



ORANGE WATER AND SEWER AUTHORITY

Quality Service Since 1977

AGENDA **MEETING OF THE OWASA BOARD OF DIRECTORS** **THURSDAY, APRIL 24, 2008, 7:00 P.M.** **CHAPEL HILL TOWN HALL**

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 or aorbich@owasa.org.

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. Budget and Financial Planning Committee will Meet on Monday, April 28, 2008, at 5:00 PM in the OWASA Boardroom to discuss rate issues for Fiscal Year 2009 (Gordon Merklein)
3. Announcements by Staff
 - A. Carrboro Community Day 1:00 PM – 7:00 PM is scheduled for Sunday, May 4, 2008 (Greg Feller)
 - B. Annual mowing and other clearing of OWASA sewer easements has resumed (Thurman Green)

Petitions and Requests

1. Public
2. Board
3. Staff

7:05 PM

CONSENT AGENDA

7:10 PM

Minutes (Andrea Orbich)

1. [Approval of the Minutes of the February 28, 2008 Board Meeting](#)
2. [Approval of the Minutes of the March 13, 2008 Special Meeting of the Board](#)

Action

3. [Resolution Awarding Audit Contract to Cherry, Bekaert & Holland, LLP and Authorizing Chair of the Board of Directors and the Finance Officer to Execute said Contract \(Kevin Ray\)](#)

REGULAR AGENDA

Information and Report

7:10 PM

4. [Water Supply and Demand Update \(Ed Holland\)](#)

7:20 PM

5. [Monthly Report of Drought Impact on Revenues, Costs, and Debt Service \(Kevin Ray\)](#)

7:30 PM

6. [Verbal Update on Health Insurance Proposals Reviewed by the Human Resources Committee on April 24, 2008 \(Marge Anders Limbert\)](#)

Discussion and Action

7:45 PM

7. [Resolution Adopting Preliminary Annual Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2008 through June 30, 2009](#)
 - A. [Verbal Report from Gordon Merklein, Chair of the Budget and Financial Planning Committee \(Gordon Merklein\)](#)
 - B. [Resolution Adopting Preliminary Budget for Fiscal Year July 1, 2008 through June 30, 2009 \(Kevin Ray\)](#)

Draft

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

FEBRUARY 28, 2008

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, February 28, 2008, at 7:00 P.M., at the Chapel Hill Town Hall.

Directors present: Randolph M. Kabrick, P.E., Chair; Gordon Merklein, Vice Chair; Michael A. (Mac) Clarke; Marge Anders Limbert; Gene Pease; Alan Rimer; and William R. Stott. Directors absent: Braxton Foushee, Secretary; and Fred Battle.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Jan Bryant-Berry; Patrick Davis; Greg Feller; Ed Holland; Randy Horton; Andrea Orbich; Kevin Ray; and Robert Epting, Esq., Epting and Hackney.

Others present: Ray DuBose, Director of Energy Services, Ben Poulson, Associate Director of Energy Services, Meg Holton, Water, Wastewater, and Stormwater Manager, and Willie Scroggs of the University of North Carolina at Chapel Hill; Lauren Hills, NBC 17; Tara Onthank, Scott Hunter, and Veronica Gadbois, Rising Sun Pools; Robin Burk; David Crow, Daily Tar Heel; Dickie Dickinson, Dickinson Garden Center; Doug Chapman, NC Green Industry Council; Frank Robertson, Plantworks Nursery; Emily Stephenson, UNC student; Corey Inscoe, UNC student; Hugh Proctor, Jr. and Hugh Proctor, III of Providence Glen; Nicole Duncan, UNC student; Cathy Barrett, Exchange Club Pool Association President; Tom Tucker; Adam Rhew, WCHL-AM; Bill and Lisa Stuckey, Triangle Pool & Spa Company; Anash Hicks, UNC Daily Tar Heel; Sheryl Forbis; Beth Velliquette, Chapel Hill Herald; Robin Cutson; Shannon Brummett, GSC; Dace Berger, Chapel Hill Fire Department; Brian Curran, Chief of Police, Town of Chapel Hill; Kim Crum; Brooke Hayes; Julie McClintock; Bryan Kerwin; Lauren Kirsch; Bill Madden; and Core Voten.

There being a quorum present, Chair Randy Kabrick called the meeting to order.

* * * * *

MOTIONS ACTED UPON

1. Gene Pease made a motion to approve the Minutes of the January 24, 2008 Board Meeting; the motion was seconded by Mac Clarke and unanimously approved.

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Authorizing the Executive Director to Renew Public Officials and Employees Liability Insurance for a One-Year Period for \$2,000,000 of Coverage with American International Group, Inc." (Resolution so titled attached hereto and made a part of these minutes. Motion by Gene Pease, second by Mac Clarke, and carried by unanimous vote.)

* * * * *

ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Randy Kabrick 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.

CANCELED BOARD MEETING

Randy Kabrick said the March 13, 2008 Board meeting has been canceled. The next regular meeting will be on Thursday, March 27, 2008.

BOARD RETREAT

Gene Pease announced that Board is scheduled to meet Thursday, March 13, 2008 from 3:30 PM until 9:00 PM for a Board retreat in OWASA's Community Room. The public is invited to attend.

UNIVERSITY LAKE

John Greene announced that the 2008 lake recreation season will begin with opening day on Saturday, March 22, 2008. Cane Creek Reservoir will not open at this time because the lake level is 16 feet below normal and the bank at the boating access area is too steep for safe access. University Lake will open for recreation on Saturday, March 22, 2008.

MONTHLY DROUGHT UPDATES

Ed Kerwin said that OWASA staff will provide a drought update to the Chapel Hill Town Council on Monday March 3, 2008 and to the Carrboro Board of Aldermen on Tuesday, March, 4, 2008. Mr. Kerwin also expressed appreciation to the Town Managers and their staff for their continued support and work during this ongoing drought.

OWASA ORIENTATION

Randy Kabrick said that on Monday, February 25, 2008, Ed Kerwin and he had an OWASA Orientation with new Carrboro Alderman Lydia Lavelle and new Chapel Hill Town Council Member Matt Czajkowski. Mr. Kabrick said the meeting was productive and encouraged Board Members to keep the lines of communication open with their elected officials.

ITEM TWO: PETITIONS AND REQUESTS

Randy Kabrick asked for petitions and requests from the public, the Board and staff. There were none.

ITEM THREE: SEMIANNUAL PERFORMANCE MEASUREMENT REPORT

The Board received this report as an information item.

ITEM FOUR: 2007 ANNUAL RECREATION REPORT FOR UNIVERSITY LAKE AND CANE CREEK RESERVOIR

The Board received this report as an information item.

ITEM FIVE: MINUTES

Gene Pease made a motion to approve the Minutes of the January 24, 2008 Board Meeting; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 1 above.

