



ORANGE WATER AND SEWER AUTHORITY

*A public, non-profit agency providing water, sewer and reclaimed water services
to the Carrboro-Chapel Hill community.*

AGENDA

PUBLIC HEARINGS AND MEETING OF THE OWASA BOARD OF DIRECTORS

THURSDAY, MAY 27, 2010, 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. Verbal Update on the Human Resources Committee Meeting held on Wednesday, May 19, 2010 (Braxton Foushee)
 - B. Verbal Update on the Natural Resources/Technical Systems Committee Meeting held on Thursday, May 20, 2010 (Alan Rimer)
3. Announcements by Staff
 - A. Annual Water Quality Report Card (Rachel Monschein)

Petitions and Requests

1. Public
2. Board
3. Staff

7:05 PM

PUBLIC HEARINGS

1. Concurrent Public Hearings on the Draft Annual Budget and Proposed Adjustments to Rates, Fees and Charges
 - A. Presentation (Ed Kerwin)
 - B. Public Comments (Randy Kabrick)
 - C. Motion to Close Public Hearings (Randy Kabrick)
 - D. Board Discussion (Randy Kabrick)

8:00 PM

CONSENT AGENDA

Information and Reports

2. Semiannual Status Report for Various Capital Improvement Projects, including Semiannual Report on Communications Plans for Capital Projects (Stuart Carson) **page 86**

Action

3. Approval of the Minutes of the April 22, 2010 Board of Directors' Meeting (Andrea Orbich) **page 95**

REGULAR AGENDA

Discussion and Action

8:05 PM

4. Improved Efficiencies For OWASA's Human Resources' Functions (Ed Kerwin) **page 99**

AGENDA ITEM

- CONCURRENT PUBLIC HEARINGS ON THE DRAFT ANNUAL BUDGET AND PROPOSED ADJUSTMENTS TO RATES, FEES AND CHARGES

BACKGROUND

- On April 22, 2010 the Board of Directors adopted resolutions setting May 27, 2010 as the date for concurrent public hearings on OWASA's proposed budget and rates for Fiscal Year (FY) 2011.
- The proposed 9.25% increase in monthly water and sewer charges would become effective on October 1, 2010.
- The attached Draft Schedule of Rates, Fees and Charges incorporates the 9.25% rate adjustment.
- Capital Improvements Program Expenditures and Operating Expenses reflected in the Draft FY 2011 Annual Budget are unchanged from the Preliminary Budget adopted by the Board on April 22, 2010.

ACTION NEEDED

- Receive and discuss input provided by the public at and prior to the May 27, 2010 concurrent public hearings.
- Provide direction to the staff and Finance Committee regarding the FY 2011 Budget and the Schedule of Rates, Fees and Charges that will be considered for adoption by the Board at its June 10, 2010 meeting.

May 27, 2010




ORANGE WATER AND SEWER AUTHORITY

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MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin 

FROM: Stephen Winters, CPA

DATE: May 20, 2010

SUBJECT: Public Hearings on the Draft Annual Budget and Schedule of Rates, Fees and Charges

Purpose

This memorandum and attachments are provided to the Board of Directors as a basis for discussion of the Draft Annual Budget and Draft Schedule of Rates, Fees and Charges for FY 2011. This information is the subject of the concurrent public hearings that will be held on May 27, 2010.

Background

The Finance Committee and Board of Directors have previously discussed and approved the Preliminary FY 2011 Budget and agree with the recommendation to increase monthly water and sewer rates for FY 2011 by 9.25%.

Attached are two documents:

- Draft Annual Budgetary Reports for FY 2011
- Draft Schedule of Rates, Fees and Charges with changes noted

No changes have been made to the Budget information previously approved by the Board but the Annual Budgetary Reports include additional information that will become part of the Annual Budget “book.”

Members of the Board and Finance Committee have previously reviewed this information.

Draft Annual Budgetary Reports

Highlights of the FY 2011 Budget have been provided to the Board as part of previous Board Meeting packages.

Draft Schedule of Rates, Fees and Charges

The attached Draft Schedule of Rates, Fees and Charges (Attachment 2) reflects the 9.25% rate adjustment to many of OWASA's fees and charges. Revenues of about \$35 million are projected to be generated under this schedule during FY 2011.

Key Elements in the Schedule

- 9.25 % rate adjustment applied to:
 - ✓ Water and sewer fixed monthly service charges – all customer classes.
 - ✓ Water and sewer commodity charges – all customer classes.
 - ✓ Equivalent uniform water and sewer commodity rates.
 - ✓ The average bill for a single-family individually metered customer using 5,000 gallons per month would increase from \$74.92 to \$81.87, a \$6.95 monthly increase.
- Continuation of block rate structure for single-family individually metered residential customers and seasonal rate structure for all others.
- Conservation Water Commodity Charges Under Declared Water Shortages.
 - ✓ Surcharges remain in place for both residential and nonresidential customers with no change in the surcharge structure.
 - ✓ Cutoff blocks eliminated to conform to revised conservation standards.
- Irrigation accounts:
 - ✓ Retain a higher year-round uniform charge and monthly service charge for irrigation use than the peak rate under the seasonal structure.
 - ✓ Changes to irrigation meter service availability fees are the same as for commercial accounts.
- Water and Sewer Availability Fees:
 - ✓ Increased by the five-year average of the Construction Cost Index (3.8%), the Board approved method of adjusting these charges.
- Miscellaneous Fees and Charges are adjusted where necessary to reflect cost of service. In this Draft Schedule, the only change made is to reduce the charge for installing a 2" water meter; we now use a less expensive meter than was used in the past.
- Lake fees have been increased, generally, by 9.25%. However in most cases, we have rounded the fees to the nearest \$0.50 which, in some instances, results in no change.
- Reclaimed Water
 - ✓ We have not changed the commodity rate or fixed monthly charge for reclaimed water.
 - ✓ For non-UNC customers, we established rates very recently and we do not believe it is necessary to revise them.

- ✓ For UNC, our rates are based on engineering studies performed upon the completion of the reclaimed water facility. Due to the low use of reclaimed water (so far), we do not have enough experiential data to justify changing the rates.

Customer Impact

The impact of 9.25% increase in rates on the monthly and annual billing for a single-family residential customer at various demand levels is presented below:

| Comparison of Combined Water and Sewer Bills at Current and Proposed Rates Single-Family Individually Metered Customers Proposed 9.25% Rate Increase Effective October 1, 2010 | | | | | |
|---|---------|---------|---------|----------|----------|
| Monthly water use (gallons) | 1,000 | 3,000 | 5,000 | 10,000 | 20,000 |
| Monthly bill at current rates | \$32.13 | \$51.84 | \$74.92 | \$139.12 | \$306.07 |
| Monthly bill with 9.25% increase | \$35.11 | \$56.65 | \$81.87 | \$152.02 | \$334.42 |
| Monthly increase | \$2.98 | \$4.81 | \$6.95 | \$12.90 | \$28.35 |
| Annual increase | \$35.76 | \$57.72 | \$83.40 | \$154.80 | \$340.20 |

Next Steps

- The Board will consider input received during the public hearing and provide guidance to staff.
- Formal adoption of the Annual Budget and the Schedule of Rates, Fees and Charges is scheduled for June 10, 2010.



Stephen Winters, CPA
Director of Finance and Customer Service

Attachments: Draft Annual Budgetary Reports for FY 2011 (Attachment 1)
Draft Schedule of Rates, Fees and Charges to be
Effective October 1, 2010 (Attachment 2)

Draft Annual Budget

Orange Water and Sewer Authority
Carrboro - Chapel Hill, North Carolina

Fiscal Year 2011

BUDGET MESSAGE

To the Board of Directors

The proposed Annual Budget for the fiscal year from July 1, 2010 through June 30, 2011 (FY 2011) has been prepared in accordance with OWASA's *Financial Management Policy*, our *Amended and Restated Bond Order* adopted on September 13, 2001 and *The Local Government Budget and Fiscal Control Act*. While the Budget is staff prepared, the Board of Directors determines the level of water, sewer and reclaimed water services that OWASA provides to the Carrboro-Chapel Hill urban area and the resources available for service operations and capital projects.

The primary drivers during the preparation of this proposed budget include the capital improvements project needs identified in the 15-year *Capital Improvements Program (CIP)*, forecasted water, reclaimed water and sewer demands, projected operating costs required to sustain service levels during FY 2011, and the level of revenues sufficient to fund the capital improvements, defray the daily cost of operation and to meet OWASA's debt obligation.

Projected operating revenues reflect a proposed average rate increase of 9.25% in monthly rates to offset a significant decline over the past decade in customer demand for potable water. The decline in demand has arisen from a combination of drought induced conservation and our long-term demand reduction strategies, including conservation pricing and commencement of reclaimed water utility operations. Additionally, revenues from system growth, or new system connections, are projected to decline for the fourth year in a row.

Although the requested operating and maintenance appropriation reflects optimism regarding the cost of materials and supplies, including chemical costs, it represents about a 1.7 percent increase over the FY 2010 appropriation. In spite of increases in personnel costs, particularly for health care and retirement contributions, the proposed FY 2011 operating budget is frugal; funding priority programs and services with few provisions for contingencies.

