly service charge. This charge is applicable to all water accounts based on meter readings of water consumed.

When no meter reading is available due to an inoperative, damaged or inaccessible meter, consumption is estimated based on prior usage at the location and current use of the facilities at that time.

To achieve demand reduction during peak water use periods, the OWASA Board of Directors adopted a seasonal conservation rate structure. A reduced commodity charge is in effect during lower demand months (October through April), and a higher commodity charge is in effect during high demand months (May through September).

	Existing	Proposed
Off-peak rate per 1,000 gallons (October through April)	\$2.74	\$2.90
Peak seasonal rate per 1,000 gallons (May through September)	\$5.20	\$5.51

Conservation Water Commodity Charges Under Mandatory Water Use Restrictions

The peak seasonal conservation rate structure will be extended or invoked during periods of mandatory water use restrictions regardless of the time of year. During the various mandatory conservation stages, an inverted block pricing structure will be imposed in conjunction with the seasonal rate for residential and irrigation-only customers. The inverted block structure for single-family and multifamily individually metered residential and irrigation only customers is summarized in the following table. **(No adjustment is proposed).**

Increases to Residential Water Rates in Addition to Seasonal Rates When Mandatory Restrictions Are In Place				
Conservation Stage	Block I 0 – 5,000 (gal/month)	Block II 6,000 – 10,000 (gal/month)	Block III >10,000 (gal/month)	Cutoff Block Service Terminated
Stage 1	0%	+ 50% of seasonal rates	+100 % of seasonal rates	>1,000 gallons per day
Stage 2	0%	+ 100% of seasonal rates	+200 % of seasonal rates	>800 gallons per day
Stage 3 and Emergency	0%	+200% of seasonal rates	+400 % of seasonal rates	>600 gallons per day

INTERLOCAL WATER TRANSFER CHARGES

The purpose of this charge is to recover costs associated with the provision of supplemental water supply under contractual agreement with other water purveyors. The specific rates to be charged will be negotiated with the other party based upon specific conditions, but using the cost-of-service rate-making approach and approved by the Executive Director. The commodity charge for such interlocal water transfers shall not be less than seventy-five percent (75%) of the equivalent uniform water commodity charge applicable to all water accounts within OWASA’s service area unless OWASA and the other purveyor(s) have entered into an agreement establishing water transfer charges. This charge will not be subject to seasonal adjustments.

Equivalent Uniform Water Commodity Charge

Not less than seventy-five percent (75%) (unless OWASA and the other purveyor(s) have entered into an agreement establishing water transfer charges) of:

Existing	Proposed
\$3.93 per 1,000 gallons	\$4.17 per 1,000 gallons

TEMPORARY HYDRANT METER CHARGE

Service from a fire hydrant for construction purposes is subject to priority use of such hydrant for fire protection. Temporary hydrant meters may be used by a customer at a single location for a period not to exceed 60 days. Subject to availability of inventoried hydrant meters, a \$200.00 (**No adjustment is proposed**) service charge, payable in advance, is collected for setting and removing the meter. In addition, a security deposit is required in accordance with the following schedule:

Security Deposit

\$1,000.00 (**No adjustment is proposed**).

Monthly billings for temporary hydrant meters consist of two charges: (1) a service charge for that size meter, and (2) a commodity charge based on monthly readings of the meter. When the hydrant meter is returned undamaged, the security deposit is to be applied to the final bill and any credit balance will be refunded within thirty (30) days.

WATER AVAILABILITY FEE

Water availability fees are calculated to recover a portion of the capital costs of providing water system facility capacity. The availability fee is applicable to each new connection to a water main, regardless of who may have paid for the installation of the water main to which the connection is to be made. For the purpose of availability fees, customer accounts are divided into three categories: (1) Single-family Residential, (2) Multifamily Residential, Individually Metered; and (3) Nonresidential. The Nonresidential category includes master-metered multifamily apartment complexes and all commercial, University, and institutional accounts. The use of these categories is justified by distinctive patterns of water and sewer consumption.

WATER AVAILABILITY FEE (CONTINUED):

	Existing	Proposed
5/8" Meter, Single-family Residential:		
<1300 square feet	\$906.00	\$960.00
1300-1700 square feet	\$1,107.00	\$1,173.00
1701-2400 square feet	\$1,400.00	\$1,484.00
2401-3100 square feet	\$2,395.00	\$2,539.00
3101-3800 square feet	\$3,255.00	\$3,450.00
>3800 square feet	\$5,466.00	\$5,794.00
5/8" Meter, Residential, Irrigation-Only	\$2,653.00	\$2,812.00
5/8" Meter, Multifamily Residential	\$976.00	\$1,034.00
5/8" Meter, Nonresidential	\$2,653.00*	\$2,812.00*
1" Meter, Nonresidential	\$6,632.00*	\$7,030.00*
1-1/2" Meter, Nonresidential	\$13,265.00*	\$14,060.00*
2" Meter, Nonresidential	\$21,224.00*	\$22,496.00*
3" Meter, Nonresidential	\$42,448.00*	\$44,992.00*
4" Meter, Nonresidential	\$66,325.00*	\$70,300.00*
6" Meter, Nonresidential	\$132,650.00*	\$140,600.00*
8" Meter, Nonresidential	\$212,240.00*	\$224,960.00*

* Same fee for Nonresidential, Irrigation-Only accounts

WATER SERVICE AND METER INSTALLATION CHARGE

The purpose of this charge is to recover costs of extending service from the distribution system to individual properties, and includes the installation of a service connection from the water main to the meter and the setting of the meter within the premises, subject to satisfactory easement or license being provided by the applicant. Where a suitable stub-out for service has been made and is available, the "meter-only" charge will apply. Complete water service installation and meter-only charges are as follows:

	Existing	Proposed
Complete Water Service Installation, 5/8-inch meter	\$2,200.00	\$2,250.00
Complete Water Service Installation, 1-inch meter	\$2,360.00	\$2,400.00
Meter Only Installation, 5/8 inch-meter	\$180.00	\$180.00
Meter Only Installation, 1 inch-meter	\$220.00	\$220.00
Meter Only Installation, 1-1/2-inch meter	\$460.00	\$460.00
Meter Only Installation, 2 inch-meter	\$1,320.00	\$1,800.00

Complete installation costs are determined on a time and materials basis for 1-1/2 inch and 2- inch meters. For 3-inch and larger meters, the applicant is responsible for providing a meter box or vault constructed to the configuration and standards of OWASA. All meters, regardless of size, are to be purchased from OWASA. A \$60.00 (**Proposed \$70.00**) delivery fee for 3-inch and larger meters will be applied.

WATER MAIN TAPPING FEE

The purpose of this charge is for making a tap into an OWASA water main. The tap fee must be paid in advance of OWASA performing the work, with a minimum of 48 hours advance notice given to OWASA.

The applicant shall be responsible for opening the ditch, providing adequate working clearance at the point of tap, adequately shoring the trench sidewalls, dewatering and such other associated activities as to provide a suitable and safe condition for OWASA personnel to complete the tap. Additionally, the applicant shall be responsible for providing an appropriate size tapping sleeve and tapping valve, and a backhoe or similar device shall be available on-site for lowering the tapping unit into the ditch line. All permits, bonds and paving shall be the responsibility of the applicant. The charge is for time and equipment plus an allowance for overhead, but not less than \$250.00. **Proposed \$260.00.**

The base fee noted above includes one (1) site visit by OWASA to determine if the applicant is ready for OWASA to perform the tap. A re-inspection fee of \$55.00 (**Proposed \$75.00**) will be charged for each additional site visit required to determine if the water main is accessible and all required material and safety measures are in place.

HYDRAULIC FIRE FLOW TESTING

This charge recovers the cost of hydrant 'fire flow' testing of the water distribution system. Test results provide developers' engineers data to determine available flows and pressures in the systems they are designing for new developments.

\$200.00 per test **(No adjustment is proposed).**

SECTION II: SEWER RATES AND FEES

MONTHLY SEWER RATES

Sewer charges are billed monthly at approximately 30-day intervals. Charges are due upon receipt of the bill, and become delinquent 21 days after the original billing date. Monthly sewer rates consist of two components: a monthly service charge and a commodity (volume) charge.