ITEM SIX: RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO RENEW PUBLIC OFFICIALS AND EMPLOYEES LIABILITY INSURANCE FOR A ONE-YEAR PERIOD FOR \$2,000,000 OF COVERAGE WITH AMERICAN INTERNATIONAL GROUP, INC.

Gene Pease made a motion to approve the resolution; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 2 above.

ITEM SEVEN: CONSIDERATION OF A STAGE THREE WATER SHORTAGE DECLARATION

Ed Holland provided a review and presentation of staff's recommendation that the Board declare a Stage Three Water Shortage.

Tara Onthank, co-owner of Rising Sun Pools and Vice President of the Association of Pool and Spa Professionals of North Carolina, requested the Board allow topping off of pools.

Doug Chapman, North Carolina Green Industry, commented that Stage Two and Stage Three have one-half inch irrigation but in Stage Three the only watering method is by hose which is the least efficient way of application. Mr. Chapman recommended that efforts be focused on in-house water efficiency such as retrofitting plumbing, incentives and rebates. Mr. Chapman reiterated the Green Industry's commitment to be part of the solution for many of the water issues in the Piedmont and invited the Board to attend a water efficiency model workshop scheduled for the middle of March. The Green Industry supports: creating water budgets based on science and historical inside water use data; providing the water that everyone needs, not wants; removing water providers from the enforcement burden; and providing funds from water wasters that can be used to offer rebates and incentives for conservation.

Ray DuBose, Director of Energy Services, University of North Carolina at Chapel Hill, said that the University has reduced water consumption every year since 2001. Mr. DuBose noted three impacts that Stage Three restrictions will have on the University: first, the cost will be significant; second, construction cannot stop on campus – the University will need to know where they can purchase water to replace water they will use for flushing new water lines; and, third, while the Athletic Department is conserving potable water by using alternative sources including stormwater stored in underground cisterns, it is essential that the athletic fields be watered to ensure the health and safety of the student athletes, not the fields' appearance.

Mr. DuBose said the reclaimed water system is scheduled to be substantially complete by February 2009 and the first phase of this project will save 600,000 gallons of potable water each day. He also stated that the University is still willing to pay for the temporary aboveground piping to enable use of reclaimed water; however, OWASA staff has not supported this option.

Alan Rimer commended the University on their conservation and reuse efforts. He also noted that according to information provided by OWASA staff, the University has done a good job of water reduction except for student housing/other. Perhaps the University can review this information and identify the reason for the increase in use.

Mr. DuBose noted that consumption has increased due to the number of beds (increased by more than 2,000). The specific cause from this year to last year is not known, but the University staff will review the data with OWASA staff.

Mr. Rimer said he believes that if the University is willing to pay for the construction of an aboveground reclaimed water line, the University should be allowed to do so. He also requested staff address this issue.

Robin Cutson said the water crisis was not an unforeseeable event because the Towns and County have approved, and continue to approve, high density development and this should be stopped.

Frank Robertson, Plantwork Nursery, requested the Board not adopt the Stage Three resolution. He requested that OWASA meet with the Green Industry.

Julie McClintock thanked the Board for OWASA's conservation work over the years and suggested that the next time water conservation ordinances are updated, there should be a forum for public participation. She also suggested providing the projected water supply and demand slides available on the OWASA website as well as sending this information to the elected Boards to keep them apprised of the current conditions.

Marge Anders Limbert noted that the staff updates the water supply and demand information daily at www.owasa.org.

Mr. Rimer requested that staff work with the Towns to address and possibly modify special use permits for those who are required to install plantings to receive building occupancy during a drought.

Gene Pease requested that at a future meeting staff provide an explanation as to the basis for deciding that the Haw River option would be implemented when remaining supply reaches 15 percent of capacity.

Randy Kabrick said that the proposed resolution, if adopted, would mean:

1. That the OWASA Board of Directors declares a Stage Three Water Shortage, and hereby requests the Mayors of the Towns of Carrboro and Chapel Hill and the Chair of the Orange County Board of Commissioners to issue Proclamations of the Stage Three Water Shortage.

2. That all Stage Three water use restrictions, as set forth in OWASA's Water Conservation Standards and in the respective conservation ordinances of the Towns and County, shall be in effect as of March 1, 2008.

3. That Stage Three water commodity surcharges, as set forth in OWASA's current Schedule of Rates, Fees, and Charges, shall be in effect as of March 17, 2008 and continue until the Stage Three Water Shortage declaration is rescinded by OWASA.

4. That subsequent decisions to rescind the Stage Three Water Shortage declaration or to otherwise change the Water Shortage status to more or less stringent levels during the months ahead shall be guided by current and projected water supply and demand conditions, availability of water from neighboring utilities, meteorological forecasts, the Board's awareness of the hardship and inconvenience imposed on OWASA's customers by Water Shortage restrictions, and other factors that the Board may deem appropriate.

Gene Pease requested that staff assist local businesses and industries with formal information on alternative water sources and other information regarding the implementation of Stage Three.

Alan Rimer made a motion to approve the resolution; the motion was seconded by William Stott and unanimously approved. Please see Motion No. 2 above.

Patrick Davis noted a one page hand-out provided to the Board from staff with information on rain barrels, alternative water sources for swimming pools, and the use of reclaimed water for certain non-drinking purposes. Mr. Davis also announced that OWASA received a notice today from the North Carolina Division of Water Quality that the Division will modify OWASA's reclaimed water permit to expand the allowable uses for bulk reclaimed water such as power washing.

Gordon Merklein suggested that it would good to have some case studies available for the public on uses of reclaimed water.

ITEM EIGHT: STAFF PROPOSAL TO NO LONGER CONSIDER CHANGES TO SUNDAY RECREATIONAL HOURS AT THE CANE CREEK RESERVOIR

Mr. Greene noted that in light of comments received from neighbors of the Cane Creek Reservoir, staff recommends that the option of expanding the recreation hours at Cane Creek Reservoir to include Sunday morning be removed from further consideration.

The Board agreed with staff's recommendation.

ITEM NINE: REPORT ON RECENT DISCUSSIONS REGARDING THE POTENTIAL JOINT USE OF JORDAN LAKE WATER SUPPLY

Pat Davis summarized recent discussions among OWASA, Orange County, the City of Durham and Chatham County staffs regarding this topic. Durham has proposed to take a leadership role, and is requesting participation from neighboring water utilities including OWASA. Staff recommends that OWASA participate in those discussions and requests direction from the Board.

Julie McClintock said she is pleased that OWASA is considering Jordan Lake as a supplemental water supply option. She also encouraged the Board to work closely with local elected officials and boards on this topic and suggested that a public facilities ordinance for water be developed as was done for linking development approvals to school capacity.