The proposed budget consists of projected revenues and other receipts of \$35.2 million, capital project costs of \$9.8 million, operating and maintenance costs of \$18.8 million, debt service payments of \$9.7 million, and capital equipment purchases of \$37,000.

Highlights of the Budget

Key elements of this proposed budget include:

- Increases of approximately 9.25% for monthly water and wastewater rates, fees and charges. The additional revenue from these rate increases is projected to adequately fund capital projects related to service reliability, adequate system capacity and regulatory constraints; ensure operating cost recovery, meet debt obligation payments and improve OWASA's fiscal performance.

Highlights of the Budget (continued)

- Continuation of the seasonal water conservation rate structure approved by the Board in June 2001 for all customers other than individually-metered residential and irrigation-only customers.

Under the seasonal water conservation rate structure, the proposed water commodity charge will be \$7.75 per thousand gallons of water consumed during the warmer peak water demand months of May through September. The water commodity charge for the cooler, lower demand months of October through April is proposed to be \$4.08 per thousand gallons.

- Continuation of the five-tiered increasing block rate structure for individually-metered residential customers. The block rate structure is designed under cost-of-service principles to further promote water conservation by lessening the system cost recovery burden on low volume water users and appropriately reallocating a portion of system cost recovery to high volume customers. Applicable rates are displayed below.

| | <u>Volume of Use In Gallons</u> | <u>Proposed Rate per 1,000 Gallons</u> |
|---------|---------------------------------|--|
| Block 1 | 1,000 to 2,000 | \$2.58 |
| Block 2 | 3,000 to 5,000 | \$6.26 |
| Block 3 | 6,000 to 10,000 | \$7.68 |
| Block 4 | 11,000 to 15,000 | \$10.73 |
| Block 5 | All use 16,000 and up | \$19.40 |

For a typical individually-metered residential customer using 5,000 gallons of water per month, the rate adjustments would increase the average monthly water and sewer bill from \$74.92 to \$81.87, an increase of \$6.95.

- An annual operating budget of \$18.8 million, reflecting an increase of 1.7% over the FY 2010 budget. No new positions are proposed for the new budget year and ten of 139 approved full-time positions are unfunded in the FY 2011 appropriation in order to contain costs as OWASA evaluates additional savings and efficiency opportunities.
- A merit increase pool equaling 2.5% of current-year salaries and wages. Merit increases for individual employees will be determined through OWASA’s comprehensive performance evaluation process in accordance with established policies. Merit increases generally take effect in November of each year.
- Proposed capital improvement spending of \$9.8 million for FY 2011, as identified in the 15-year *Capital Improvements Program*, remains unchanged from the previous year’s projection for FY 2011 with the exception of roll-forward balances for projects not completed in FY 2010. The majority of capital spending, \$6.2 million, is earmarked for various water and sewer system rehabilitation and replacement projects.
- No new debt will be issued in FY 2011. All capital improvements will be funded through cash.

OWASA's Budget Process

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

- OWASA's *Mission Statement*. The Board's adopted *Mission and Values Statement* 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 sustainable operations. These priorities must also be met within the constraints set by various statutory, regulatory and contractual obligations and agreements.
- OWASA's *Financial Management Policy*; a comprehensive and systematic approach to strategic financial planning, related policy decisions, and measurements of financial performance.
- A comprehensive, regularly updated water and sewer master plan, which includes reports and analyses of system needs.
- North Carolina General Statute Chapter 159: *The Local Government Budget and Fiscal Control Act*.
- A 15-year financial planning model that takes into account economic assumptions, growth trends, operating and capital project costs, desired debt service coverage ratio, and anticipated service demand levels. Assumptions used in the budget process include projected water sales and growth in customer accounts, inflation factors, and the cost of borrowing.
- Strategic issues and policies as identified by the Board of Directors and staff.
- The 15-year *Capital Improvements Program*.
- A budget calendar as developed under the requirements of our *Financial Management Policy*.

The annual budget process begins early in each fiscal year and concludes with adoption of an annual budget in June. The Board of Directors adopted a *Preliminary Budget* on April 22, 2010 which is intended to satisfy statutory requirements for an interim budget, should a final budget not be adopted by July 1st.

Throughout the budget process, OWASA staff worked closely with the Board's Finance Committee in developing and refining documents for submittal to the full Board of Directors.

OWASA’s Budget Process

Public hearings on the proposed OWASA budget, CIP and rate adjustments will be held at the OWASA Board of Directors’ regular meeting on Thursday, May 27, 2010. 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. A budget is considered balanced when the sum of net revenues and appropriated fund balance is equal to appropriations. In the State of North Carolina, the minimum 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.

Priorities and Assumptions

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 our 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 has no impact on the overall cost of construction (N.C. General Statute 143-128).
- OWASA’s primary source of income is customer rates and fees. The OWASA Board has sole authority to set and revise rates, fees and other charges for our services. Our 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 (N.C. General Statute 162A-9). Rates, fees and charges shall be set so that our revenues, together with any other available funds, shall be sufficient at all times to pay (1) the cost of maintaining, repairing and operating the water and sewer systems including reserves for such purposes, and (2) all of the principal and interest on bonds issued by OWASA (N.C. General Statute 162A-9).
- Fees shall be made applicable throughout the service area, but fees and charges may vary by customer class when discernable cost factors can be attributed to the varying classes.
- The Governmental Accounting Standards Board requires the cost of post-employment benefits be recognized and recorded in OWASA’s annual financial statements.

Intergovernmental Sale and Purchase Agreements

Agreements of Sale and Purchase with the University of North Carolina at Chapel Hill and the Towns of Chapel Hill and Carrboro state:

Priorities and Assumptions (continued)

- 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 system at the lowest rates possible consistent with its obligation to provide proper and efficient service.
- OWASA will furnish, for as long as the University of North Carolina at Chapel Hill shall desire, potable water, meeting acceptable purity standards, in such quantity as may be required to meet the University's needs.
- The University will purchase all its potable water requirements from OWASA, unless OWASA is unable to supply sufficient water.
- The University will be provided, now and hereafter, reliable and adequate sewer services to meet its needs.
- If five-year cumulative rate revisions exceed 20%, then the University may request that 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.

Additionally, Chapel Hill, Carrboro and Orange County have adopted local water conservation ordinances as recommended by OWASA. The requirements of those ordinances have short and long-term demand and revenue implications.

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. The cost of these public benefit uses is recovered from all customers.
- The Bond Order requires a minimum debt service coverage ratio of 1.2. OWASA's *Financial Management Policy* sets the desired performance target as 2.0.
- In order to issue new debt, rate adjustments in any fiscal year must be sufficient to provide for debt service payments in the immediately succeeding fiscal year.

Priorities and Assumptions (continued)

Organizational Assumptions
Financial Goals and Objectives

- OWASA’s *Financial Management Policy* specifies a working capital reserve balance at least equal to the greater of the following: four months of the annual Operations & Maintenance Budget or 20% of the total estimated cost of capital improvements projects identified for the succeeding three years.
 - Four months of estimated operating costs for FY 2011 equal \$6.2 million.
 - 20% of planned capital improvements for FY 2012 through FY 2014 equals \$5.9 million.
 - The General Fund ending balance for FY 2011 is projected to be \$9.2 million.
- The *Financial Management Policy* identifies funding for a capital reserve fund and a rate/revenue stabilization reserve. The proposed FY 2011 Budget provides funding of \$650,000 and the projected year-end balances for these reserve funds are \$800,000 and \$500,000, respectively.
- The *Financial Management Policy* specifies at least 30% cash funding of capital improvements. The budget reflects 100% cash funding of capital projects during FY 2011 as no new debt will be issued during the year.
- With the approximate 9.25% rate adjustment, the debt service coverage ratio for FY 2011 is projected to be 1.71, and OWASA’s comprehensive financial planning model indicates the following subsequent annual rate increases would be required in order to achieve a debt service coverage ratio of 2.00 by FY 2012:

Projected Rate Adjustments

| | | |
|---------|-------------|-------------|
| FY 2012 | 8.75% Water | 8.75% Sewer |
| FY 2013 | 7.00% Water | 7.00% Sewer |

Please note that these projected rate adjustments are preliminary and will be further analyzed as part of each subsequent year’s budgeting process.