Sewer Service Charge

This charge is calculated to recover the direct and indirect customer service, service and inspection maintenance, and capital costs associated with providing sewer service to the customer's property. Applicable to all sewer accounts, regardless of whether or not there is a commodity charge, the monthly service charge is based on water meter size as follows:

<u>Meter Size</u>	<u>Monthly Service Charge</u>	
	Existing	Proposed
5/8"	\$6.81	\$7.24
1"	\$11.73	\$12.46
1-1/2"	\$20.20	\$21.46
2"	\$30.55	\$32.46
3"	\$57.75	\$61.36
4"	\$88.28	\$93.80
6"	\$161.85	\$171.97
8"	\$276.20	\$293.46

Sewer Commodity Charge

This charge is calculated to recover the remaining direct and indirect costs of wastewater treatment and collection, maintenance, inspection, customer service and administration and sewer capital costs not recovered by the monthly service charge. This charge is applicable to all accounts receiving sewer service based on the water meter reading, sewer meter reading if applicable, or estimated volume of discharge as determined by OWASA.

Existing	Proposed
\$3.44 per thousand gallons	\$3.66 per thousand gallons

INTERLOCAL WASTEWATER COLLECTION, TREATMENT AND DISPOSAL CHARGES

The purpose of this charge is to recover costs associated with the provision of wastewater collection, treatment and disposal services under contractual agreement with other wastewater service providers. The specific rates to be charged will be negotiated with the other party based upon specific conditions, but using the cost-of-service rate-making approach and approved by the Executive Director. The uniform commodity charge for such interlocal wastewater services

shall not be less than seventy-five percent (75%) of the sewer commodity charge applicable to all sewer accounts within OWASA’s service area unless OWASA and the other purveyor(s) have entered into an agreement establishing water transfer charges.

Not less than seventy-five percent (75%) (unless OWASA and the other purveyor(s) have entered into an agreement establishing water transfer charges) of:

Existing	Proposed
\$3.83 per 1,000 gallons	\$4.07 per 1,000 gallons

MONTHLY RATES FOR SEWER ONLY ACCOUNTS

For existing sewer only accounts where there is no water meter, OWASA shall use the following as the basis for calculating the fixed monthly charges: (1) the monthly service charge shall be determined by the water meter size which would be required to supply water service to the property; (2) the billable quantity will be estimated using national engineering standards as the basis, but in no case shall the billable quantity be less than 6,000 gallons per month and at a rate of \$3.83 per 1,000 gallons (**Proposed \$4.07**).

For special commercial and industrial customer classifications where the proportion of water consumed to wastewater discharged is extremely large, a metered sewer account may be approved. Metered sewer accounts must also pay the appropriate monthly sewer service charge based on the sewer meter size.

SEWER AVAILABILITY FEE

The purpose of this fee is to recover a portion of the capital costs of providing sewer system facility capacity. The availability fee is applicable to each new connection to a sewer main, regardless of who may have paid for the installation of the main to which the connection is to be made. For the purpose of availability fee, customer accounts are divided into three categories: (1) Single-family Residential; (2) Multifamily Residential, Individually Metered; and (3) Nonresidential. The Nonresidential category includes master-metered Multifamily apartment complexes plus all other commercial, the University, and institutional accounts. The use of these categories is justified by distinctive patterns of water and sewer consumption.

5/8" Meter, Single-family Residential:

	Existing	Proposed
<1300 square feet	\$1,586.00	\$1,685.00
1301-1700 square feet	\$1,915.00	\$2,034.00
1701-2400 square feet	\$1,950.00	\$2,071.00
2401-3100 square feet	\$2,389.00	\$2,538.00
3101-3800 square feet	\$2,582.00	\$2,743.00
>3800 square feet	\$2,931.00	\$3,114.00
5/8" Meter, Multifamily Residential	\$1,718.00	\$1,825.00

SEWER AVAILABILITY FEE (CONTINUED):

	Existing	Proposed
5/8" Meter, Nonresidential	\$3,410.00	\$3,623.00
1" Meter, Nonresidential	\$8,525.00	\$9,057.00
1-1/2" Meter, Nonresidential	\$17,050.00	\$18,115.00
2" Meter, Nonresidential	\$27,280.00	\$28,984.00
3" Meter, Nonresidential	\$54,560.00	\$57,968.00
4" Meter, Nonresidential	\$85,250.00	\$90,575.00
6" Meter, Nonresidential	\$170,500.00	\$181,150.00
8" Meter, Nonresidential	\$272,800.00	\$289,840.00

(Proposed) In addition to the sewer availability fee, an excess sewer capacity fee of four percent (4%) of the applicable sewer service availability fee will be charged to recover the costs of excess sewer capacity installed in an area covered by an agreement for credit payments to the constructing developer. This fee applies to residential and nonresidential customers.

SEWER TAP CHARGE

This charge is for making a tap of the applicant's private sewer lateral into the main sewer line or sewer manhole of OWASA. The tap fee must be paid in advance of OWASA performing the work, with a minimum of 48 hours advance notice given to OWASA.

The applicant shall be responsible for opening the ditch, providing adequate working clearance at the point of tap, adequately shoring the trench sidewalls, dewatering and such other associated activities as to provide a suitable and safe condition for OWASA to connect the service lateral of the applicant into the facilities of OWASA. The minimum charge is based on a standard 4" service tap to the sewer line. All 6" lines and larger must be tapped into a manhole. All permits, bonds and pavement repairs are the responsibility of the applicant.

The charge will be for time and equipment plus an allowance for overhead, but not less than \$285.00 (**Proposed \$300.00**).

The base fee noted above includes one (1) site visit by OWASA to determine if the applicant is ready for OWASA to perform the tap. A re-inspection fee of \$55.00 (**Proposed \$75.00**) will be charged for each additional site visit required to determine if the sewer main is accessible and all required material and safety measures are in place.

HIGH STRENGTH WASTE SURCHARGE

The purpose of this charge is to recover operation and maintenance costs from customers whose wastewater discharge into the system is in excess of certain parameters for normal strength domestic wastewater as determined by OWASA. Based on local sampling and analysis, normal strength domestic wastewater has been determined to have the following pollutant characteristics:

HIGH STRENGTH WASTE SURCHARGE (CONTINUED)

Normal Strength Domestic Wastewater

Biochemical Oxygen Demand (BOD)	-	205 mg/l
Suspended Solids (SS)	-	235 mg/l
Ammonia Nitrogen (NH3-N)	-	30 mg/l
Phosphorus (P)	-	6.5 mg/l

High Strength Waste Surcharges shall apply at the following rates to all wastes exceeding the above concentrations:

Biochemical Oxygen Demand (BOD) \$0.22 (**Proposed \$0.23**) per pound for all BOD in excess of 205 mg/l

Suspended Solids (SS) \$0.15 (**Proposed \$0.16**) per pound for all SS in excess of 235 mg/l

Ammonia Nitrogen (NH3-N) \$2.28 (**Proposed \$2.42**) per pound for all NH3-N in excess of 30 mg/l

Phosphorus (P) \$6.40 (**Proposed \$6.80**) per pound for all P excess of 6.5 mg/l

SECTION III: MISCELLANEOUS CHARGES

SERVICE INITIATION FEE

The purpose of this charge is to defray the labor and administrative costs associated with the establishment of a water and/or sewer account. This includes establishing service and account records for billing. Applicable to all accounts requiring field work, be it setting a meter, reconnection of service or reading the meter.

\$40.00 per event (**No adjustment is proposed**).

\$70.00 per event, outside of normal business hours of OWASA (**No adjustment is proposed**).

RECORD CHANGE CHARGE

The purpose of this charge is to defray the administrative costs associated with the transfer of responsibility for an account from one customer to another. This does not require field work and is done at the request of the new customer. Record changes are conditional on the customer signing a statement assuming responsibility for the account balance, paying the record change charge, any delinquent amounts and any applicable security deposit.

\$10.00 per record change (**No adjustment is proposed**).

CHARGE FOR RECONNECTION OF DELINQUENT ACCOUNTS

Disconnection of water and/or sewer service for nonpayment may occur at the option of OWASA no sooner than 21 calendar days after the date of initial billing. The purpose of this charge is to offset the costs of special handling of delinquent accounts, which may include, but not limited to, the disconnection and reconnection of service due to nonpayment of the customer's bill. This charge is to be applied to all accounts scheduled for disconnection for nonpayment and is applicable on or after the specified disconnect date, regardless of whether the service was disconnected or not. Reconnection resulting from disconnection due to nonpayment will be made within 24 hours of receipt of full payment of balance due plus reconnection charge and applicable security deposit.

\$40.00 per event, during OWASA's normal business hours (**No adjustment is proposed**).