Mac Clarke said staff should proceed with discussions with the City of Durham, Chatham and Orange County and find out the financial impact of developing facilities to get water from Jordan Lake.

Alan Rimer said that the OWASA Board has consistently indicated that Jordan Lake would be the last water resource tapped and only used during droughts and other similar events; OWASA currently holds a Level II allocation of five (5) million gallons per day, which could supplement long-term needs if current projections (demand and supply) are not sufficient for long-term needs based on re-evaluation of safe yield of current resources. The current "exceptional" drought and uncertainties related to climate change reinforce the need for flexibility and keeping all options open.

Mr. Rimer suggested that the Board support staff's participation in the discussions regarding potential joint use of Jordan Lake water supply. He requested that staff present to the Board a strategy for participation in the discussions on the Jordan Lake intake project. Staff should note anticipated checkpoints where Board involvement in the decision making may be necessary, and develop estimates of the OWASA cost share in any project. Mr. Rimer said OWASA should update the long-term Water Supply Plan, including revisiting the

comprehensive plan data on all water resource safe yields; updating population projections and community build-out scenarios to ascertain water resource needs over the planning horizon; evaluating the widespread use of reclaimed water, a new water resource which was not considered in the previous plan; updating the benefit/cost evaluation of conservation; and tying all data together and presenting a comparison of the utilization of existing water resources, conservation, broad extension of the use of reclaimed water, and options for using Jordan Lake.

William Stott asked about the role of State agencies on this issue.

Mr. Davis said the State establishes which allocations will be made and how they can be used through facility development, and may serve in a facilitation role.

Mr. Stott wondered if the Board should have a role in advising local governing boards on what we think is responsible based on the best science we have, and in strongly promoting conservation and sustainable management of our water resources.

Gene Pease stated he supports a regional approach and the Board and staff entering into discussions with the City of Durham, Chatham County and Orange County. He also believes that this is a complicated issue and when OWASA agrees to sell water to its neighbors, they should have similar water conservation restrictions in effect.

Mac Clarke also supported a regional approach. He also said the Board should be careful since the OWASA Board is appointed, not an elected Board. As such, OWASA can only provide facts on what a proposed development could do – not whether it should be developed.

Mr. Stott stated that the OWASA Board could be an advocate for responsible use of water.

Marge Anders Limbert agreed with Mr. Rimer's proposal.

Gordon Merklein said he would be disappointed to see a pipe conveying Jordan Lake water go past OWASA's service area, without benefiting OWASA. Mr. Merklein supports Mr. Rimer's motion.

Randy Kabrick reiterated the Board's support of continuing discussions with the City of Durham, Chatham County and Orange County to evaluate possible future joint use of Jordan Lake water from a potential intake on the west side of the reservoir near US 64. Mr. Kabrick requested that the Board's Natural Resources and Technical Systems Committee take the lead in reviewing information regarding the costs and benefits of conservation as well as the expanded use of reclaimed water and other options for meeting future water needs.

Draft

ITEM TEN: MONTHLY REPORT OF DROUGHT IMPACT ON REVENUES, COSTS,
AND DEBT SERVICE

The Board received this report as an information item.

There being no further business to come before the Board, the meeting was adjourned at 8:55 P.M.

Respectfully submitted,

Draft

Andrea Orbich
Executive Assistant

Enclosures

ORANGE WATER AND SEWER AUTHORITY
SPECIAL MEETING OF THE BOARD OF DIRECTORS

MARCH 13, 2008

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in a special meeting on Thursday, March 13, 2008, at 3:30 P.M., in OWASA's Community Room.

Directors present: Randolph M. Kabrick, P.E., Chair; Gordon Merklein, Vice Chair; Fred Battle; Michael A. (Mac) Clarke; Marge Anders Limbert; Gene Pease; and Alan Rimer. Directors absent: Braxton Foushee, Secretary; and William R. Stott.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Gwen Burston; Patrick Davis; Greg Feller; Ed Holland; Andrea Orbich; Dan Przybyl; Kevin Ray; and Robert Epting, Esq., Epting and Hackney.

Others present: Ben Poulson, Associate Director of Energy Services, University of North Carolina at Chapel Hill; Daniel Goldberg, Chapel Hill Herald; and Margaret Henderson, School of Government, University of North Carolina at Chapel Hill.

There being a quorum present, Chair Randy Kabrick called the meeting to order.

ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Randy Kabrick 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.

FRED BATTLE

Fred Battle thanked everyone for their well wishes during his recent absence away from the Board.

ITEM THREE: CONSIDERATION OF CHANGING THE MARCH 17, 2008 EFFECTIVE DATE OF THE STAGE THREE SHORTAGE WATER COMMODITY SURCHARGES TO AN ALTERNATIVE DATE

After discussion, the OWASA Board decided not to change the March 17th effective date of Stage Three water surcharges to provide a greater incentive for water conservation. This decision affirms the Board action on February 28th that the water rate surcharges for all customer classes will go into effect on Monday March 17, 2008.

Draft

There being no further business to come before the Board, the meeting was adjourned at 3:40 P.M.

Respectfully submitted,

Draft

Andrea Orbich
Executive Assistant/Clerk to the Board

ITEM 3

AGENDA ITEM

- RESOLUTION AWARDING AUDIT CONTRACT TO CHERRY, BEKAERT & HOLLAND, LLP AND AUTHORIZING CHAIR OF THE BOARD OF DIRECTORS AND THE FINANCE OFFICER TO EXECUTE SAID CONTRACT

BACKGROUND

- General Statutes of the State of North Carolina and the Bond Order require that Orange Water and Sewer Authority have its financial records audited annually by an independent Certified Public Accountant.
- In February, OWASA solicited audit proposals based upon the established criteria recommended by the North Carolina Local Government Commission, with an emphasis placed on contacting firms within Orange and surrounding counties.
- Three proposals were submitted.
- A staff panel reviewed and evaluated the proposals based on qualifications and cost, in that order. The Finance Officer and his counterpart at the Town of Chapel Hill interviewed two of the three respondents and agreed that Cherry, Bekaert & Holland, LLP presented the better proposal and would provide the greater resources of the two respondents.
- Cherry, Bekaert & Holland, LLP has proposed to conduct the audit for Fiscal Year (FY) 2008 for a basic fee of \$32,000, with an option to renew annually for two more years.

RECOMMENDATION

- Approve the audit contract with Cherry, Bekaert & Holland, LLP for total base fees not to exceed \$32,000 in FY 2008 (to be charged in FY 2009)

ACTION NEEDED

- Adopt the Resolution Awarding Audit Contract To Cherry, Bekaert & Holland, LLP And Authorizing Chair Of The Board Of Directors And The Finance Officer To Execute Said Contract.