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

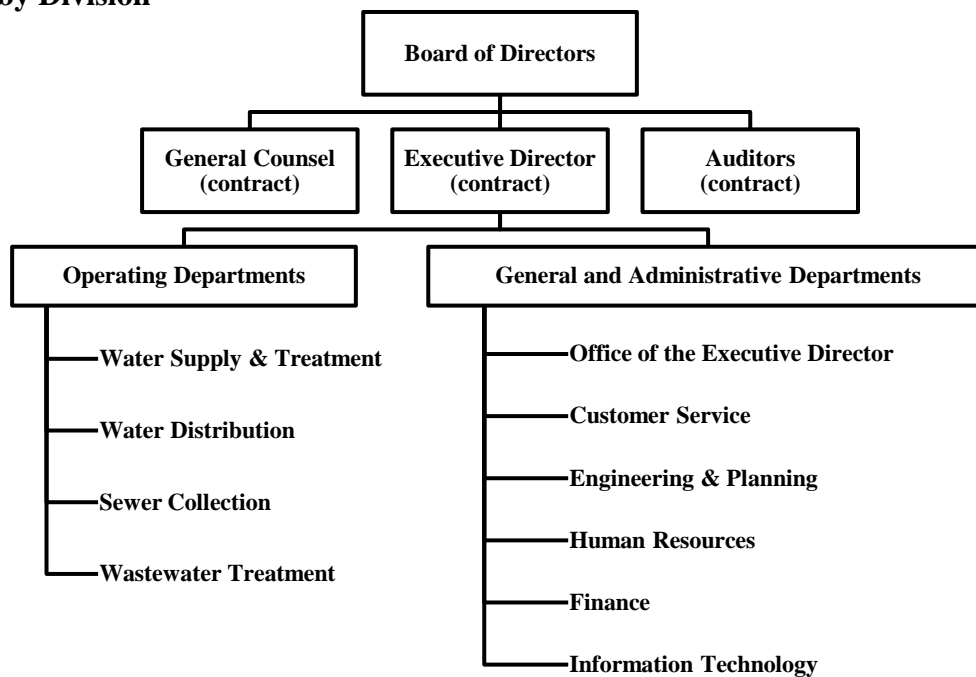
- FY 2011 projections for potable (drinking) water demand and new connections are affected most significantly by the following three factors:
 - ✓ Potable water sales will continue to decrease in FY 2011 and beyond as the University increases its use of reclaimed water (RCW) with additional chiller facilities coming on line, and as UNC begins using RCW to meet other non-potable requirements (primarily irrigation).

Priorities and Assumptions (continued)

RCW use is expected to be 0.44 MGD during the current year (F 2010) and 0.77 MGD in FY 2011.

- ✓ Staff expects average daily potable water demand in FY 2011 to be approximately 6.1 MGD (compared to the FY 2010 estimate of 6.5 MGD).
- Historically, customer accounts have grown annually by more than 500 “single-family domestic meter equivalents”. However, this growth has been declining steadily since an all-time high of more than 840 in FY 2002. On the basis of local development trends and the continued slump in the general economy, we do not expect new service connection activity, and attending fees, to rebound next year, and project a further decline in revenues from service availability fees in FY 2011. Budget projections are based on the assumption of 115 new meter equivalents (MEs) for FY 2011.
- A construction cost inflation rate of 5.0% is projected for FY 2011 and beyond.

Organization Overview by Division



Staffing Summary

The OWASA Board has authorized a total of 139 positions but only 129 are funded for FY 2011. Authorized staffing levels (full-time equivalents) are allocated by department as follows:

| <u>Operating Departments</u> | | <u>General & Administrative Departments</u> | |
|------------------------------|----|---|----|
| Water Supply & Treatment | 24 | Office of the Executive Director | 7 |
| Water Distribution | 32 | Customer Service | 7 |
| Sewer Collections | 15 | Engineering & Planning | 14 |
| Wastewater Treatment | 24 | Human Resources | 3 |
| | | Finance | 9 |
| | | Information Technology | 4 |

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

| Description | Resources | Expenses | Balance |
|--|--------------|---------------------|--------------|
| Total Operating Revenue | \$34,409,453 | | |
| Operations and Maintenance Expenses | | | |
| Net Expenses, General and Administrative | | \$5,544,931 | |
| Net Expenses, Operations | | <u>\$13,049,706</u> | |
| Net Total Operating Expenses | | \$18,594,637 | |
| Net Operating Income | | | \$15,814,816 |
| Interest | \$45,294 | | |
| Availability Fees | \$723,179 | | |
| Total Net Income | | | \$16,583,289 |
| Total Debt Service | | \$9,680,213 | |
| Debt Coverage Ratio | | | 1.71 |

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

| Description | Resources | Expenses | Balance |
|--|-------------|---------------|---------------------------|
| General Fund Beginning Balance (7/1/10) | | | \$12,151,896 |
| Transfer From Revenue | \$6,903,076 | | |
| Funds Available for Expenditures | | | \$15,461,896 |
| Total Estimated Capital Expenditures | | (\$9,813,900) | |
| General Fund Ending Balance (6/30/2011) | | | <u><u>\$9,241,072</u></u> |

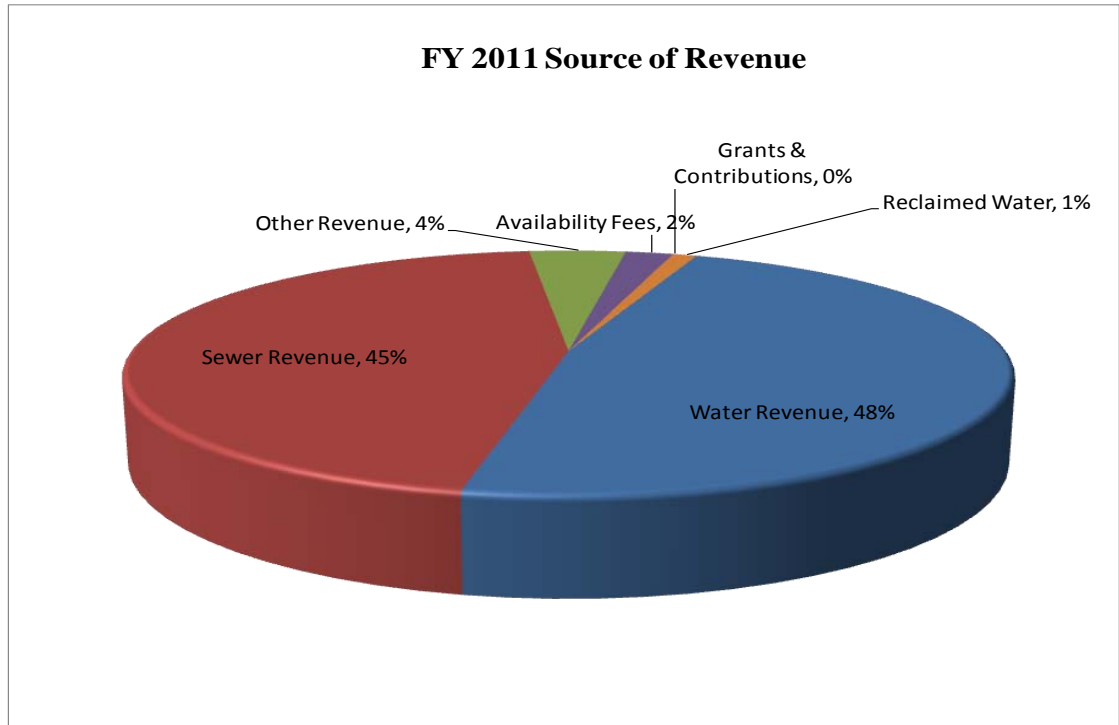
Revenue Summary In providing essential public water, sewer and reclaimed water services to Carrboro, Chapel Hill and portions of southern Orange County, OWASA incurs substantial operating and capital expenses. OWASA operates as a nonprofit enterprise fund and has no legislative authority to levy taxes nor does OWASA receive tax revenues from local governments for ongoing operations. OWASA finances its ongoing water and sewer operations and 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 at least 30 percent cash funding for the Capital Improvements Program. Rates and fees are periodically adjusted in response to resource needs as determined by OWASA’s financial planning process.

OWASA’s gross receipts, with minor exception, are restricted by bond indenture. All revenues except grants, reimbursements and assessments must be deposited to the credit of the Revenue Fund. Monies in the Revenue Fund are pledged to the repayment of outstanding debt and must be expended in the following order: current expenses, and then debt service. Any funds remaining after current expenses and debt payments may be transferred to the General Fund, and may 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. 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 or wastewater used. For accounts other than individually-metered residential customers,

**Revenue
Summary
(continued)**

a higher commodity charge applies during the peak consumption season from May through September, and a lower uniform commodity rate applies from October through April. This seasonal approach has been successful in reducing customer demand, peak-day demand in particular. As depicted in the following graph, in FY 2011, 48% of total budgeted revenue is anticipated from water services while wastewater services are expected to generate 45%. Service availability (new connection) fees comprise approximately 2% of total projected revenues. The sale of reclaimed water, plan review and construction observation fees, grants, assessments, rental, royalty, administrative fees and interest income contribute the remaining 5% of total projected revenues.



Commodity fees for all individually-metered residential accounts are billed under an increasing block rate structure. The block rate structure is designed to fairly allocate the true cost of service recovery among low volume and high demand water customers, thereby further promoting long-term water conservation.

OWASA began to collect fees for delivery of reclaimed water services through a new reclaimed water utility that became operational in the Spring of 2009. The system initially serves only the University for non-potable purposes such as irrigation and cooling tower make-up water on campus, and the OWASA Board of Directors has approved system use by non-UNC customers.