\$70.00 per event, outside OWASA's normal business hours (**No adjustment is proposed**).

CHARGE FOR TEMPORARY DISCONNECTION/SUBSEQUENT RECONNECTION AT CUSTOMER'S REQUEST

The purpose of this charge is to recover the cost to temporarily disconnect and subsequently reconnect water service at the request of a customer. Such requests may result from an emergency condition or routine plumbing system maintenance need. The charge may be waived if the customer provides documentation that a master cutoff valve has been installed within thirty (30) days of the date of the temporary service disconnection. However, this charge

will not be waived for any customer who had a master cutoff valve on the premises before the temporary service disconnection. \$40.00 per event (**No adjustment is proposed**).

RETURNED CHECK CHARGE

Checks or automatic bank drafts made payable to OWASA are accepted as payment on account subject to collection. When a check or bank draft is not honored for payment by the bank or other institution on which it is drawn, a Returned Check Charge will be applied to the customer's account as follows:

Returned Check: \$18.00 per event (**No adjustment is proposed**).

Dishonored Draft: \$18.00 per event (**No adjustment is proposed**).

The customer will be notified of the returned check charge and instructed to pay the amount due immediately. Failure to respond within the time allowed will result in disconnection of water service and an additional charge for reconnection. The customer may also be required to pay a security deposit.

SECURITY DEPOSITS

OWASA may require security deposits from customers to ensure payment of the final bill. To offset administrative costs in handling these monies, no interest is paid on security deposits.

Security deposits shall be required on all accounts other than those in the name of (1) owners or tenants of single-family residential properties, detached or attached units, who can provide a satisfactory credit history or reference to OWASA, and (2) local, State and Federal governments or agencies thereof. Security deposits shall be required for accounts other than those in (1) and (2) above and shall be an average of three months' billing charges or \$50.00, whichever is greater. In (1) above where satisfactory credit history or reference is not provided, the initial security deposit shall be \$25.00. All security deposits must be paid at the time application for service is made and in advance of service initiation. (**No adjustment proposed.**)

Any (**residential**) customer whose service has been disconnected for nonpayment of billing charges twice within a six month period of time will be required to pay a \$25.00 security deposit prior to reconnection of service. Repeated disconnections will require additional security deposits until the customer has accumulated a security deposit balance, which will cover an average of three months' billing charges.

Security deposits of residential customers may be refunded after the customer has established a satisfactory payment history four twelve (12) consecutive months. Otherwise, security deposits will be applied to the final bill when a customer's account is terminated.

BULK WASTEWATER CHARGES

Normal Domestic Septage

The purpose of these charges is to recover the costs associated with the service rendered by OWASA to those customers who discharge normal domestic septic tank wastes into the wastewater treatment facilities of OWASA. Applicable to those customers who have an account established at OWASA’s Customer Service Office, charges for handling normal domestic septage will be billed to the customer on a monthly basis. The monthly bill will include two components: (1) an administrative charge for special services required to receive this type waste and rendering the monthly bill; and (2) a charge for the treatment of the septage as determined by OWASA. This charge is calculated as follows:

Monthly Administrative Charge		\$20.00/trip (No adjustment proposed).
	Plus	
Volume Charge and High Strength Surcharge		\$57.00/thousand gallons (No adjustment proposed).

Other High Strength Waste

Other wastes may be discharged to OWASA’s septage facilities only with prior approval by OWASA and upon OWASA’s direct inspection of the actual discharge. The costs associated with these services will be as follows:

NH3-N = Ammonia Nitrogen
BOD = Biochemical Oxygen Demand
TSS = Total Suspended Solids
P = Phosphorus

Monthly Administrative Charge of \$20.00/trip **(No adjustment proposed).**
Plus

Volume and High Strength Surcharge calculated as follows:

A + B + C + D + E = Calculated Dollars per Thousand Gallons, where:

A = pounds of NH3-N/thousand gallons in waste x \$2.28/pound **(Proposed \$2.42).**

B = pounds of BOD/thousand gallons in waste x \$0.22/pound **(Proposed \$0.23).**

C = pounds of TSS/thousand gallons in waste x \$0.15/pound **(Proposed \$0.16).**

D = \$3.83 per 1,000 gallons Sewer Commodity Charge**(Proposed \$4.07).**

E = pounds of P/thousand gallons in waste x \$6.40/pound **(Proposed \$6.80).**

Waste concentrations shall be as determined by OWASA.

TANK SALES OR BULK WATER SALES

The purpose of this charge is to recover the labor and administrative costs associated with the supply of bulk quantities of water to tank trucks or trailers from a metering point on the premises of OWASA. Applicable to all tank or bulk water sales, the following charges apply for each loading.

Administrative Charge \$19.00 per trip **(No adjustment proposed)**.

Plus

Commodity Charge per thousand gallons \$3.93 per thousand gallons **(Proposed \$4.17)** or portion thereof.

Bulk sales are subject to administrative regulations and controls for protection of the system and efficient operation. Water tank trucks or trailers are only authorized to withdraw water from locations approved by OWASA and for which adequate usage monitoring measures are provided. Charges for bulk sales are not subject to seasonal adjustments.

DIRECT SALES OF SUPPLIES

Applicable to the direct sale of supplies from inventory to municipalities or contractors, the supplies will be billed at the most recent cost plus a handling charge of 10% **(No adjustment proposed)**.

BOAT RENTAL AND LAKE USE FEES

General Public

Applicable to all persons using row boats and canoes on University Lake and Cane Creek Reservoir during scheduled hours of operation as established by OWASA, boat rental and lake user charges will be as follows:

OWASA CUSTOMERS AND ORANGE COUNTY RESIDENTS

Day Use

Charge for each boat or canoe rental: \$6.50 for one-half day **(Proposed \$7.00)**.

Trolling motor rental: \$12.75 for one-half day **(Proposed \$13.50)**.

Lake Use Fee, Under 12 Years Old: \$1.25 per person **(No adjustment proposed)**.

Lake Use Fee, 12-64 Years: \$2.75 per person **(Proposed \$3.00)**.

Lake Use Fee, 65 Years and over: \$1.25 per person **(No adjustment proposed)**.

BOAT RENTAL AND LAKE USER FEES (CONTINUED)

Seasonal Passes

INDIVIDUAL PASS

Boat or canoe rental

\$65.00 per person (**Proposed \$69.00**).
Each additional person in boat pays appropriate lake use fee.

Boat with trolling motor rental

\$130.00 per person (**Proposed \$138.00**).
Each additional person in boat pays appropriate lake use fee.

GROUP PASS

Boat or canoe rental

\$130.00 (**Proposed \$138.00**).
Maximum of 3 people per pass. Each additional person in boat pays appropriate lake use fee.

Boat with trolling motor rental

\$195.00 (**Proposed \$207.00**).
Maximum of 3 people per pass. Each additional person in boat pays appropriate lake use fee.

ALL OTHERS

Day Use

Charge for each boat or canoe rental

\$11.00 for one-half day (**Proposed \$11.50**).

Trolling motor rental

\$18.00 for one-half day (**Proposed \$19.00**).

Lake User Fee, Under 12 Years Old

\$1.25 per person (**No adjustment proposed**).

Lake User Fee, 12-64 Years

\$4.25 per person (**Proposed \$4.50**).

Lake User Fee, 65 Years and over

\$1.25 per person (**No adjustment proposed**).

Seasonal Pass

Not Available

UNC Boat Club

By Agreement with OWASA and is applicable to all the University of North Carolina at Chapel Hill students, faculty and staff affiliated with boating or crew clubs sanctioned by The University.

FIELD TEST OF 5/8" METER

Upon a customer's written request, OWASA will conduct a special field test of the customer's 5/8" water meter. There will be no charge for testing meters (1) which have not been tested during the past five years, or (2) which are found to be over-registering. Over-registering meters will be replaced by OWASA at no charge to the customer.

If, however, the meter has been tested within the past five years and the results of the meter test indicate proper or under-registering, the customer will be charged \$50.00 (**No adjustment proposed**) for the meter test.

SHOP TESTING OF METER

Upon a customer's written request, OWASA will conduct a special shop test of the customer's water meter that is larger than 5/8 inches. There will be no charge for testing meters (1) which have not been tested during the past five years, or (2) which are found to be over-registering. Over-registering meters will be replaced by OWASA at no charge to the customer.

If, however, the meter has been tested within the past five years and the results of the meter test indicate proper or under-registering, the customer will be charged \$80.00 (**No adjustment proposed**) for the in-house meter test.