April 24, 2008



ORANGE WATER AND SEWER AUTHORITY

Quality Service Since 1977

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Kevin M. Ray

DATE: April 15, 2008

SUBJECT: Approval of Annual Audit Contract

Background

General Statute 159-34 requires Orange Water and Sewer Authority to have its accounts audited by an independent auditor after the close of each fiscal year. OWASA must prepare and publish an annual financial report in conjunction with its annual audit. The auditor's conclusions are to be set out in a report in the form of an opinion and comments relating to the financial statements.

The auditor must be approved by, and reports to, the Board of Directors, and is engaged through a contract executed by the Board Chair and the Finance Officer. The auditing firm of McGladrey & Pullen, LLP has satisfactorily performed the audit of OWASA's books since 1999. From time to time, in accordance with these requirements, OWASA solicits new proposals for conducting the annual audit. Furthermore, the Board had previously suggested that after ten years with the same firm, it was likely time to "refresh" the auditing process by engaging a new auditor.

When this item for audit contract approval was previously presented to the Board on April 10, 2008, board member Braxton Foushee requested more information concerning the qualifications of the recommended firm. While this document includes a summary of Cherry, Bekaert & Holland's qualifications, and an advance copy was provided to Mr. Foushee, staff was unable to follow-up with Mr. Foushee to ascertain if this additional information satisfied his concerns.

Selection Process

In February of 2008, OWASA solicited audit proposals (RFP) based upon the established criteria recommended by the North Carolina Local Government Commission, with an emphasis placed on contacting firms within Orange and surrounding counties. Three auditing firms responded, including McGladrey & Pullen, LLP. Although McGladrey & Pullen, LLP is highly qualified and presented a competitive proposal, after a preliminary review of the respondents' proposals and qualifications excluding cost considerations, McGladrey & Pullen, LLP was removed from further consideration in deference to the Board's prior direction.

The remaining two firms were Cherry, Bekaert & Holland's Mid Carolina Practice Raleigh office and Dixon Hughes' High Point office. Review and comparison of the remaining firms' qualifications by OWASA's Accounting Manager and Finance Officer yielded little differential in their respective ability to perform the audit. Both firms appeared comparably qualified and experienced. After reaching this conclusion, we reviewed each firm's cost proposal. Cherry, Bekaert & Holland's cost proposal was substantial lower than any other respondent and was less than the previous year's base cost. With proposals from two well qualified auditing firms, and desiring to avoid a selection based primarily on cost, I invited my counterpart from the Town of Chapel Hill, Kenneth Pennoyer, to join me in interviews of the two firms. These interviews were conducted on March 14 and 18, 2008 with the Engagement Partners and Engagement Managers from each firm. Of the two firms, Mr. Pennoyer and I agreed that Cherry, Bekaert & Holland presented the better answers and solutions regarding their resources, flexibility in scheduling and pre-engagement assistance.

Qualifications

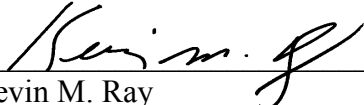
Cherry, Bekaert & Holland's qualifications include the following:

- 27th largest CPA firm in the nation.
- Audits over 120 local governments, authorities and public agencies throughout the Southeastern United States.
- Mid Carolina Practice includes:
 - ✓ Cumberland County – 18 years
 - ✓ Durham County – 6 years
 - ✓ Guilford County – 4 years
 - ✓ Harnett County – 6 years
 - ✓ Greensboro – 11 years
 - ✓ Raleigh – 4 years
 - ✓ Cary – 5 years
 - ✓ Garner – 5 years
 - ✓ Charlotte – 2 years
 - ✓ Asheboro City Schools – 20+ years
 - ✓ Piedmont Triad Council of Governments – 13 years
 - ✓ Triangle Transit Authority – 8 years
- Water and sewer authority audit experience (Piedmont Triad Regional Water & Sewer Authority).
- Raleigh office employs 45 staff members.
- Public sector audits and services comprise over 20 percent of the firm's total service complement.

- Required peer review has resulted in no record of substandard audit work.
- Maintains 25 offices in 11 practice units in six states. Provides large regional strength while maintaining smaller locally positioned practice units to create technical competence tailored to meet local client needs.
- Small partner to client ratio.
- Risk Assessment Detection and Reduction service to assist management in the identification of organization-wide risk. Used to focus the audit effort.
- All staff required to obtain 40 hours of continuing education annually with 24 hours of governmental accounting continuing education every two years.
- Audit Personnel
 - ✓ Engagement Partner – over 27 years of public accounting experience. Served as engagement partner or concurring review partner on over 50 governmental entities.
 - ✓ Concurring Review Partner – primarily dedicated to serving local, state and federal governmental entities. Former “Big Four” manager.
 - ✓ Technical Services Manager – 30 years experience with governmental audits. Will focus the audit resources on client’s specific accounting and reporting, risk management and compliance performance requirements that apply to governmental entities.
 - ✓ Engagement Manager - primary focus is with governmental audits. Served as manager on several school authorities, counties and cities. Single audit and compliance audit experiences.
- Cost proposal of \$32,000 in the first year for base services was substantially below the other respondent and after escalation to the third year remains below Dixon Hughes’ first-year quote by \$5,800.

Recommendation

Based on the submitted proposals and interviews conducted by Chapel Hill’s Finance Officer and me, staff believes Cherry, Bekaert & Holland presented the best proposal to provide auditing service to OWASA, and recommends that the Board engage Cherry, Bekaert & Holland, LLP for auditing services for the fiscal year ending June 30, 2008. The attached resolution appoints Cherry, Bekaert & Holland, LLP to perform the audit for a base fee not to exceed \$32,000.



Kevin M. Ray
Director of Finance and Customer Service

RESOLUTION APPROVING AND AWARDING AUDIT CONTRACT TO CHERRY, BEKAERT & HOLLAND, LLP AND AUTHORIZING CHAIR OF THE BOARD OF DIRECTORS AND THE FINANCE OFFICER TO EXECUTE SAID CONTRACT

WHEREAS, Orange Water and Sewer Authority is required by the General Statutes of the State of North Carolina and the Series 2001 Bond Order to have its financial records audited at the termination of each fiscal year; and

WHEREAS, in February of 2008, the Authority solicited audit proposals based upon the established criteria recommended by the North Carolina Local Government Commission;

NOW, THEREFORE, BE IT RESOLVED:

1. That the contract between Orange Water and Sewer Authority and Cherry, Bekaert & Holland, LLP, Raleigh, N.C., for financial audit of the Fiscal Year Ending June 30, 2008, for base charges not to exceed \$32,000 is hereby approved subject to approval by the North Carolina Local Government Commission.

2. That the Chair of the OWASA Board of Directors and the Finance Officer are hereby authorized to execute such contract.