OWASA’s primary revenue generating fees 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 potable and reclaimed water to, and collecting wastewater from the customers’ property. Charges are based on meter size. |
|----------------------|--|

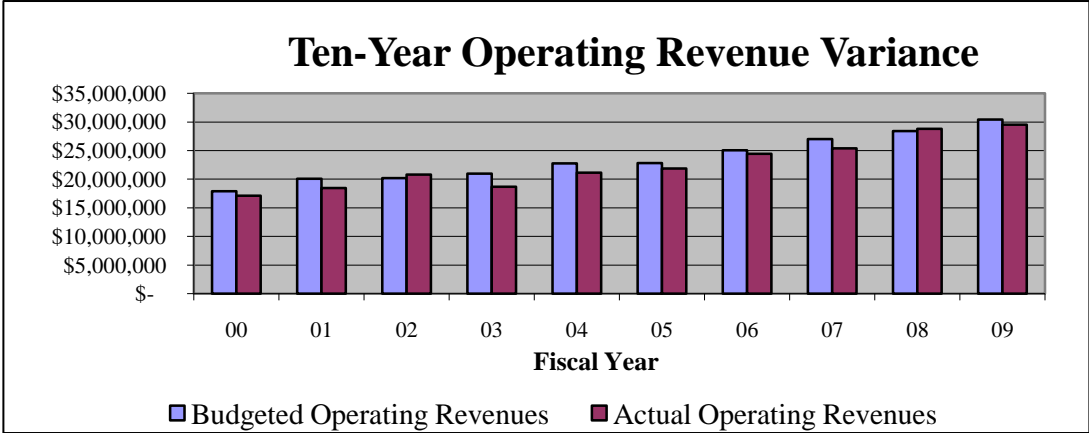
| | |
|---|---|
| Commodity charge | Calculated to recover the remaining direct and indirect costs of water supply and treatment, water distribution, sewer collection and treatment, general administration, and water and sewer capital not recovered by the monthly service charge. This charge is applicable to all water, sewer and reclaimed water accounts based on meter readings in thousand gallon increments of water used. |
| 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 potable or reclaimed water main 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) Multi-family Residential, Individually Metered, and (3) Nonresidential (including master-metered multifamily apartment complexes and all commercial, University, and institutional accounts). The use of these categories is justified by their distinct 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, sewer or reclaimed water account. This includes establishing service and account records for billing. The fee is 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 recovers the cost for time and equipment plus an allowance for overhead. |
| Service installation | The purpose of this charge is to recover costs of the installation of a service connection from the water or reclaimed 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 of 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 is the amount of expected 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 grown by approximately 500 new accounts a year. Due to the significant slowdown in local construction and development activity, the growth projection for FY 2011 is approximately 115

equivalent residential units. While empirical data indicate little change in proportionate demand between our customer classes, weather patterns since FY 2002 and the implementation of a seasonal conservation pricing structure produced a dramatic decrease in demand by all classes. The additional conservation signal intended with the implementation of the block rate structure in October of 2007, a second drought of record with accompanying mandatory water use restrictions and the University’s use of reclaimed water created further decreases in customer potable water demand. Rate adjustments and revenue projections for FY 2011 assume lower potable water demand than in FY 2010.

In addition to the recovery of the cost of operations, rates and fees must be set at a level sufficient to facilitate funding future capital improvement costs and related debt in order to avoid the recovery of costs entirely during the years when construction related expenditures are made. OWASA uses a 15-year planning horizon to consider future needs when setting current-year rates.

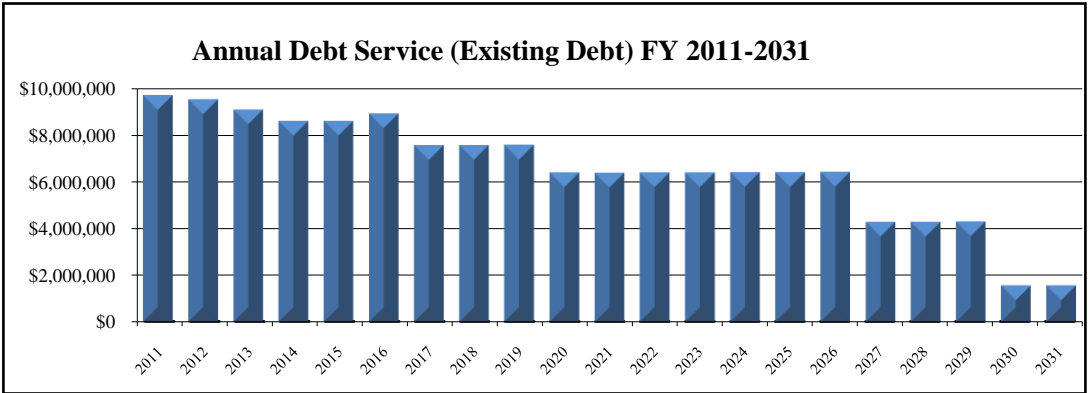
The following graph summarizes the historical trend of OWASA’s primary revenue stream compared to our budget for those revenues.



Debt and Debt Policy

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

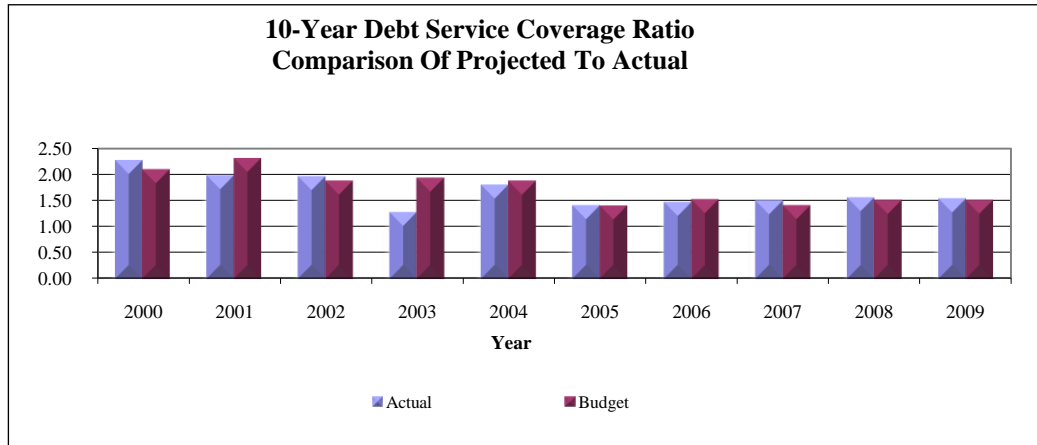
Outstanding debt will equal 101.2 million at June 30, 2010. The amount outstanding for each issue is follows: Series 2001 - \$17.6 million, Series 2003 refunding issue - \$6.7 million, Series 2004A and 2004B - \$36.7 million, Series 2005 refunding bonds - \$18.6 million, and Series 2006 - \$21.1 million. Principal and interest payments will be \$9.7 million in FY 2011. The graph of debt service payments below reflects annual debt service for these outstanding issues.



Debt and Debt Policy (continued)

The ratio of debt coverage to net income is an important measurement 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. The OWASA Board of Directors has set a goal of 2.0.

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. No new debt will be issued in FY 2011.



**Planned
Operation and
Maintenance
Expenditures
Summary**

The chart below shows the planned operations and maintenance expenditures for FY 2011. The graph illustrates the relative proportions of the total costs by each category of expense.

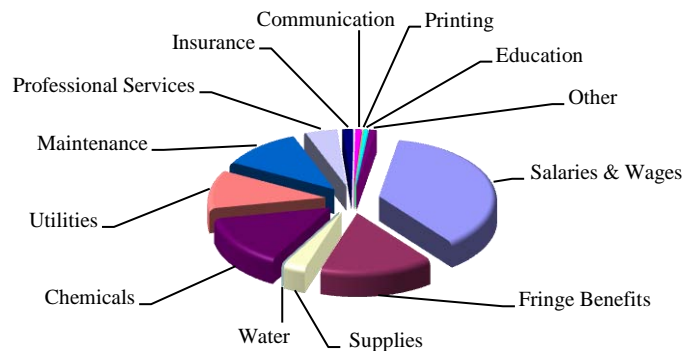
**Orange Water and Sewer Authority
Expenditure by Division/by Category
Fiscal Year 2011**

| | General and Administrative | Operating Departments | Total FY 2011 Budget |
|---|---------------------------------------|----------------------------------|---------------------------------|
| Salaries & Wages | \$2,895,056 | \$4,014,779 | \$6,909,835 |
| Fringe Benefits | 1,131,257 | 1,808,681 | 2,939,937 |
| Materials & Supplies | 60,081 | 524,016 | 584,097 |
| Water Purchases | 0 | 0 | \$0 |
| Chemicals | 0 | 2,617,444 | 2,617,444 |
| Utilities | 191,200 | 1,825,517 | 2,016,717 |
| Maintenance | 224,190 | 1,936,694 | 2,160,884 |
| Professional Services | 757,300 | 102,924 | 860,224 |
| Insurance | 43,483 | 238,472 | 281,954 |
| Communication | 160,150 | 13,640 | 173,790 |
| Printing & Reproduction | 8,825 | 1,800 | 10,625 |
| Education and Development | 56,250 | 59,185 | 115,435 |
| Other | <u>133,992</u> | <u>50,823</u> | <u>184,815</u> |
| Total | <u>\$5,661,783</u> | <u>\$13,193,975</u> | <u>\$18,855,758</u> |
| Construction Credits | (116,852) | (144,270) | (261,122) |
| Total After Construction Credits | <u>\$5,544,931</u> | <u>\$13,049,705</u> | <u>\$18,594,636</u> |

(Rounded to Nearest \$1,000)

- Salaries & Wages \$6,910
- Fringe Benefits \$2,940
- Materials & Supplies \$584
- Water Purchases \$0
- Chemicals \$2,617
- Utilities \$2,017
- Maintenance \$2,161
- Professional Services \$860
- Insurance \$282
- Communication \$174
- Printing & Reproduction \$11
- Education and Devel. \$115
- Other \$185

**Operation & Maintenance
Expenditures**



Total: \$18,855,758 (Before Construction Credits)

Capital Equipment Summary

Each year OWASA replaces capital equipment items that have exceeded their useful lives and purchases other new equipment that is added to meet increased operational needs. One new item will be purchased in FY 2011.