FIELD TEST OF LARGE METERS

Upon a customer's written request, OWASA will conduct a special field test of the customer's water meter that is larger than 5/8 inches. There will be no charge for testing meters (1) which have not been tested during the past five years, or (2) which are found to be over-registering. Over-registering meters will be replaced by OWASA at no charge to the customer.

If, however, the meter has been tested within the past five years and the results of the meter test indicate proper or under-registering, the customer will be charged a meter test fee based on the actual time and equipment required to complete the field test. This charge shall not be less than \$100.00 (**No adjustment proposed**).

PLAN REVIEW AND CONSTRUCTION OBSERVATION FEES

The purpose of this charge is to recover the operating cost for providing review of construction plans for the extension of water and sewer facilities. The charge also recovers the operating cost for providing field observation on the installation of these facilities. The plan review and construction observation fees are applicable to all extensions of the public water and/or sewer system regardless of the party which may be undertaking the improvements. The fees will be applied separately to water main and sewer main extensions, but in no case shall the fee be less than \$100.00 (**No adjustment proposed**).

Plan Review:	\$2.00 per linear foot (Proposed \$1.96).
Construction Observation:	\$1.82 per linear foot (Proposed \$1.79).

CHARGES FOR MISCELLANEOUS SERVICES

Charges for miscellaneous services provided by OWASA shall be on a time and materials basis and include out-of-pocket expenses, cost of materials and services supplied by third parties, and overhead. Typical applications would be for repair of damages to water and sewer lines by outside parties, special services for billing information, expenses related to spill containment responses, etc.

TRANSFER OF CHARGES

Any unpaid balance from past due charges for water and/or sewer services of terminated accounts or Charges for Miscellaneous Services will be transferred to any available active account(s) through which the customer is receiving services. The payment status of the active account through which the customer is receiving service will be determined by the payment status of transferred accounts.

OWASA may temporarily withhold service from a customer, or refuse service (including but not limited to individuals, corporations, or partnerships), from whom any unpaid, past due balance which is not in dispute is due OWASA for services or charges.

Accounts or portions of accounts, including charges for material or damaged property that are disputed and delinquent fees and delinquent assessment charges, may be submitted to the courts by the Executive Director, upon approval by General Counsel, for collection if such amounts do not exceed \$1,500.00. For amounts exceeding \$1,500.00, approval of the Board of Directors shall also be required prior to filing an action for collection.

###

RESOLUTION ADOPTING SCHEDULE OF RATES, FEES, AND CHARGES APPLICABLE TO
ALL CUSTOMERS ON AND AFTER OCTOBER 1, 2006

WHEREAS, Orange Water and Sewer Authority has an adopted Schedule of Rates, Fees, and Charges as permitted under North Carolina General Statute 162A-9 and Section 7.04 of OWASA's Amended and Restated Bond Order (Bond Order); and

WHEREAS, General Statute 162A-6(9) and Section 7.04 of OWASA's Bond Order provide for the revision of such Rates, Fees, and Charges; and

WHEREAS, during the preparation of the Fiscal Year 2006-2007 budget, the need for rate adjustments to OWASA's Schedule of Rates, Fees, and Charges was confirmed to finance and provide sufficient revenues for the ongoing operations and the Capital Improvements Program; and

WHEREAS, notice of a Public Hearing to receive comments on the proposed adjustments to Rates, Fees and Charges was published in *The Chapel Hill News* on Sunday, May 14, 2006, and *The Chapel Hill Herald* on Thursday, May 18, 2006; and

WHEREAS, A Public Hearing was held on May 25, 2005 for the purpose of receiving public comment on the proposed adjustment to the Schedule of Rates, Fees, and Charges.

NOW, THEREFORE, BE IT RESOLVED:

1. That the attached *Schedule of Rates, Fees, and Charges* be, and hereby is, adopted by the Board of Directors as the revised rate policy of Orange Water and Sewer Authority.
2. That the revised rates shall become effective for all service billings rendered on and after October 1, 2006.
3. That the Executive Director is authorized to make discretionary judgments regarding charges when it is determined to be in the interest of OWASA in resolving a customer's appeal.
4. That the Executive Director is hereby directed to give proper notice to The University of North Carolina at Chapel Hill as required by the Sale and Purchase Agreements and to take the necessary steps to implement the revised *Schedule of Rates, Fees, and Charges*.

Adopted this 8th day of June, 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, P.E.
Secretary

AGENDA ITEM

- RESOLUTION APPROVING CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS 2007-2021 INCLUDING FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FISCAL YEARS 2007-2011.

PURPOSE

- Annual update of the Orange Water and Sewer Authority's 15-Year Capital Improvements Program and 5-Year Capital Improvements Budget.

BACKGROUND

- In 1983 the Orange Water and Sewer Authority initiated a 15-year Capital Improvements Program (CIP) and 5-year Capital Improvements Budget (CIB) process to identify and provide for necessary improvements to the water and sewer systems. During each year since 1983, the CIP/CIB has been updated in conjunction with the annual Operations and Maintenance Budget.
- The Budget and Financial Planning Committee reviewed a draft CIB for Fiscal Years 2007-2011 during meetings held on March 21 and March 22, 2006. A public hearing on the CIP document was held on May 25, 2006.
- Since the Board of Directors reviewed the final draft of the CIP document, no net change has occurred in the FY 2007 CIB of \$27,814,000.

ACTION NEEDED

- Approval of 15-Year Capital Improvements Program for Fiscal Years 2007-2021 and 5-Year Capital Improvements Budget for Fiscal Year 2007-2011.

ALTERNATIVES

- Adopt Resolution and Summary Tables (provided in the CIP document dated May 25, 2006).
- Adopt a modified version of the Resolution and Summary Tables.

STAFF RECOMMENDATION

- Adopt Resolution Approving Capital Improvements Program for Fiscal Years 2007-2021 including Five-Year Capital Improvements Budget for Fiscal Years 2007-2011.

June 8, 2006

**RESOLUTION APPROVING CAPITAL IMPROVEMENTS PROGRAM FOR
FISCAL YEARS 2007-2021 INCLUDING FIVE-YEAR CAPITAL
IMPROVEMENTS BUDGET FOR FISCAL YEARS 2007-2011**

WHEREAS, a 15-Year Capital Improvements Program and a Five-Year Capital Improvements Budget enables Orange Water and Sewer Authority to identify, assess, and project the water and sewer systems' capital projects in an orderly, coordinated, and fiscally sound manner, and to plan for the replacement and repair of existing facilities; and

WHEREAS, the Capital Improvements Program for the fiscal Years 2007-2021 and the Capital Improvements Budget for the Fiscal Years 2007-2011 have been developed by the staff, reviewed by the Board of Directors, and revisions incorporated therein; and

WHEREAS, a Public Hearing on the Capital Improvements Program was held on May 25, 2006 for the purpose of receiving public comment.

NOW, THEREFORE, BE IT RESOLVED:

1. The Board of Directors of Orange Water and Sewer Authority approves the adoption of the Capital Improvements Program for Fiscal Years 2007-2021 including Five-Year Capital Improvements Budget for Fiscal Years 2007-2011 as provided in the Capital Improvements Program document dated May 25, 2006.

2. That the Executive Director be, and is hereby, authorized to administer the planning, studies, design, and financing, and make recommendations to the Board of Directors for award of contracts for the projects in the Capital Improvements Budget.