Adopted this 24th day of April, 2008

Randolph M. Kabrick, P.E., Chair

ATTEST:

Braxton Foushee, Secretary

ITEM 4

AGENDA ITEM

- WATER SUPPLY AND DEMAND UPDATE

PURPOSE

- To provide information on recent and current water supply and demand conditions.

BACKGROUND

- At its April 10, 2008 meeting, the Board rescinded Stage Three Water Shortage requirements and reinstated Stage One, effective April 11th.
- Water supply has remained at or near 70 percent full during the past week, and customer demands have remained below the Stage Three goal for April.
- The overall risk of critical reservoir depletion remains unchanged from a week ago, and staff has no further recommendations regarding the Water Shortage status.

ACTION NEEDED

- No action needed, Board discussion as desired

STAFF RECOMMENDATION

- Staff has no further recommendation at this time regarding the Water Shortage status.

April 24, 2008



ORANGE WATER AND SEWER AUTHORITY

Quality Service Since 1977

MEMORANDUM

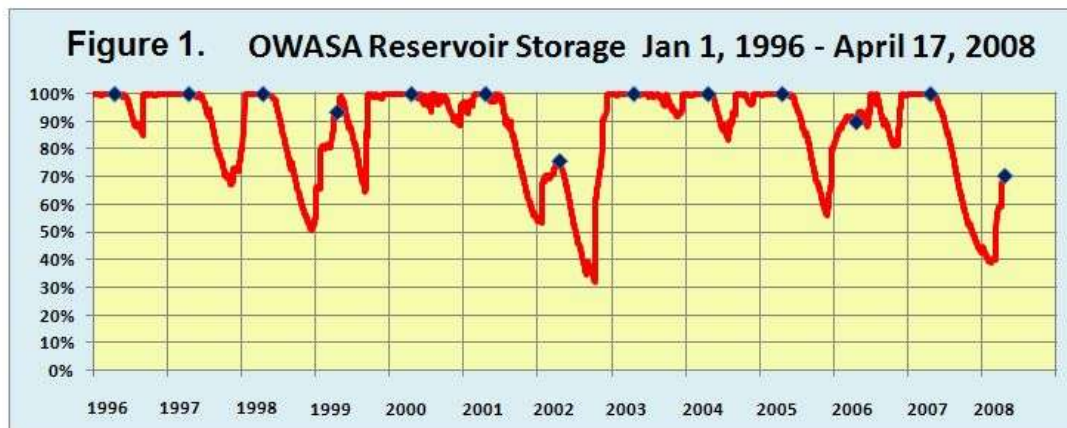
TO: Board of Directors
THROUGH: Ed Kerwin *EK*
FROM: Ed Holland
DATE: April 17, 2008
SUBJECT: Water Supply and Demand Update

Water Shortage Status

At its April 10, 2008 meeting, the Board rescinded Stage Three Water Shortage requirements and reinstated Stage One, effective April 11th. The Chair of the Orange County Board of Commissioners and the Mayors of Carrboro and Chapel Hill issued Proclamations of a Stage One Shortage on April 11th and 16th, respectively. Carrboro's rescission of Stage Two and Three was for a period of 30 days.

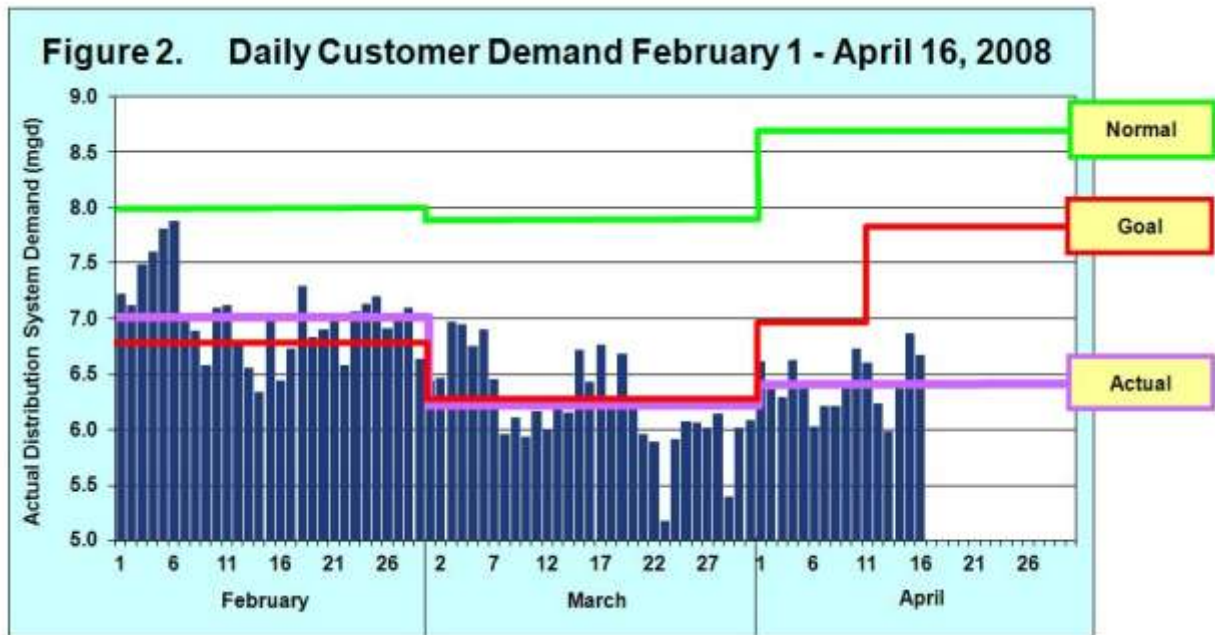
Water Supply

OWASA's reservoirs have gained approximately 20 million gallons since April 10th and are 71 percent full as of this writing (April 17, 2008). Streamflows have again declined to below normal, and reservoir storage remains historically low for this time of year (please see Figure 1). In the third week of April during the 2002 drought, reservoir storage was at 76 percent, but declined steadily thereafter throughout the summer.



Recent Demand Trends

Customer demands have remained below the Stage Three conservation goal during the past week (please see Figure 2).



Risk of Depletion

At this time, the overall risk of critical reservoir depletion remains unchanged from a week ago when the Board declared the Stage One Water Shortage. Staff has no further recommendations, but will continue to keep you apprised of supply and demand conditions and of any further recommendations regarding Water Shortage status.