Capital Equipment Summary

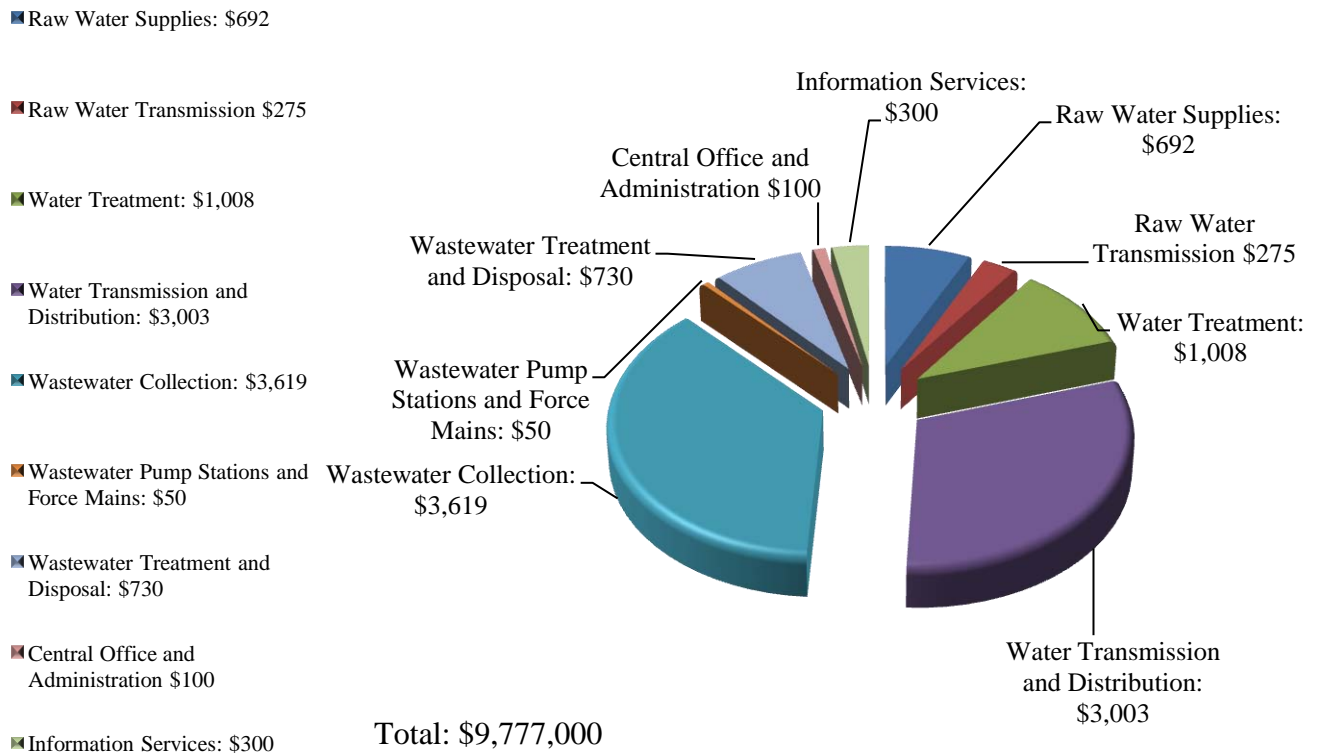
- 1 2007 39' aluminum frameless tandem axle dump trailer \$36,900

Capital Improvements Program Summary

Capital improvements are necessary to renew aging infrastructure and to provide safe, reliable, high quality water, wastewater and reclaimed water services required to meet the needs of OWASA's current and future customers. 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.

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). Only the first year of the CIB is included in each fiscal year's budget ordinance. For FY 2011, capital improvement projects total \$9.8 million, as shown below.

Capital Improvements Budget
(thousands)



**Strategic
Issues and
Policies**

Actively responding to the financial challenges presented by significant and permanent reductions in customer demand and customer growth is the single most critical issue to be addressed in the preparation of the Fiscal Year 2011 annual budget.

For at least the next several years, OWASA is expected to sell less water annually than it sold in FY 2009. In the face of this continued demand reduction and reduced customer growth, related revenue implications, and increasing operational costs, OWASA must develop operating and capital improvements budgets that continue to ensure high quality and reliable services to our customers while holding rate increases to acceptable levels.

Specific challenges include:

1. Drinking water sales in FY 2010 are expected to be reduced by 0.44 MGD due to the University's use of reclaimed water (RCW) to meet certain non-potable needs on the campus. This offset is expected to increase over the next several years.
2. New construction and system growth are expected to remain well below historical levels; further contributing to revenue shortfall concerns.
3. The existing seasonal and increasing block rate fee structures will remain in place for FY 2011. We have seen an average decline in demand of about four percent since the inception of the block rate structure and an overall total demand reduction of 13% since the seasonal structure was put into place.
4. The draft CIP for FY 2011 is lean but adequate to meet the needs of OWASA's customers today and in the future.
5. Although general inflation remains low, prices for specific products vital to the treatment of water and wastewater have proven to be extremely volatile. Chemical costs increased dramatically in recent years and while prices have eased somewhat recently, the market shows signs that prices could rise again. Energy price volatility is also a major concern, and further increases could substantially impact our financial performance.
6. OWASA is required to record its annual expected post-employment benefit costs. Costs associated with meeting this mandate range from about \$600,000 to \$900,000, depending on actual annual contributions and interest rates earned.
7. The required contribution to the Local Government Employees Retirement System has increased from 4.89% to 6.35% for FY 2011 and further increases are expected in future years.

The financial management objectives set forth in OWASA's *Financial Management Policy* helps keep the organization's focus on mission-critical services; greater operational efficiency; accurate and sustainable asset

management and capital improvement priorities; and opportunities for further permanent reductions in operating expenditures. We must accomplish this while balancing service levels with operating risks associated with different levels of service.

Conclusion During the last ten years, we experienced two droughts of record, substantial reductions in customer demand and an economic downturn that has resulted in significantly lower system growth than previously experienced. In response, operations and maintenance, as well as capital spending will remain lean over the next several years. We believe the proposed FY 2011 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



Stephen Winters
Director of Finance and Customer Service

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, and operate the water and sewer system at the lowest rates consistent with our obligation to provide proper and efficient services, now and in the future. We remain 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

Randolph (Randy) M. Kabrick, P.E.
207 Woodleaf Drive
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/10

VICE CHAIR

Gordon Merklein
504 Highgrove Drive
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires 6/30/10

SECRETARY

Braxton Foushee, Secretary
100 Williams Street
Carrboro, NC 27510
Appointed by Carrboro; Term Expires 6/30/11

Fred Battle
1105 Brenda Court
Chapel Hill, N.C. 27516
Appointed by Orange County; Term Expires 6/30/12

Michael A. Clarke
Carol Woods Retirement Community
750 Weaver Dairy Road #1202
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/11

Joyce C. Preslar
9417 Bethel-Hickory Grove Church Road
Chapel Hill, NC 27516
Appointed by Orange County; Term Expires 6/30/11

Alan Rimer, P.E.
519 Hooper Lane
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/10

William R. Stott, III
105 Oleander Road
Carrboro, NC 27510
Appointed by Carrboro; Term Expires 6/30/12

Amy Witsil
115 Woodshire Lane
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/12

ORANGE WATER AND SEWER AUTHORITY
OWASA MANAGEMENT TEAM

Jan Bryant-Berry, C.L.G.P.O., Procurement Manager
Stuart Carson, P.E., Engineering Manager (Project Management)
Mason Crum, P.E., Director of Engineering and Planning
Patrick K. Davis, Sustainability Manager
Damon Forney, Wastewater Treatment and Biosolids Manager
Stephanie Glasgow, Interim Director of Human Resources
Thurman Green, Distribution and Collections Systems Manager
John Greene, P.E., General Manager of Operations
Ed Holland, A.I.C.P., Director of Planning and Development
Ed Kerwin, Executive Director
Heidi Lamay, Finance Manager
Kenneth Loflin, Water Supply and Treatment Manager
Andrea Orbich, Clerk to the Board/Executive Assistant
Dan Przybyl, Director of Information Technology
Kevin M. Ray, Finance Manager
Jane Showerman, Customer Service Manager
Todd Spencer, P.E., Engineering Manager (System Development)
Stephen Winters, CPA, Director of Finance and Customer Service

GENERAL COUNSEL

Robert Epting, Esquire
Epting and Hackney, Attorneys at Law

Budget Preparation and Calendar for FY 2011

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 *Financial Management Policy*. All major milestones are published in 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*. The primary differences between application of the full accrual basis and the use of the modified accrual basis for budgeting are 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 line-item budget requests for continuation of current operations and includes 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 rate changes directed by the Board. The following is the budget calendar followed for preparation of this budget.