Adopted this 8th day of June 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, P. E.
Secretary

CAPITAL IMPROVEMENTS PROGRAM 2007-2021

ORANGE WATER AND SEWER AUTHORITY, CARRBORO, NORTH CAROLINA

PROJECT CATEGORY:	FIVE-YEAR CAPITAL BUDGETING PERIOD					5-YEAR BUDGET	6 To 15-YEAR PLANNING PERIOD		15-YEAR TOTAL
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2007-011	FY 2012-16	FY 2017-21	FY 2007-21
RAW WATER SUPPLY SOURCES	5,012,000	478,000	387,000	27,000	27,000	5,931,000	326,000	2,085,000	8,342,000
RAW WATER TRANSMISSION	0	0	0	0	0	0	0	11,775,000	11,775,000
WATER TREATMENT FACILITIES	272,000	222,000	83,000	98,000	86,000	761,000	1,957,000	259,000	2,977,000
FINISHED WATER PUMPING	931,000	50,000	12,000	185,000	267,000	1,445,000	1,321,000	0	2,766,000
FINISHED WATER STORAGE	30,000	160,000	30,000	1,653,000	1,530,000	3,403,000	0	0	3,403,000
WATER TRANSMISSION AND DISTRIBUTION	2,077,000	2,074,000	3,520,000	2,910,000	3,508,000	14,089,000	17,967,000	22,441,000	54,497,000
WASTEWATER COLLECTION LINES	4,238,000	8,086,000	2,898,000	1,587,000	2,470,000	19,279,000	22,513,000	15,106,000	56,898,000
WASTEWATER PUMP STATIONS AND FORC	941,000	1,563,000	783,000	1,339,000	2,011,000	6,637,000	4,311,000	2,074,000	13,022,000
WASTEWATER TREATMENT AND DISPOSAL	13,823,000	7,124,000	2,111,000	50,000	595,000	23,703,000	35,773,000	5,080,000	64,556,000
CENTRAL OFFICE AND OPERATIONS	0	0	0	0	0	0	0	0	0
INFORMATION SERVICES	490,000	330,000	350,000	370,000	360,000	1,900,000	1,775,000	1,090,000	4,765,000
TOTAL PROJECTED FOR FISCAL YEAR:	\$27,814,000	\$20,087,000	\$10,174,000	\$8,219,000	\$10,854,000	\$77,148,000	\$85,943,000	\$59,910,000	\$223,001,000
PROPOSED 5-YEAR FUNDING SOURCES:	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2007-011			
CASH	9,958,000	14,687,000	10,174,000	8,219,000	10,854,000	53,892,000			
PROPOSED BONDS	15,800,000	5,400,000	0	0	0	21,200,000			
EXISTING BONDS	0	0	0	0	0	0			
GRANTS	2,056,000	0	0	0	0	2,056,000			
TOTAL PROPOSED FUNDING SOURCES:	\$27,814,000	\$20,087,000	\$10,174,000	\$8,219,000	\$10,854,000	\$77,148,000			

SUMMARY TABLE 1

AGENDA ITEM

- ORDERS AND RESOLUTIONS ADOPTING CAPITAL PROJECT RESOLUTIONS

BACKGROUND

- A long-range Capital Improvements Program (CIP) is updated by OWASA staff concurrently with the budget preparation.
- Projects in the initial five-year planning period have been incorporated into a Capital Improvements Budget (CIB).
- Project ordinances have been developed for the major capital projects where construction is anticipated to span more than one year and expenditures are programmed for FY 2007 or beyond.

ALTERNATIVES

- Adopt Orders and Resolutions for attached Capital Project Resolutions.
- Adopt modified Orders and Resolutions for the capital projects.

ACTION NEEDED

- Approval of the Resolution adopting a Capital Project Resolution for each project category.

RECOMMENDATION

- Staff recommends that the Board adopt the Orders and Resolutions for the Capital Projects.

June 8, 2006

TO: Board of Directors
THROUGH: Ed Kerwin
FROM: M. Imtiaz Ahmad
DATE: June 1, 2006
SUBJECT: Capital Project Resolutions

North Carolina State General Statutes G.S. 159-13.2 provides the provision for local government or public authority to adopt Project Resolutions for completion of Capital Projects that would require project funding for multiple years. The following Orders and Resolutions are developed in light of these requirements:

- ✓ Project Resolutions for Water Supply Improvements
- ✓ Project Resolutions for Water Treatment and Distribution Improvements
- ✓ Project Resolutions for Wastewater Collections, Treatment and Disposal Improvements
- ✓ Project Resolutions for Support Services Facilities Improvements

The tables associated with each of the Resolutions are used to calculate “Total Project Budget” (Column A). Total Project Budget is obtained by estimating “Prior Year Expenditures” (Column B), from project inception till June 30th of the current year, and adding to it the “Current Year and Ongoing Projects” (Column E).

“Carryover Funds” (Column C) and “Additional Funds” (Column D) are added to generate “Current Year and Ongoing Projects” (Column E).

As a final check, Current Year and Ongoing Projects (Column E) when added to the total amount for “Future Years FY 2008-11” (Column F), should equal to the 5-year total of the category, as included in the Capital Improvement Project (CIP) Budget of FY 2007.

All the Project Resolution Tables have been double checked by using the above outlined methodology. Please let me know if you need additional information.

M. Imtiaz Ahmad, P.E.
Director of Engineering and Planning

**ORDER AND RESOLUTION ADOPTING A CAPITAL PROJECT RESOLUTION
FOR WATER SUPPLY IMPROVEMENTS**

WHEREAS, present water supplies must be maintained and additional sources of supply developed to meet future water needs; and

WHEREAS, Orange Water and Sewer Authority has determined that certain additional water supply improvements are needed, including Watershed Preservation and facility improvements to the Stone Quarry Pump Station; and

WHEREAS, additional funds must be added to the previous project appropriations to support approved elements of the Water Supply Improvements category; and

WHEREAS, it has been determined that adequate funds are available for the completion of these improvements.

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina G.S.159-13.2, a project fund, for the above-described purposes as set out on the attached statement of revenues and expenditures is hereby established and expenditures therefrom authorized for said Water Supply Improvements.

2. That \$8,301,417 is subtracted from previously approved funds, the unexpended balance of \$1,180,973 is brought forward, and \$4,599,027 of additional funds is included resulting in a current project authorization of \$14,081,417.

3. That supplementary funds will be appropriated in future years for completion of the projects.

4. That this resolution shall take effect upon its passage.

5. That this Order and Resolution shall be entered in the Minutes of the Authority and within five (5) days after its adoption copies thereof are ordered to be filed with the Finance Officer, the Budget Officer, and the Clerk to the Board of Directors as required by G.S. 159-13.2(d).

Adopted this 8th day of June 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, P. E.
Secretary

CAPITAL PROJECT FUND: WATER SUPPLIES
ORANGE WATER AND SEWER AUTHORITY, FISCAL YEAR 2007 BUDGET

		Total Project Budget (A)	Prior Years Expenditures (B)	Carryover FY 2006 (C)	Additional FY 2007 (D)	Current Year + Ongoing Proj. (E)	Future Years FY 2008-11 (F)
REVENUES							
	General Fund and/or Bond Proceeds	12,365,422	6,715,422	1,050,973	4,599,027	5,650,000	151,000
	Grants	1,715,995	1,585,995	130,000	-	130,000	-
	TOTAL	14,081,417	8,301,417	1,180,973	4,599,027	5,780,000	151,000
EXPENDITURES							
270-04	JORDAN LAKE RAW WATER INTAKE	72,000	12,000	-	60,000	60,000	-
270-07	WATERSHED PRESERVATION	8,842,590	5,762,590	94,072	2,985,928	3,080,000	-
270-08	CANE CREEK RESERVOIR (RECREATION)	33,966	33,966	-	-	-	-
270-09	STONE QUARRY LAND ACQUISITION	565,409	550,409	74,591	(59,591)	15,000	60,000
270-11	UNIVERSITY LAKE PUMP STATION IMPROVEMENT	128,600	21,600	-	107,000	107,000	91,000
270-13	STONE QUARRY PUMP STATION	1,568,590	1,568,590	288,591	(288,591)	-	-
270-16	CANE CREEK PUMP STATION IMPROVEMENT	-	-	-	-	-	-
270-17	STONE QUARRY PUMP STATION 2006 REPAIR	2,756,281	291,281	678,719	1,786,281	2,465,000	-
270-18	RAW WATER SECURITY IMPROVEMENT	113,981	60,981	45,000	8,000	53,000	-
	TOTAL	14,081,417	8,301,417	1,180,973	4,599,027	5,780,000	151,000
(A)	As Adopted June 9, 2005 and modified for 2006 adoption of the Board						
(B)	Estimated Expenditures as of June 30, 2006						

**ORDER AND RESOLUTION ADOPTING A CAPITAL PROJECT RESOLUTION
FOR WATER TREATMENT AND DISTRIBUTION IMPROVEMENTS**

WHEREAS, Orange Water and Sewer Authority must provide an adequate supply of high quality drinking water for its customers; and

WHEREAS, Orange Water and Sewer Authority has determined that certain water treatment and distribution improvements are needed including Water Treatment Plant Upgrade and Expansion, Booster Pump Station at Interstate 40, the Fordham Boulevard and Dobbins Drive Water Main Replacements, and certain additional water transmission and distribution line improvements; and

WHEREAS, it is necessary to appropriate funds to a project fund to meet the needs for the Water Treatment and Distribution Improvements; and

WHEREAS, it has been determined that adequate funds are available for the completion of said improvements.