Edward A. Holland, AICP
Planning Director

AGENDA ITEM

- **MONTHLY REPORT OF DROUGHT IMPACT ON REVENUES, COST AND DEBT SERVICE**

BACKGROUND

- During its January 3, 2008 meeting, the Budget and Financial Planning Committee directed staff to provide to the Board of Directors a monthly update of drought related financial implications.
- The need for such a report arises from staff projections of potentially significant revenue deficits due to water demand reduction.
- Preliminary monthly financial reports are complete through March 31, 2008.
- Net revenue eroded by approximately \$260,000 in March, 2008. Further erosion is expected throughout the spring and early summer.
- Operating expenses have been held to 91% of appropriation through March 31, 2008; on track to achieve at least a \$1.3 million savings.
- The growing deficit in nonoperating revenues, specifically service availability fees, increased to \$1.4 million.
- The financial position after nine months reflects a deficit of \$191,000 dollars compared to budget projections before depreciation.
- The debt service coverage ratio through March 31, 2008 is 1.42. The year-end ratio is projected to be between 1.2 and 1.3.

ACTION NEEDED

- Discussion by the Board and direction to staff as needed. Staff will provide these monthly updates until directed otherwise.

April 24, 2008



ORANGE WATER AND SEWER AUTHORITY

Quality Service Since 1977

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Kevin M. Ray

DATE: April 17, 2008

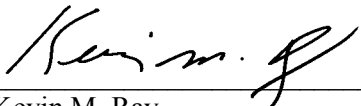
SUBJECT: Monthly Report of Drought Impact on Revenues, Costs and Debt Service through March 31, 2008

The following information is presented in response to the Budget and Financial Planning Committee's directive to provide a monthly report on drought related financial impact.

Orange Water and Sewer Authority Summary Schedule of Revenues, Expenses and Debt Service Coverage For the Nine Months Ended March 31, 2008			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operating Revenues	\$21,104,899	\$21,033,165	\$71,734
Operating Expenses	(12,453,197)	(13,628,903)	1,175,706
Net operating income	8,651,702	7,404,262	1,247,440
Nonoperating Income	1,564,956	3,003,000	(1,438,044)
Net Income	<u>\$10,216,658</u>	<u>\$10,407,262</u>	<u>(\$190,604)</u>
Debt Service	\$7,177,559	\$7,244,016	
Debt Service Coverage	1.42	1.44	

OWASA's "bottom line" fiscal performance crossed from a surplus to a deficit position in the month of March. Actual customer demand during the month was approximately 1.5 million gallons per day (MGD) less than original budget projections; resulting in an additional loss in operating revenues of \$310,000, including surcharges. Water use restriction surcharges provided a buffer of about \$160,000. Recognition of nonoperating revenues (primarily availability fees) worsened during the month by \$256,000 attributable mostly to the lag in new system connections.

Staff remains on track at 91% of appropriation to achieve the previously identified \$1.3 million in operational savings. However, the remaining operating surplus from the first quarter of \$71,000, combined with year-to-date operational savings, does not entirely offset the nonoperating income deficit of \$1.4 million; resulting in an overall year-to-date deficit of approximately \$191,000. The deficit will worsen in the final quarter of Fiscal Year 2008 as demand remains below original projections. Assuming Stage 1 restrictions remain in place through the end of the year; projected surcharges will provide only modest recovery of operating losses. Projected debt service coverage for FY 2008 remains only marginally above minimum requirements. Staff will continue to provide these monthly updates so the Board can monitor the fiscal impact of the drought on an ongoing basis.


 Kevin M. Ray
 Director of Finance and Customer Service

ITEM 6

Verbal Report on Health Insurance Proposals
reviewed by the Human Resources Committee
on April 24, 2008

(Marge Anders Limbert)

ITEM 7

AGENDA ITEM

- RESOLUTION ADOPTING A PRELIMINARY ANNUAL BUDGET FOR ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2008 THROUGH JUNE 30, 2009.

BACKGROUND

- There is no legal requirement to adopt a preliminary budget. The *Preliminary Annual Budget* is presented in accordance with paragraph 8.6.1 of OWASA's *Strategic Financial Planning and Management Document*.
- The *Preliminary Annual Budget* is a "backup budget" that could serve as an interim appropriation if a final budget has not been adopted by July 1, 2008.
- Although preparation of the *Preliminary Annual Budget* incorporates many important elements currently planned for inclusion in the final budget, it does not bind the Board of Directors as to content of the final budget.
- The Fiscal Year 2008-09 (FY 2009) *Preliminary Annual Budget* contains estimates of revenues and expenditures for the upcoming fiscal year and reflects recent discussions of the Budget and Financial Planning Committee as presented to the Board of Directors on April 10, 2008.
- Prior to adoption of a final budget, draft final budgets will be prepared and presented to the Board of Directors to reflect ongoing discussions by the Budget and Financial Planning Committee and Board.

STAFF RECOMMENDATION

- Adoption of the attached Resolution Adopting Preliminary Annual Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2008 Through June 30, 2009.

April 24, 2008

ITEM 7A

Verbal Report from Gordon Merklein
Chair of the Budget and Financial
Planning Committee

(Gordon Merklein)



MEMORANDUM

TO: Board of Directors
THROUGH: Ed Kerwin
FROM: Kevin M. Ray
DATE: April 18, 2008
SUBJECT: Fiscal Year 2008-09 (FY 2009) Preliminary Annual Budget

Background

There is no statutory requirement to adopt a preliminary budget. This preliminary budget is presented for adoption in accordance with organizational requirements identified in OWASA's *Strategic Financial Planning and Management Document*. However, North Carolina law requires an appropriation be in place on July 1 of each year. An adopted preliminary budget would satisfy statutory requirements for an interim appropriation in the unlikely event that a final budget is not adopted on or before July 1, 2008. A preliminary budget is in no way binding prior to July 1, 2008, nor does it preclude the adoption of a final budget.

Highlights of the Preliminary Budget

The preliminary budget reflects the discussion of, and guidance from, the Budget and Financial Planning Committee as reported to the Board by Committee Chair Gordon Merklein; including:

- A 12% average rate increase to recover revenue losses due to intermediate-term water demand reduction.
- Total operating revenue projection of \$29.8 million.
- Operating expense of \$18.0 million, before construction credits.
 - ✓ Funding only essential services and programs.
 - ✓ One percent decrease from current-year budget.
 - ✓ 5.5% increase over FY2008 projected spending.
 - ✓ 40% increase in health care costs.
 - ✓ 3.7% merit pool placeholder.
 - ✓ Significant increases in chemical and energy costs.
 - ✓ Includes reclaimed water operating expense and income.
 - ✓ Seven currently funded positions proposed to remain unfilled in FY 2009.

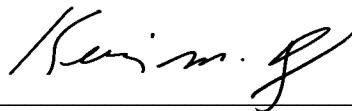
- Availability fees reduced by 39% from current-year projections to reflect a slowed pace of system growth.
- No new debt is proposed.
- Assumes a debt service coverage of 1.48.
- Capital improvements of \$12.2 million
 - ✓ \$4.5 million contribution from operations to fund capital expenditures.
 - ✓ \$7.1 million in grants and reimbursements related to construction of the reclaimed water system.
 - ✓ \$5.1 million in cash funding, net of reimbursements and grants.