FY 2011 Draft Budget Calendar

- July 23, 2009 **Finance Committee** – discussion of upcoming annual independent audit for FY 2009, draft final report on the independent review of OWASA’s accounting and financial reporting systems, and quarterly financial report for the quarter ended June 30, 2009.
- August 27, 2009 **Finance Committee** – consideration of a draft resolution concerning Phase III odor control at the Mason Farm Wastewater Treatment Plant, discussion of the effectiveness of the FY 2010 budget preparation process, and development of future Committee work.
- September 15, 2009 **Finance Committee** – discussion of staff response to consultant findings regarding the review of OWASA’s accounting and financial reporting systems.
- October 22, 2009 **Finance Committee** – review of the 1st quarter financial report and discussion of revised demand forecasts and their impact on O&M and CIP expenditures.
- December 4, 2009 Distribution to the departments of spreadsheets for the preparation of operating and maintenance appropriations, Capital Equipment Request Forms and Departmental Budget Narratives.
- December 10, 2009 **Board of Directors Meeting** – presentation of draft *Strategic Issues and Policies and Financial Planning Assumptions and Background Information Document*, and presentation of draft *Budget Calendar for FY 2011*.

| | |
|--------------------------------|---|
| December 18, 2009 | Departments submit Capital Equipment Request Forms, Budget Narratives and Departmental Operations and Maintenance Budget Requests to Budget Officer. |
| January 4 – 15, 2010 | Departmental budget request and cost containment review with the Executive Director, Director of Finance and Customer Service and Budget Officer. |
| January 14, 2010 | Finance Committee – review 2 nd quarter financial report and discussion of strategic issues, planning assumptions and budget process calendar. |
| January 28, 2010 | Board of Directors Meeting – presentation of 2 nd quarter financial report and report by Finance Committee on refinement of strategic issues, planning assumptions and budget process calendar. |
| February 25, 2010 | Finance Committee – presentation of 1 st Draft operating and capital improvements budgets. |
| February 25, 2010 | Board of Directors Meeting – presentation by Finance Committee Chair on the FY 2011 budget process. |
| March 25 , 2010 | Finance Committee – discussion of staff recommendation for rate adjustments. |
| April 6, 2010 | Finance Committee – continued discussion of staff recommendation for rate adjustments. |
| April 8, 2010 | Board of Directors Meeting –update from Finance Committee regarding budget preparation, planned CIP expenditures, rate adjustments and other budget related matters. |
| April 16, 2010 | Delivery of the <i>Draft Preliminary Annual Budget</i> to the Board of Directors. |
| April 22, 2010 | Board of Directors Meeting – adoption of the Preliminary Annual Budget. |
| May 7, 2010 | Delivery of the <i>First Draft Annual Budget</i> and <i>Draft Schedule of Rates, Fees and Charges</i> to the Board of Directors. |
| May 13, 2010 | Board of Directors Meeting – presentation of the <i>First Draft Annual Budget</i> and <i>Draft Schedule of Rates, Fees and Charges</i> . |
| May 21, 2010 | If necessary, delivery of the updated <i>Draft Annual Budget</i> to the Board of Directors. |
| May 27, 2010 | Board of Directors Meeting – Public Hearing on the <i>Draft Annual Budget</i> , the <i>Capital Improvements Budget</i> and Public Hearing on the proposed adjustments to rates, fees, and charges. |
| June 4, 2010 | Delivery of <i>Annual Budget</i> to the Board of Directors. |
| June 10, 2010 | Board of Directors Meeting – adoption of <i>FY 2011 Annual Budget</i> and adoption of <i>Schedule of Rates, Fees and Other Charges</i> . |
| June 30, 2010 (On or About) | Distribution of <i>FY 2011 Annual Budget</i> . |

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

**FY 2011
Annual Budget**

Operating Revenue

| | |
|-------------------------|------------------|
| Water | \$16,915,376 |
| Sewer | 15,842,236 |
| Reclaimed Water | 365,697 |
| Service Initiation Fee | 143,183 |
| Other | 1,274,000 |
| Refunds and Adjustments | <u>(131,039)</u> |

Total Operating Revenue **34,409,453**

Operating Expense

| | |
|----------------------------|-------------------|
| General and Administrative | 5,544,931 |
| Operations | <u>13,049,706</u> |

Total Operating Expense **18,594,637**

Net Operating Income **15,814,816**

Non-operating Revenue

| | |
|---------------|---------------|
| Customer Fees | 723,179 |
| Interest | <u>45,294</u> |

Total Net Income **16,583,289**

Debt Service

| | |
|----------|-----------|
| Existing | 9,680,213 |
| New | <u>0</u> |

Total Debt Service **9,680,213**

Net Income Less Debt Service **\$6,903,076**

Debt Coverage Ratio **1.71**

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

**FY 2011
Annual Budget**

General Fund

Resources

Transfer From Revenue \$6,903,076

Annual Income Available for Capital 6,903,076

Transfer from Construction Fund (Bond Proceeds) 0

Total Available for Capital 6,903,076

Capital Expenditures

Project ordinances

General Fund Contribution 9,777,000
Funded by Bond Proceeds 0

Total Project Resolutions 9,777,000

Capital Equipment 36,900

Total Capital Outlay 9,813,900

Annual General Fund Balance (2,910,824)

General Fund Beginning Balance 12,151,896

General Fund Ending Balance \$9,241,072

Project Funding 1,741,523

Reserves

Rate Stabilization 500,000
CIP 800,000
Operating Balance 6,199,549

\$9,241,072

Unallocated General Fund Balance \$0

CONSOLIDATED SUMMARY - INTRAGOVERNMENTAL SERVICE FUNDS

| | Beginning Balance | Revenues | Expenditures | Ending Balance | \$ Change in Balance |
|-------------------|----------------------|----------------------|------------------------|----------------------|-------------------------|
| Revenue Fund | \$20,000 | \$35,177,926 | (\$35,177,926) | \$20,000 | \$0 |
| Bond Service Fund | 7,104,156 | 9,680,213 | (9,680,213) | 7,104,156 | (\$0) |
| General Fund | 12,151,896 | 6,916,370 | (9,827,194) | 9,241,072 | (\$2,910,824) |
| Construction Fund | 0 | 0 | 0 | 0 | \$0 |
| Total | <u>\$ 19,276,052</u> | <u>\$ 51,774,509</u> | <u>\$ (54,685,333)</u> | <u>\$125,735,894</u> | <u>\$ (2,910,824)</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, and is expected to increase by \$32,000 due to interest earnings during the year.

Establishment of the General Fund is required by statute and is administered by OWASA. 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 balance of the General Fund is projected to decrease by about \$2,911,000 as capital projects carried forward from FY 2010 are completed in FY 2011.

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. No bond proceeds are expected to be available in FY 2011.

REVENUE FUND

| | Water | Sewer | Total |
|------------------------------------|--------------------|--------------------|--------------------|
| Fund Balance July 1, 2010 | | | \$20,000 |
| Receipts | | | |
| Operating Revenue | | | |
| Customer Billings | 16,915,376 | 15,842,236 | 32,757,612 |
| Reclaimed Water | 365,697 | 0 | 365,697 |
| Service Initiation Fee | 71,592 | 71,592 | 143,183 |
| Other | 637,000 | 637,000 | 1,274,000 |
| Refunds and Adjustments | <u>(65,520)</u> | <u>(65,520)</u> | <u>(131,039)</u> |
| Total Operating Revenue | 17,924,145 | 16,485,308 | 34,409,453 |
| Non-operating Revenue | | | |
| Customer Fees | 361,590 | 361,590 | 723,179 |
| Interest Income | <u>22,647</u> | <u>22,647</u> | <u>45,294</u> |
| Total Non-operating Revenue | 384,237 | 384,237 | 768,473 |
| Total Receipts | 17,946,792 | 16,507,955 | 35,177,926 |
| Expenditures | | | |
| Current Expense | (9,669,211) | (8,925,426) | (18,594,637) |
| Debt Service | <u>(8,518,587)</u> | <u>(1,161,626)</u> | <u>(9,680,213)</u> |
| Total Expenditures | (18,187,798) | (10,087,051) | (28,274,850) |
| Net Revenue | | | 6,903,076 |
| To General Fund | | | (6,903,076) |
| Fund Balance June 30, 2011 | | | <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, 2010 | | \$7,104,156 |
| Receipts | | |
| Transfers from Revenue Fund | 9,648,213 | |
| Interest | <u>32,000</u> | |
| Total Receipts | | 9,680,213 |
| Expenditures | | |
| Debt Service | 9,680,213 | |
| Total Expenditures | | <u>(9,680,213)</u> |
| Fund Balance June 30, 2011 | | <u>\$7,104,156</u> |
| Change in Available Balance | | (\$0) |

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 \$32,000 due to interest earnings during the year.

| | | |
|---|------------------|--------------------|
| Fund Balance July 1, 2010 | | \$12,151,896 |
| Receipts | | |
| Transfer From Revenue fund | 6,903,076 | |
| Transfer From Construction Fund (Bond Proceeds) | 0 | |
| Interest | 13,294 | |
| Assessments | 0 | |
| Grants and contributions | <u>0</u> | |
| Total Receipts | | <u>6,916,370</u> |
| Total Balance Before Expenditures | | 19,068,266 |
| Expenditures | | |
| Capital Equipment/Leases | \$36,900 | |
| Project Resolutions | 9,777,000 | |
| Transfer to Revenue Fund | <u>13,294</u> | |
| Total Expenditures | | <u>(9,827,194)</u> |
| Fund Balance June 30, 2011 | | <u>\$9,241,072</u> |
| Allocation of Fund Balance June 30, 2011 | | |
| Project Funding | 1,741,523 | |
| Capital Reserves | <u>7,499,549</u> | |
| Total Allocation | | <u>\$9,241,072</u> |
| Unallocated General Fund Balance June 30, 2011 | | <u>\$0</u> |
| Change in Available Balance | | (\$2,910,824) |

Establishment of the General Fund is required by statute and is administered by OWASA. 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 balance of the General Fund is projected to decrease by about \$2,911,000 as capital projects carried forward from FY 2010 are completed in FY 2011.