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina G.S.159-13.2, a project fund, for the above-described purposes as set out on the attached statement of revenues and expenditures is hereby established and expenditures therefrom authorized for said Water Treatment and Distribution Improvements.

2. That \$16,035,291 is subtracted from previously approved funds, the unexpended balance of \$1,643,388 is brought forward, and \$3,540,612 of additional funds is included resulting in a current project authorization of \$21,219,291.

3. That supplementary funds will be appropriated in future years for completion of the projects.

4. That this resolution shall take effect upon its passage.

5. That this Order and Resolution shall be entered in the Minutes of the Authority and within five (5) days after its adoption copies thereof are ordered to be filed with the Finance Officer, the Budget Officer, and the Clerk to the Board of Directors as required by G.S. 159-13.2(d).

Adopted this 8th day of June 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, P. E.
Secretary

CAPITAL PROJECT FUND: WATER TREATMENT AND DISTRIBUTION
ORANGE WATER AND SEWER AUTHORITY, FISCAL YEAR 2007 BUDGET

	Total Project Budget (A)	Prior Years Expenditures (B)	Carryover FY 2006 (C)	Additional FY 2007 (D)	Current Year + Ongoing Proj. (E)	Future Years FY 2008-11 (F)
REVENUES						
General Fund and/or Bond Proceeds	21,219,291	16,035,291	1,643,388	3,540,612	5,184,000	14,514,000
TOTAL	21,219,291	16,035,291	1,643,388	3,540,612	5,184,000	14,514,000
EXPENDITURES						
272-03 WATER TREATMENT PLANT (WTP) UPGRADE, E	13,023,504	13,023,504	118,295	(118,295)	-	-
272-05 WTP INSTRUMENTATION & CONTROLS IMPROV	55,000	30,000	-	25,000	25,000	20,000
272-10 WTP REHAB PROJECTS	240,175	58,175	73,825	108,175	182,000	404,000
272-14 WTP WATER SECURITY IMPROVEMENTS	116,124	61,124	55,000	-	55,000	-
272-15 WTP SECONDARY CONTAINMENT FOR CHEMIC	75,000	-	-	75,000	75,000	-
273-02 CALVANDER PUMP STATION IMPROVEMENTS	14	14	50,000	(50,000)	-	514,000
273-08 BOOSTER PUMP STATION AT I-40	973,170	217,170	422,405	333,595	756,000	-
273-09 BOOSTER PUMP STATION AT I-BARBEE CHAPE	188,726	13,726	39,144	135,856	175,000	-
274-02 1.5 MILLION GALLON TANK IN 740 PRESSURE Z	89,015	89,015	11,000	(11,000)	-	3,373,000
274-03 FINISHED WATER STORAGE SECURITY IMPROV	30,000	-	30,000	-	30,000	-
275-15 WATER MAIN ROAD IMPROVEMENT PROJECTS	430,807	188,807	292,860	(50,860)	242,000	1,281,000
275-20 WATER LINE REHAB, REPLACEMENT PROJECT	2,515,000	1,282,000	-	1,233,000	1,233,000	4,599,000
275-23 ABBEY ROAD/BOOTH ROAD WATER MAIN REPL	241,888	36,888	127,112	77,888	205,000	-
275-25 REINFORCEMENT PROJECTS	1,207,685	930,685	341	276,659	277,000	138,000
275-26 8" WATER MAIN - CLELAND DRIVE	-	-	374,000	(374,000)	-	384,000
275-37 OAKWOOD NEIGHBORHOOD WM REPLACEMENT	-	-	-	-	-	3,462,000
275-40 12"-ELLIOTT ROAD (FRANKLIN TO 15/501)	299	299	-	-	-	-
275-42 12" WATER MAIN - ESTES DRIVE	-	-	-	-	-	124,000
275-45 12" WATER MAIN - FORDHAM BLVD	1,074,159	56,159	841	1,017,159	1,018,000	-
275-46 16" WATER MAIN - DOBBINS DRIVE	883,725	47,725	48,565	787,435	836,000	-
275-47 16" WATER MAIN - US 15/501	-	-	-	-	-	125,000
275-53 WATER DISTRIBUTION SYSTEM HYDRAULIC MC	75,000	-	-	75,000	75,000	75,000
275-59 WATER MAIN ABANDONMENTS	-	-	-	-	-	15,000
TOTAL	21,219,291	16,035,291	1,643,388	3,540,612	5,184,000	14,514,000

(A) As Adopted June 9, 2005 and modified for 2006 adoption of the Board

(B) Estimated Expenditures as of June 30, 2006

**ORDER AND RESOLUTION ADOPTING A CAPITAL PROJECT RESOLUTION
FOR WASTEWATER COLLECTION AND TREATMENT IMPROVEMENTS**

WHEREAS, Orange Water and Sewer Authority must operate and maintain wastewater collection system, wastewater pumping stations and Mason Farm Wastewater Treatment Plant, to provide adequate wastewater collection, treatment and disposal services; and

WHEREAS, it has been determined that additional wastewater collection system line improvements, pump station and force main improvements and wastewater treatment plant upgrade and expansion improvements are needed; and

WHEREAS, additional funds must be added to the previous project appropriations to satisfy the current needs for the Wastewater Collection and Treatment Improvements category; and

WHEREAS, it has been determined that adequate funds are available for the completion of said improvements.

NOW THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina G.S.159-13.2, a project fund, for the above-described purposes as set out on the attached statement of revenues and expenditures is hereby established and expenditures therefrom authorized for said Wastewater Collection and Treatment Improvements.

2. That \$49,100,409 is subtracted from previously approved funds, the unexpended balance of \$6,874,834 is brought forward, and \$34,508,166 of additional funds is included resulting in a current project authorization of \$90,483,409.

3. That supplementary funds will be appropriated in future years for completion of the projects.

4. That this resolution shall take effect upon its passage.

5. That this Order and Resolution shall be entered in the Minutes of the Authority and within five (5) days after its adoption copies thereof are ordered to be filed with the Finance Officer, the Budget Officer, and the Clerk to the Board of Directors as required by G.S. 159-13.2(d).

Adopted this 8th day of June 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, P. E.
Secretary