The projected revenues in the proposed preliminary budget reflect a water demand assumption of 7.09 million gallons per day (MGD) during FY 2009; representing a 13% decrease in demand from current-year budget projections. The proposed average rate adjustment of 12%, combined with the assumed addition of about 300 new accounts during the year, provides for a projected operating revenue increase over the current budget of approximately 5%.

Authority-wide line item and departmental summary information is presented in Attachment #1.

While this preliminary budget reflects prior guidance from the Budget and Financial Planning Committee, continued deliberations prior to adoption of a final budget may result in modifications to the revenues and expenditures presented in the preliminary budget. Staff will present draft final annual budgets as needed to facilitate further Board deliberation.

Staff looks forward to working with the Board during this challenging time for our utility as we move forward to adopting a sound financial plan for FY2009 and beyond.



Kevin M. Ray
Director of Finance and Customer Service

**Orange Water and Sewer Authority
Preliminary O&M Request by Category
Fiscal Year 2009**

Category	FY 07 Actual	FY 08 Budget	FY 08 Projected	FY 09 Preliminary Recom.	FY 09 Recom. to FY 08 Budget %	FY 09 Recom. to FY 08 Budget \$	FY 09 Budget to FY 07 Actual %
Salaries & Wages	\$6,810,135	\$7,166,604	\$6,624,950	\$7,212,133	0.6%	\$45,529	5.9%
Fringe Benefits	\$2,552,879	\$2,680,984	\$2,283,265	\$2,740,668	2.2%	\$59,684	7.4%
Materials & Supplies	\$545,650	\$619,500	\$530,796	\$611,214	-1.3%	(\$8,286)	12.0%
Water Purchases	\$0	\$0	\$0	\$0	0.0%	\$0	0.0%
Chemicals	\$1,845,745	\$1,838,366	\$1,692,598	\$1,987,006	8.1%	\$148,640	7.7%
Utilities	\$1,731,190	\$2,134,995	\$1,848,562	\$1,881,611	-11.9%	(\$253,384)	8.7%
Maintenance	\$1,948,353	\$2,045,213	\$2,288,726	\$2,072,394	1.3%	\$27,181	6.4%
Professional Services	\$828,112	\$723,560	\$763,530	\$658,340	-9.0%	(\$65,220)	-20.5%
Insurance	\$213,611	\$294,502	\$200,580	\$214,114	-27.3%	(\$80,388)	0.2%
Communication	\$200,826	\$225,580	\$178,574	\$198,977	-11.8%	(\$26,603)	-0.9%
Printing & Reproduction	\$15,482	\$18,160	\$10,351	\$15,825	-12.9%	(\$2,335)	2.2%
Education and Development	\$96,374	\$140,304	\$88,007	\$118,670	-15.4%	(\$21,634)	23.1%
Other	\$335,888	\$284,103	\$361,965	\$280,999	-1.1%	(\$3,104)	-16.3%
Totals	<u>\$17,124,245</u>	<u>\$18,171,871</u>	<u>\$16,871,905</u>	<u>\$17,991,951</u>	-1.0%	<u>(\$179,920)</u>	5.1%

Orange Water and Sewer Authority
Preliminary O&M Request - General & Administrative
Fiscal Year 2009

Category	FY 07 Actual	FY 08 Budget	FY 08 Projected	FY 09 Preliminary Recom.	FY 09 Recom. to FY 08 Budget %	FY 09 Recom. to FY 08 Budget \$	FY 09 Budget to FY 07 Actual %
Executive Director							
Personnel Costs	\$830,676	\$862,192	\$817,443	\$877,287	1.8%	\$15,095	5.6%
Operating Expenditures	<u>\$351,398</u>	<u>\$437,422</u>	<u>\$419,415</u>	<u>\$401,835</u>	-8.1%	(\$35,587)	14.4%
Total Expenditures	\$1,182,074	\$1,299,614	\$1,236,858	\$1,279,122	-1.6%	(\$20,492)	8.2%
Customer Service							
Personnel Costs	\$388,376	\$423,595	\$404,924 #	\$390,753	-7.8%	(\$32,842)	0.6%
Operating Expenditures	<u>\$319,238</u>	<u>\$268,480</u>	<u>\$283,609</u>	<u>\$267,000</u>	-0.6%	(\$1,480)	-16.4%
Total Expenditures	\$707,614	\$692,075	\$688,533	\$657,753	-5.0%	(\$34,322)	-7.0%
Engineering							
Personnel Costs	\$1,136,623	\$1,182,348	\$1,155,960 #	\$1,267,672	7.2%	\$85,324	11.5%
Operating Expenditures	<u>\$73,706</u>	<u>\$130,378</u>	<u>\$42,698</u>	<u>\$66,199</u>	-49.2%	(\$64,179)	-10.2%
Total Expenditures	\$1,210,329	\$1,312,726	\$1,198,658	\$1,333,871	1.6%	\$21,145	10.2%
Human Resources							
Personnel Costs	\$382,130	\$415,338	\$346,511 #	\$440,801	6.1%	\$25,463	15.4%
Operating Expenditures	<u>\$145,573</u>	<u>\$189,292</u>	<u>\$105,392</u>	<u>\$127,567</u>	-32.6%	(\$61,725)	-12.4%
Total Expenditures	\$527,702	\$604,630	\$451,903	\$568,368	-6.0%	(\$36,262)	7.7%
Finance							
Personnel Costs	\$478,969	\$484,511	\$391,113 #	\$441,688	-8.8%	(\$42,823)	-7.8%
Operating Expenditures	<u>\$298,880</u>	<u>\$163,400</u>	<u>\$195,665</u>	<u>\$187,600</u>	14.8%	\$24,200	-37.2%
Total Expenditures	\$777,849	\$647,911	\$586,778	\$629,288	-2.9%	(\$18,623)	-19.1%
Purchasing							
Personnel Costs	\$124,915	\$127,511	\$119,348 #	\$121,371	-4.8%	(\$6,140)	-2.8%
Operating Expenditures	<u>\$21,423</u>	<u>\$21,720</u>	<u>\$13,226</u>	<u>\$21,700</u>	-0.1%	(\$20)	1.3%
Total Expenditures	\$146,338	\$149,231	\$132,574	\$143,071	-4.1%	(\$6,160)	-2.2%
Business Information Services							
Personnel Costs	\$288,628	\$297,631	\$281,326 #	\$322,132	8.2%	\$24,501	11.6%
Operating Expenditures	<u>\$509,974</u>	<u>\$463,600</u>	<u>\$420,484</u> #	<u>\$426,690</u>	-8.0%	(\$36,910)	-16.3%
Total Expenditures	\$798,602	\$761,231	\$701,810	\$748,822	-1.6%	(\$12,409)	-6.2%
Total G&A	<u>\$5,350,509</u>	<u>\$5,467,418</u>	<u>\$4,997,114</u> #	<u>\$5,360,296</u>	-2.0%	<u>(\$107,122)</u>	<u>0.2%</u>