FUNDS FLOW STATEMENT

1. Revenue Fund

| | | |
|-------------------|---------------|------------|
| Operating Revenue | \$ 34,409,453 | |
| Customer Fees | 723,179 | |
| Interest Income | <u>45,294</u> | |
| Total Revenues | | 35,177,926 |

| | | |
|--|--------------------|---------------------|
| Operating and Maintenance Expense | (18,594,637) | |
| 2. Bond Service Fund (transfers to) | <u>(9,680,213)</u> | |
| Total Expenditures | | <u>(28,274,850)</u> |

| | | |
|--|--|-----------|
| Excess operating revenue (to be transferred to the General Fund) | | 6,903,076 |
|--|--|-----------|

3. General Fund

| | | |
|---|------------|------------|
| Beginning Balance 07/01/10 | 12,151,896 | |
| Transfer from Revenue Fund | 6,903,076 | |
| Assessments | 0 | |
| Grants and Contributions | <u>0</u> | |
| Total General Fund Balance (available for allocation) | | 19,054,972 |

4. Construction Fund - Bond Proceeds 0

| | | |
|--------------------------------------|--|------------|
| Total General Fund and Bond Proceeds | | 19,054,972 |
|--------------------------------------|--|------------|

| | | |
|---------------------------------|---------------|-----------|
| Project Resolutions | 9,777,000 | |
| Capital Equipment and Leases | <u>36,900</u> | |
| Total General Fund Expenditures | | 9,813,900 |

| | | |
|--------------------------------------|--|---------------------|
| General Fund Ending Balance 06/30/11 | | <u>\$ 9,241,072</u> |
|--------------------------------------|--|---------------------|

| | | |
|---------------------|------------------|--|
| Project Resolutions | 1,741,523 | |
| Reserves | <u>7,499,549</u> | |

| | | |
|--|--|---------------------|
| Total Allocation of General Fund Balance | | <u>\$ 9,241,072</u> |
|--|--|---------------------|

**EXPENDITURE BY CATEGORY
FISCAL 2011**

| Category | FY 09 Actual | FY10 Forecast | FY10 Budget | FY10 Forecast to FY10 Budget Variance | | FY11 Budget | FY11 Budget to FY10 Forecast Variance Increase (Decrease) |
|---------------------------|---------------------|---------------------|---------------------|--|---------------------|--------------|--|
| | | | | Fav (Unfav) | FY11 Budget | (Decrease) | |
| Salaries & Wages | \$6,855,120 | \$6,468,642 | \$6,684,045 | \$215,403 | \$6,909,835 | 6.8% | |
| Fringe Benefits | \$2,633,982 | 2,520,874 | 2,548,038 | 27,164 | 2,939,937 | 16.6% | |
| Materials & Supplies | \$528,284 | 599,833 | 628,230 | 28,397 | 584,097 | -2.6% | |
| Water Purchases | \$0 | \$0 | \$0 | \$0 | \$0 | 0.0% | |
| Chemicals | \$2,069,445 | 1,857,989 | 3,310,032 | 1,452,043 | 2,617,444 | 40.9% | |
| Utilities | \$1,823,537 | 1,940,867 | 1,924,225 | (16,642) | 2,016,717 | 3.9% | |
| Maintenance | \$2,141,929 | 2,183,185 | 2,053,219 | (129,966) | 2,160,884 | -1.0% | |
| Professional Services | \$834,546 | 734,958 | 615,950 | (119,008) | 860,224 | 17.0% | |
| Insurance | \$216,752 | 260,719 | 214,113 | (46,606) | 281,954 | 8.1% | |
| Communication | \$160,035 | 166,384 | 188,830 | 22,446 | 173,790 | 4.5% | |
| Printing & Reproduction | \$12,828 | 11,067 | 13,025 | 1,958 | 10,625 | -4.0% | |
| Education and Development | \$76,029 | 99,825 | 118,671 | 18,846 | 115,435 | 15.6% | |
| Other | 134,655 | 204,969 | 234,926 | 29,957 | 184,815 | -9.8% | |
| Total | 17,487,142 | 17,049,312 | 18,533,304 | 1,483,992 | 18,855,758 | 10.6% | |
| Construction Credit | (324,927) | (220,666) | (398,762) | (178,096) | (261,122) | 18.3% | |
| Net Expense | \$17,162,215 | \$16,828,646 | \$18,134,542 | \$1,305,895 | \$18,594,636 | 10.5% | |

**Expenditure by Division
Fiscal Year 2011**

| | General and Administrative | Operating Departments | Total FY 2011 Budget |
|---|-------------------------------|----------------------------|----------------------------|
| Salaries & Wages | \$2,895,056 | \$4,014,779 | 6,909,835 |
| Fringe Benefits | 1,131,257 | 1,808,681 | 2,939,937 |
| Materials & Supplies | 60,081 | 524,016 | 584,097 |
| Water Purchases | 0 | 0 | 0 |
| Chemicals | 0 | 2,617,444 | 2,617,444 |
| Utilities | 191,200 | 1,825,517 | 2,016,717 |
| Maintenance | 224,190 | 1,936,694 | 2,160,884 |
| Professional Services | 757,300 | 102,924 | 860,224 |
| Insurance | 43,483 | 238,472 | 281,954 |
| Communication | 160,150 | 13,640 | 173,790 |
| Printing & Reproduction | 8,825 | 1,800 | 10,625 |
| Education and Development | 56,250 | 59,185 | 115,435 |
| Other | <u>133,992</u> | <u>50,823</u> | <u>184,815</u> |
| Total | <u>5,661,783</u> | <u>13,193,975</u> | <u>18,855,758</u> |
| Construction Credits | (116,852) | (144,270) | (261,122) |
| Total After Construction Credits | <u>\$5,544,931</u> | <u>\$13,049,705</u> | <u>\$18,594,636</u> |

**GENERAL AND ADMINISTRATIVE
FISCAL YEAR 2011**

| Category | FY 09 Actual | FY10 Forecast | FY10 Budget | FY10 Forecast to FY10 Budget Variance Fav (Unfav) | FY11 Budget | FY11 Budget to FY10 Forecast Variance Increase (Decrease) |
|-------------------------------|-------------------------|--------------------------|--------------------|--|--------------------|--|
| Executive Director | | | | | | |
| Personnel Costs | \$780,182 | \$759,380 | \$717,684 | (\$41,696) | \$835,078 | 10.0% |
| Operating Expenditures | 368,973 | 359,986 | 391,825 | 31,839 | 386,043 | 7.2% |
| Total Expenditures | 1,149,155 | 1,119,366 | 1,109,509 | (9,857) | 1,221,120 | 9.1% |
| Customer Service | | | | | | |
| Personnel Costs | 389,665 | 383,910 | 370,054 | (13,856) | 409,467 | 6.7% |
| Operating Expenditures | 207,522 | 238,077 | 243,005 | 4,928 | 211,855 | -11.0% |
| Total Expenditures | 597,187 | 621,987 | 613,059 | (8,928) | 621,322 | -0.1% |
| Engineering | | | | | | |
| Personnel Costs | 1,233,491 | 1,067,365 | 1,138,713 | 71,348 | 1,180,436 | 10.6% |
| Operating Expenditures | 168,794 | 89,345 | 72,180 | (17,165) | 95,270 | 6.6% |
| Total Expenditures | 1,402,285 | 1,156,710 | 1,210,893 | 54,183 | 1,275,706 | 10.3% |
| Human Resources | | | | | | |
| Personnel Costs | 477,837 | 388,327 | 410,314 | 21,987 | 424,389 | 9.3% |
| Operating Expenditures | 48,396 | 67,236 | 99,368 | 32,132 | 62,118 | -7.6% |
| Total Expenditures | 526,233 | 455,563 | 509,682 | 54,119 | 486,507 | 6.8% |
| Finance | | | | | | |
| Personnel Costs | 617,177 | 704,091 | 592,066 | (112,025) | 799,160 | 13.5% |
| Operating Expenditures | 244,946 | 334,805 | 215,745 | (119,060) | 418,995 | 25.1% |
| Total Expenditures | 862,123 | 1,038,896 | 807,811 | (231,085) | 1,218,155 | 17.3% |
| Information Technology | | | | | | |
| Personnel Costs | 325,467 | 341,178 | 317,086 | (24,092) | 377,782 | 10.7% |
| Operating Expenditures | 427,080 | 403,267 | 422,090 | 18,823 | 461,190 | 14.4% |
| Total Expenditures | 752,547 | 744,445 | 739,176 | (5,269) | 838,972 | 12.7% |
| Total G&A | | | | | | |
| | 5,289,529 | 5,136,967 | 4,990,129 | (146,838) | 5,661,783 | 10.2% |
| Construction Credit | (\$134,284) | (19,930) | (173,068) | (153,138) | (116,852) | 486.3% |
| Net Expense | \$5,155,245 | \$5,117,037 | \$4,817,061 | (\$299,976) | \$5,544,931 | 8.4% |