CAPITAL PROJECT FUND: WASTEWATER COLLECTION AND TREATMENT
ORANGE WATER AND SEWER AUTHORITY, FISCAL YEAR 2007 BUDGET

		Total Project Budget (A)	Prior Years Expenditures (B)	Carryover FY 2006 (C)	Additional FY 2007 (D)	Current Year + Ongoing Proj. (E)	Future Years FY 2008-11 (F)
REVENUES							
	General Fund and/or Bond Proceeds	88,457,583	49,000,583	4,948,834	34,508,166	39,457,000	8,236,000
	Grants	2,025,826	99,826	1,926,000	-	1,926,000	-
	TOTAL	90,483,409	49,100,409	6,874,834	34,508,166	41,383,000	8,236,000
EXPENDITURES							
276-01	BOLIN CREEK INTERCEPTOR PHASE III	4,362,862	196,862	590,608	3,575,392	4,166,000	-
276-03	FRIDAY CENTER/MEADOWMONT INTERCEPTOR	87,225	87,225	525	(525)	-	-
276-04	MORGAN CREEK INTERCEPTOR	1,727,675	517,675	884	1,209,116	1,210,000	-
276-09	BOLIN CREEK BASIN - REHAB & REPLACE	2,491,939	802,939	333,847	1,355,153	1,689,000	-
276-10	BOOKER CREEK BASIN - REHAB & REPLACE	4,260,294	294	150,000	4,110,000	4,260,000	-
276-11	MORGAN CREEK BASIN - REHAB & REPLACE	156,623	156,623	-	-	-	-
276-18	SERVICE AREA SEWER LINE REHAB & REPLACE	502,081	282,081	278,280	(58,280)	220,000	3,323,000
276-33	MEETING OF THE WATERS INTERCEPTOR	4,777,276	366,276	556,754	3,854,246	4,411,000	-
277-01	PUMP STATION IMPROVEMENTS	123,215	93,215	40,785	(10,785)	30,000	578,000
277-03	HERITAGE HILLS FORCE MAIN REPLACEMENT	1,441,058	590,058	15,190	835,810	851,000	-
277-06	PUMP STATION RELIABILITY IMPROVEMENTS	283,012	283,012	-	-	-	-
277-10	MORGAN CREEK PUMP STATION IMPROVEMENTS	-	-	-	-	-	-
277-11	PUMP STATION PHASE OUT PROJECTS	14,204	14,204	-	-	-	-
277-14	ROGERSON DRIVE PARALLEL FORCE MAIN	-	-	-	-	-	3,311,000
277-15	LLOYD STREET/STARLITE PS PHASE OUT	501,357	70,357	218,435	212,565	431,000	-
277-16	CLELAND DRIVE PUMP STATION PHASE OUT	143,082	143,082	510,440	(510,440)	-	664,000
277-17	NORTH FOREST HILLS PUMP STATION PHASE OUT	614,770	614,770	1,321	(1,321)	-	-
277-18	CLAYTON ROAD PUMP STATION PHASE OUT	689,700	69,700	-	620,000	620,000	-
277-19	TINKERBELL PUMP STATION PHASE OUT	10,000	-	-	10,000	10,000	-
277-20	PINEY MOUNTAIN PUMP STATION REPLACEMENT	169,850	27,850	42,150	99,850	142,000	-
278-05	AGRICULTURAL NUTRIENTS RECYCLING SITES	2,542,463	2,542,463	-	-	-	-
278-06	MASON FARM WASTEWATER TREATMENT PLANT (WWTP) EXPANSION	51,654,187	41,741,187	1,426,816	8,486,184	9,913,000	-
278-07	MASON FARM WWTP - 18.5 MGD UPGRADE & EXP.	600,253	253	49,747	550,253	600,000	-
278-08	WWTP BIOSOLIDS DEWATERING FACILITIES	2,690,000	-	-	2,690,000	2,690,000	-
278-09	WWTP ODOR CONTROL PROJECT	318,464	18,464	81,536	218,464	300,000	-
278-10	WWTP FLOOD PROTECTION ENHANCEMENTS	50,000	-	-	50,000	50,000	-
278-11	WWTP REHAB PROJECTS	144,479	16,479	33,521	94,479	128,000	360,000
278-30	RECLAMATION TREATMENT, PUMPING AND STORAGE FACILITIES	4,289,469	262,469	1,017,098	3,009,902	4,027,000	-
278-31	RECLAIMED WATER TRANSMISSION SYSTEM	5,837,869	202,869	1,526,897	4,108,103	5,635,000	-
	TOTAL	90,483,409	49,100,409	6,874,834	34,508,166	41,383,000	8,236,000
(A)	As Adopted June 9, 2005 and modified for 2006 adoption of the Board						
(B)	Estimated Expenditures as of June 30, 2006						

**ORDER AND RESOLUTION ADOPTING A CAPITAL PROJECT RESOLUTION
FOR SUPPORT SERVICES FACILITIES IMPROVEMENTS**

WHEREAS, Orange Water and Sewer Authority has determined that certain improvements and modifications are needed for its computer hardware and software facilities, to facilitate the handling of system information and customer records; and

WHEREAS, funds must be appropriated to satisfy the current needs for the Support Services Facility Improvements; and

WHEREAS, it has been determined that adequate funds are available for the completion of said improvements.

NOW THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina G.S.159-13.2, a project fund, for the above-described purposes as set out on the attached statement of revenues and expenditures is hereby established and expenditures therefrom authorized for said Support Services Facility Improvements.

2. That \$8,309,663 is subtracted from previously approved funds, the unexpended balance of \$187,500 is brought forward, and \$302,500 of additional funds is included resulting in a current project authorization of \$8,799,663.

3. That supplementary funds will be appropriated in future years for completion of the projects.

4. That this resolution shall take effect upon its passage.

5. That this Order and Resolution shall be entered in the Minutes of the Authority and within five (5) days after its adoption copies thereof are ordered to be filed with the Finance Officer, the Budget Officer, and the Clerk to the Board of Directors as required by G.S. 159-13.2(d).

Adopted this 8th day of June 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, P. E.
Secretary

CAPITAL PROJECT FUND: SUPPORT SERVICES
ORANGE WATER AND SEWER AUTHORITY, FISCAL YEAR 2007 BUDGET

		Total Project Budget (A)	Prior Years Expenditures (B)	Carryover FY 2006 (C)	Additional FY 2007 (D)	Current Year + Ongoing Proj. (E)	Future Years FY 2008-11 (F)
REVENUES							
	sa						
	General Fund and/or Bond Proceeds	8,799,663	8,309,663	187,500	302,500	490,000	1,410,000
	TOTAL	8,799,663	8,309,663	187,500	302,500	490,000	1,410,000
EXPENDITURES							
279-03	OPERATIONS CENTER	7,600,268	7,600,268	1,400	(1,400)	-	-
279-04	ADMINISTRATION BUILDING	459,395	459,395	-	-	-	-
280-01	INFORMATION SERVICES	740,000	250,000	186,100	303,900	490,000	1,410,000
	TOTAL	8,799,663	8,309,663	187,500	302,500	490,000	1,410,000
(A)	As Adopted June 9, 2005 and modified for 2006 adoption of the Board						
(B)	Estimated Expenditures as of June 30, 2006						

ITEM 14

AGENDA ITEM

- RESOLUTION OF ORANGE WATER AND SEWER AUTHORITY SCHEDULE OF EMPLOYEE CLASSIFICATION AND AUTHORIZED COMPENSATION EFFECTIVE OCTOBER 1, 2006

BACKGROUND

- OWASA formally adopted the Archer Compensation System, as provided by David M. Griffith & Associates, Ltd. on July 1, 1996.
- The Archer Compensation System provides for an annual review of our salary structure to insure that our salary ranges remain competitive.
- Dr. Earnest R. Archer, Executive Consultant, provided a recommendation to adjust all salary ranges this calendar year by 3.4%. His recommendation is based on a review of the Consumer Price Index (CPI), the Employment Cost Index (ECI) and surveys of the North Carolina labor market.
- Adjusting the salary ranges will have minimum impact on employee pay because it only impacts new employees who might otherwise fall below the new entry rates. This is not a merit pay increase.
- There is a 3.8% place holder in the 2006-07 OWASA budget for merit increases.

ACTION NEEDED

- Adopt Resolution of Orange Water and Sewer Authority Schedule of Employee Classification and Authorized Compensation for employees Effective October 1, 2006.

RECOMMENDATION

- Approve Resolution of Orange Water and Sewer Authority Schedule of Employee Classification and Authorized Compensation for employees Effective October 1, 2006.

June 8, 2006

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Gwen G. Burston

DATE: May 30, 2006

SUBJECT: Annual Merit Pay Increases and Adjustment to Employee Pay Ranges

Since 1997, the OWASA Board of Directors have approved annual adjustments to employee pay ranges and have funded employee pay increases based on a pay-for-performance merit system. These actions have kept OWASA's employees compensation program competitive in our local market as confirmed in our 2003 Pay Study. In keeping with past practice and in consultation with members of the Human Resources Committee, staff recommends that the Board approve the following two actions.

First, that all employee pay ranges be increased by 3.4% as recommended by Dr. Earnest Archer, Executive Consultant, DMG Maximus (Attachment #1). The adjustment of the pay ranges is not an across-the-board pay adjustment, but a measure to ensure pay ranges are competitive and that experienced employees have the opportunity for continued pay increase based on their performance (don't "top-out"). The proposed new Schedule of Employee Classification and Authorized Compensation effective October 1, 2006 is attached (Attachment #2).

Secondly, staff recommends that the 3.8% merit pay pool, which is included in the FY 2006-2007 budget, be provided to employees in November 2006. Information about the approved or proposed employee pay adjustments of neighboring employers is enclosed (Attachment #3).

Thank you.

Gwen G. Burston
Director of Human Resources

Attachments



Corporate Headquarters:

Charlotte, NC / Rock Hill, SC
 454 South Anderson Road, BTC 556
 Rock Hill, South Carolina 29730
 Phone (803) 366-2400 Fax (803) 366-1082

March 22, 2006

Ms. Gwen Burston
 Director of Human Resources
 Orange Water and Sewer Authority
 400 Jones Ferry Road
 Carrboro, North Carolina 27510-0366

Dear Ms. Burston:

This letter is written to present annual adjustment recommendations for maintaining the current competitive level of your pay structure and pay schedule. Our recommendation is based on an analysis of changes in the Consumer Price Index (CPI), the Employment Cost Index (ECI) and wage and salary survey data.