**Orange Water and Sewer Authority
Preliminary O&M Request - Operating Departments
Fiscal Year 2009**

Category	FY 07 Actual	FY 08 Budget	FY 08 Projected	FY 09 Preliminary Recom.	FY 09 Recom. to FY 08 Budget %	FY 09 Recom. to FY 08 Budget \$	FY 09 Budget to FY 07 Actual %
Water Supply & Treatment							
Personnel Costs	\$872,444	\$911,816	\$875,463 #	\$884,435	-3.0%	(\$27,381)	1.4%
Operating Expenditures	<u>\$1,388,951</u>	<u>\$1,539,517</u>	<u>\$1,638,995</u>	<u>\$1,666,181</u>	8.2%	\$126,664	20.0%
Total Expenditures	\$2,261,395	\$2,451,333	\$2,514,458 #	\$2,550,616	4.1%	\$99,283	12.8%
Water Distribution							
Personnel Costs	\$1,492,344	\$1,640,659	\$1,421,567 #	\$1,725,808	5.2%	\$85,149	15.6%
Operating Expenditures	<u>\$759,386</u>	<u>\$894,393</u>	<u>\$982,216</u>	<u>\$796,286</u>	-11.0%	(\$98,107)	4.9%
Total Expenditures	\$2,251,730	\$2,535,052	\$2,403,783 #	\$2,522,094	-0.5%	(\$12,958)	12.0%
Plants Maintenance							
Personnel Costs	\$937,081	\$966,964	\$830,729 #	\$971,692	0.5%	\$4,728	3.7%
Operating Expenditures	<u>\$986,862</u>	<u>\$913,207</u>	<u>\$1,208,905</u>	<u>\$1,048,852</u>	14.9%	\$135,645	6.3%
Total Expenditures	\$1,923,943	\$1,880,171	\$2,039,634 #	\$2,020,544	7.5%	\$140,373	5.0%
Laboratory							
Personnel Costs	\$592,582	\$600,956	\$534,713 #	\$585,120	-2.6%	(\$15,836)	-1.3%
Operating Expenditures	<u>\$297,522</u>	<u>\$334,092</u>	<u>\$262,251</u>	<u>\$327,450</u>	-2.0%	(\$6,642)	10.1%
Total Expenditures	\$890,104	\$935,048	\$796,963 #	\$912,570	-2.4%	(\$22,478)	2.5%
Wastewater Treatment							
Personnel Costs	\$994,367	\$1,094,271	\$951,022 #	\$1,057,021	-3.4%	(\$37,250)	6.3%
Operating Expenditures	<u>\$1,871,415</u>	<u>\$2,182,065</u>	<u>\$1,917,188</u>	<u>\$2,053,857</u>	-5.9%	(\$128,208)	9.7%
Total Expenditures	\$2,865,782	\$3,276,336	\$2,868,210 #	\$3,110,878	-5.1%	(\$165,458)	8.6%
Sewer Collection							
Personnel Costs	\$843,880	\$839,796	\$778,097 #	\$867,020	3.2%	\$27,224	2.7%
Operating Expenditures	<u>\$736,903</u>	<u>\$786,717</u>	<u>\$473,645</u>	<u>\$647,932</u>	-17.6%	(\$138,785)	-12.1%
Total Expenditures	\$1,580,783	\$1,626,513	\$1,251,742 #	\$1,514,952	-6.9%	(\$111,561)	-4.2%
Total Operating Departments	<u>\$11,773,737</u>	<u>\$12,704,453</u>	<u>\$11,874,791</u> #	<u>\$12,631,655</u>	<u>-0.6%</u>	<u>(\$72,798)</u>	<u>7.3%</u>

RESOLUTION ADOPTING A PRELIMINARY BUDGET FOR ORANGE WATER
AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2008 THROUGH
JUNE 30, 2009

WHEREAS, Orange Water and Sewer Authority historically has adopted a *Preliminary Annual Budget* prior to the first day in May in each fiscal year; and

WHEREAS, in the event that adoption of an Annual Budget is delayed until after July 1, 2008, the *Preliminary Annual Budget* fully satisfies the interim appropriation requirements of North Carolina General Statutes 159-16; and

WHEREAS, the *Preliminary Annual Budget* includes estimates of revenues of the water and sewer system, current operating and maintenance expenditures, 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 General Statutes 159-13, the two attached pages be, and they hereby are, adopted as the *Preliminary Annual Budget* of Orange Water and Sewer Authority for Fiscal Year July 1, 2008 through June 30, 2009.
2. That the appropriations for divisions, functions, and projects as shown in the attached budget for the respective purposes and in the respective amounts therein specified are hereby made unless and until the Annual Budget is adopted.

Adopted this 24th day of April, 2008.

Randolph M. Kabrick, P.E., Chair

ATTEST:

Braxton Foushee, Secretary

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

**FY 2009
Annual Budget**

Operating Revenue

Water	\$15,560,000
Sewer	12,730,000
Reclaimed Water	108,020
Service Initiation Fee	148,952
Other	1,261,724
Refunds and Adjustments	<u>(103,322)</u>

Total Operating Revenue **29,808,696**

Operating Expense

General and Administrative	5,360,296
Operations	<u>12,631,655</u>

Total Operating Expense **17,991,951**

Net Operating Income **11,816,745**

Non-operating Revenue

Customer Fees	1,965,415
Interest	<u>217,340</u>

Total Net Income **13,999,500**

Debt Service

Existing	9,465,326
New	<u>0</u>

Total Debt Service **9,465,326**

Net Income Less Debt Service **\$4,534,174**

Debt Coverage Ratio **1.48**

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

**FY 2009
Annual Budget**

General Fund

Resources

Transfer From Revenue	\$4,534,174
Assessments	3,000
Grants and Contributions	<u>7,084,706</u>

Annual Income Available for Capital **11,621,880**

Transfer from Construction Fund (Bond Proceeds) **0**

Total Available for Capital **11,621,880**

Capital Expenditures

Project ordinances	
General Fund Contribution	12,215,658
Funded by Bond Proceeds	<u>0</u>

Total Project Resolutions **12,215,658**

Capital Equipment **101,800**

Total Capital Outlay **12,317,458**

Annual General Fund Balance **(695,578)**

General Fund Beginning Balance **6,729,868**

General Fund Ending Balance **\$6,034,290**

Project Funding

Under Contract	1,580,303
Future Years	
Operating Balance	<u>4,453,987</u>

\$6,034,290

Unallocated General Fund Balance **\$0**