As you know, the CPI is a percentage measure of the change in the prices of consumer goods and services related to the cost of day-to-day living. The CPI is often used by organizations to determine the percent change in wages each year that would allow their employees to be able to purchase the same goods and services that they were able to purchase in the previous year. Employers use the CPI as the foundation for making cost of living adjustments (COLA) in their pay structure.

The ECI is a percentage measure of the change in the cost of maintaining a competitive labor supply. The ECI includes both a benefit component and a wage and salary component. The wage and salary component of the ECI is often used by employers to determine the percent change in wages each year that would ensure that their pay structures remain competitive in the labor market(s) in which they compete for their labor supply.

The annual CPI index and the annual ECI index reflect the changes that have taken place during the past 12-month period. For example:

The total changes in the CPI for the period from December 2004 to December 2005 were as follows:

All Urban Consumers	3.4 percent
All Urban Wage Earners	3.5 percent

For workers, in your region, the total changes in the ECI for the period from December 2004 to December 2005 were as follows:

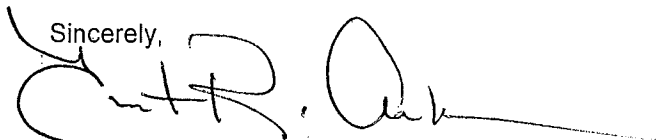
Total Compensation	4.1 percent
Wage and Salary	3.1 percent
Benefit Costs	6.0 percent

Please note in the foregoing data that the change in the CPI is 3.4% and the change in the wage and salary component of the ECI is 3.1% for wage earners.

In general, we would recommend that organizations move their pay ranges forward somewhere between the CPI and the ECI, usually up to the ECI. However, if wage and salary survey data indicates otherwise, we might recommend more or less than the ECI. Within this context, our survey data for your area confirms that **3.4%** is a viable reflection of the level of salary increases taking place in your labor market. In addition, first quarter data indicates that this figure has held firm as we move into 2006. **In accordance with the foregoing, therefore, we are recommending that all current pay ranges in your pay structure be increased by 3.4% for your upcoming fiscal year. As to employee pay increases, we recommend that OWASA budget at least 3.4% for employee pay increase distributions.**

We are pleased to provide this information. Please feel free to contact us at (803) 366-2400 if you have further questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Ernest R. Archer". The signature is fluid and cursive, with a long horizontal line extending to the right.

Ernest R. Archer, Ph.D., P.E., SPHR
President

**ORANGE WATER AND SEWER AUTHORITY
DRAFT SCHEDULE OF EMPLOYEE CLASSIFICATION AND
AUTHORIZED COMPENSATION
EFFECTIVE OCTOBER 1, 2006**

<u>Salary Grade</u>	<u>Authorized Positions</u>	<u>Salary Range</u>	<u>Classification Title</u>
7	1 1	\$22,190 – 32,177	Courier Custodian
8	1	\$23,702 – 34,368	Laboratory Assistant
9	4 1 2 2 16	\$25,213 – 36,559	Meter Reader Receptionist/Secretary Clerk/Cashier Assistant Lake Warden Utility Mechanic I
10	13 1	\$26,724 – 38,750	Utility Mechanic II Purchasing Specialist
11	1 2 1 3 1	\$28,235 – 40,941	Senior Assistant Lake Warden Accounting Technician I Groundskeeper Customer Service Representative Field Service Representative
12	3 3 7 1	\$29,746 – 43,132	Utility Mechanic III Solids Handler Administrative Assistant Service Technician
13	2	\$31,258 – 45,324	Accounting Technician II
14	5	\$32,772 – 47,521	Maintenance Mechanic
15	4 6 1 2	\$34,282 – 49,710	Senior Maintenance Mechanic Laboratory Analyst Senior Customer Service Representative Engineering Technician
16	5	\$35,792 – 51,900	Crew Leader

Schedule of Employee Classification and Authorized Compensation

Effective October 1, 2006

Page 2

<u>Salary Grade</u>	<u>Authorized Positions</u>	<u>Salary Range</u>	<u>Classification Title</u>
	1 1 14 1		Human Resources Generalist Lakes Warden Treatment Plant Operator Solids Handler Supervisor
17	1	\$37,306 – 54,094	Senior Crew Leader
18	2 2 1	\$38,816 – 56,285	Information Services Technical Specialist Chief Plant Operator Instrumentation Control Technician
19	2 2	\$40,327 – 58,475	Laboratory Supervisor Construction Inspector
20	2 2 2	\$41,840 – 60,668	Plant Maintenance Supervisor Engineering Associate Executive Assistant
21	1 1	\$43,351 – 62,860	GIS Coordinator Public Affairs Administrator
22	1	\$44,862 – 65,050	Safety & Training Administrator
23	1	\$46,362 – 67,226	Assistant Distribution & Collection Systems Manager
25	3 1	\$49,393 – 71,621	Utilities Engineer Network/Database Administrator
28	1 1 1 1	\$53,928 – 78,196	Accounting Manager Procurement Manager Customer Service Manager Laboratory Manager
30	1	\$56,953 – 82,581	Sustainability Administrator
31	1	\$58,464 – 84,774	Engineering Manager (Systems Development)

Schedule of Employee Classification and Authorized Compensation

Effective October 1, 2006

Page 3

<u>Salary Grade</u>	<u>Authorized Positions</u>	<u>Salary Range</u>	<u>Classification Title</u>
	1 1 1 1 1 1 1		Engineering Manager (Capital Projects) Operations Engineer Distribution & Collection Systems Manager Plants Maintenance Manager Wastewater Treatment & Biosolids Recycling Manager Water Supply & Treatment Manager Utility Manager Generalist
37	1 1	\$67,532 – 97,921	Director of Business Information Services Director of Human Resources
39	1	\$70,554 – 102,304	Director of Planning & Development
44	1 1	\$78,110 – 113,260	Director of Finance and Customer Service Director of Engineering & Planning
46	1	\$81,135 – 117,645	General Manager of Operations
Contract	1		Executive Director
Total of 150 positions			

MEMORANDUM

TO: Ed Kerwin
FROM: Gwen G. Burston
DATE: May 30, 2006
SUBJECT: Annual Salary Adjustment Recommendations

Below are salary adjustment recommendations from a number of state and local governments at this point.

Orange County: Proposing a 2.5% Cost of Living Adjustment (COLA) and a 2.5% in-range salary increase.

Town of Carrboro: Pay for performance increases will range from 3.0% - 5.5% with the average increase at 5%.

UNC at Chapel Hill: Senate is proposing 8 % pay raises for public school teachers, 5 % raises for most other state employees. No final decision yet.

Town of Chapel Hill: 3% increase proposed. No final decision yet.

City of Durham: 3.7% increase proposed. Final decision on June 19th.

County of Durham: 3.25% for Meets Expectations; 4.25% for Exceeds Expectations.

Town of Cary 4.5% discussed. No final decision yet.

OWASA 3.8% placeholder in the budget for merit increases. Propose to increase ranges by 3.4%. No final decision yet.

Gwen G. Burston
Director of Human Resources

**RESOLUTION OF ORANGE WATER AND SEWER AUTHORITY
SCHEDULE OF EMPLOYEE CLASSIFICATION AND AUTHORIZED
COMPENSATION EFFECTIVE OCTOBER 1, 2006**

WHEREAS, to adequately and appropriately provide water and sewer services to the customers of Orange Water and Sewer Authority, a sufficient and competent staff is necessary to perform the variety of services required; and

WHEREAS, to recruit and retain qualified employees to fulfill the foregoing commitment, such employees shall receive fair and equitable compensation for the services performed; and

WHEREAS, Dr. Earnest R. Archer, Executive Consultant, DMG Maximus, has completed his review and provided salary recommendations which have been carefully reviewed by staff and the members of the Human Resources Committee.

NOW, THEREFORE BE IT RESOLVED:

1. That the Board of Directors hereby authorizes and directs that the salary ranges for classified employees be increased by 3.4% effective October 1, 2006.
2. That these salary ranges shall remain in effect until such time as further modified or revised.
3. That a 3.8% merit pool be provided to employees in November 2006.

Adopted this 8th day of June 2006.

Michael A. (Mac) Clarke
Chair

ATTEST:

Randolph M. Kabrick, P.E.
Secretary

**Executive Director Compensation
(Penny Rich)**

June 8, 2006

CLOSED SESSION

**Following the Meeting of the Board of Directors, the Board
will Convene in a Closed Session for the Purpose of Discussing
a Personnel Matter**

(Penny Rich)

June 8, 2006