**OPERATING DEPARTMENTS
FISCAL YEAR 2011**

| | FY 09 Actual | FY10 Forecast | FY10 Budget | FY10 Forecast to FY10 Budget Variance Fav (Unfav) | FY11 Budget | FY11 Budget to FY10 Forecast Variance Fav (Unfav) |
|-------------------------------------|-------------------------|--------------------------|---------------------|--|---------------------|--|
| Water Supply & Treatment | | | | | | |
| Personnel Costs | \$1,609,600 | \$1,598,203 | \$1,601,547 | \$3,344 | \$1,705,131 | 6.7% |
| Operating Expenditures | 2,611,974 | 2,272,617 | 2,814,163 | 541,546 | 2,627,027 | 15.6% |
| Total Expenditures | 4,221,574 | 3,870,820 | 4,415,710 | 544,890 | 4,332,157 | 11.9% |
| Water Distribution | | | | | | |
| Personnel Costs | \$1,583,796 | 1,558,691 | 1,613,052 | 54,361 | 1,784,477 | 14.5% |
| Operating Expenditures | 716,392 | 782,289 | 803,205 | 20,916 | 801,270 | 2.4% |
| Total Expenditures | 2,300,188 | 2,340,980 | 2,416,257 | 75,277 | 2,585,747 | 10.5% |
| Wastewater Treatment | | | | | | |
| Personnel Costs | \$1,783,871 | 1,531,047 | 1,748,935 | 217,888 | 1,686,334 | 10.1% |
| Operating Expenditures | 2,813,098 | 2,978,916 | 3,693,858 | 714,942 | 3,304,303 | 10.9% |
| Total Expenditures | 4,596,969 | 4,509,963 | 5,442,793 | 932,830 | 4,990,637 | 10.7% |
| Sewer Collection | | | | | | |
| Personnel Costs | \$688,017 | 657,324 | 722,633 | 65,309 | 647,518 | -1.5% |
| Operating Expenditures | 390,865 | 533,258 | 545,782 | 12,524 | 637,916 | 19.6% |
| Total Expenditures | 1,078,882 | 1,190,582 | 1,268,415 | 77,833 | 1,285,433 | 8.0% |
| Total Operating Departments | | | | | | |
| | 12,197,613 | 11,912,345 | 13,543,175 | 1,630,830 | 13,193,975 | 10.8% |
| Construction Credit | (190,643) | (200,736) | (182,556) | 18,179 | (144,270) | -28.1% |
| Net Expense | \$12,006,970 | \$11,711,609 | \$13,360,618 | \$1,649,009 | \$13,049,705 | 11.4% |

DEBT SERVICE FOR FISCAL YEARS 2011-2031
Schedule of Existing Long Term Bond Debt Service:

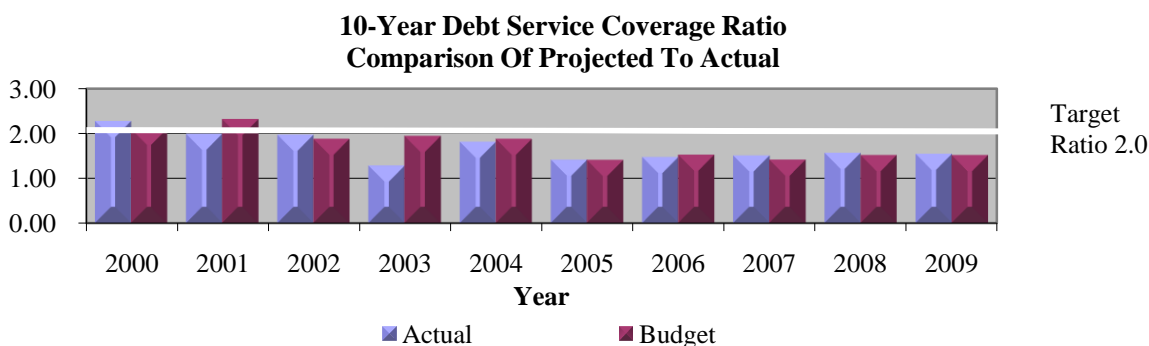
| | Issue Dates | Interest Rates (Coupon) | Outstanding at 06/30/10 |
|-------------------------------------|--------------------|------------------------------------|------------------------------------|
| Series 2001 Revenue Bonds | 10/1/2001 | 3.5% to 5.0% | \$17,795,000 |
| Series 2003 Revenue Refunding Bonds | 4/9/2003 | 2.5% to 5.0% | 6,700,000 |
| Series 2004A Revenue Bonds | 6/17/2004 | 3.0% to 5.25% | 16,880,000 |
| Series 2004B Revenue Bonds | 6/17/2004 | Variable | 20,000,000 |
| Series 2005 Revenue Refunding Bonds | 6/9/2005 | 3.5% to 5.0% | 18,675,000 |
| Series 2006 Revenue Bonds | 10/26/2006 | 3.5% to 4.5% | <u>21,155,000</u> |
| Total Bonded Debt | | | <u>\$101,205,000</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 |
|-----------------------------------|----------------------------------|--|---|
| 2011 | \$9,680,213 | \$0 | \$9,680,213 |
| 2012 | 9,503,138 | 0 | 9,503,138 |
| 2013 | 9,063,075 | 0 | 9,063,075 |
| 2014 | 8,581,300 | 0 | 8,581,300 |
| 2015 | 8,584,850 | 846,838 | 9,431,688 |
| 2016 | 8,890,225 | 846,838 | 9,737,063 |
| 2017 | 7,548,462 | 1,594,694 | 9,143,156 |
| 2018 | 7,549,375 | 1,594,694 | 9,144,069 |
| 2019 | 7,558,625 | 2,425,711 | 9,984,336 |
| 2020 | 6,379,169 | 2,425,711 | 8,804,880 |
| 2021 | 6,371,175 | 2,931,580 | 9,302,755 |
| 2022 | 6,374,019 | 2,931,580 | 9,305,599 |
| 2023 | 6,375,844 | 2,931,580 | 9,307,424 |
| 2024 | 6,388,919 | 2,931,580 | 9,320,499 |
| 2025 | 6,396,944 | 2,931,580 | 9,328,524 |
| 2026 | 6,408,944 | 2,931,580 | 9,340,524 |
| 2027 | 4,275,425 | 2,931,580 | 7,207,005 |
| 2028 | 4,283,525 | 2,931,580 | 7,215,105 |
| 2029 | 4,290,300 | 2,931,580 | 7,221,880 |
| 2030 | 1,565,500 | 2,931,580 | 4,497,080 |
| 2031* | <u>1,564,500</u> | <u>2,931,580</u> | <u>4,496,080</u> |
| Total | <u>\$137,633,527</u> | <u>\$41,981,866</u> | <u>\$179,615,393</u> |

* Year in which final payment on existing debt will be made.

The Debt Service Coverage Ratio (net revenue divided by annual debt service payments) is a useful indicator of the sufficiency of OWASA’s rate setting and attending revenues to adequately repay debt and fund the cost of operation. OWASA’s Bond order sets the minimum required ratio at 1.2. The Board of Directors adopted a goal of 2.0 by 2012.



Capital Improvements Budget

Capital expenditures are defined as those that pay for the addition, rehabilitation and replacement of water and sewer system infrastructure and other depreciable assets. Upon completion of an annual review and update of the 15-year Capital Improvement Program and the 5-year Capital Improvement Budget, the following projects have been identified for funding in FY 2011. Detailed descriptions of these capital projects are included in OWASA's Capital Improvements Program that is published annually.

The draft FY 2011-2015 CIP Budget totals remain frugal and closely aligned with the totals included in last year’s financial plan for these same years. One difference from last year’s budget is an increase in FY 2011 to reflect those FY 2010 dollars that will not be expended and therefore carried over. We also show a significant decrease in FY 2015 based on the results of a Wastewater Treatment Plant (WWTP) Hydraulic Capacity and Treatment Study. The study indicates that we will not require, for the foreseeable future, the additional deep-bed de-nitrification filters that were identified in last year’s budget. The draft 2011-2015 budget also includes funding for improvements to the biological treatment aeration system, to the biological phosphorus removal process and to the anaerobic digestion process at the WWTP. These new requirements were identified during the WWTP Hydraulic Capacity and Treatment Study and were not included in last year’s budget.

The total 15-year Capital Improvements Program (CIP) planning budget for FY 2011 – FY 2025 is approximately \$62M less than projected last year for the same 15-year period. This reduction is due primarily to the deferral of the next major upgrade project at the WWTP. Last year’s CIP included an investment of approximately \$60M to upgrade the WWTP’s capacity to 18.5 MGD in FY 2019-2022. The WWTP Hydraulic Capacity and Treatment Study revealed that this upgrade can be deferred to FY 2030 or beyond.

The 15-year CIP plan includes the replacing or rehabilitating no less than 3 miles of water mains and 2.2 miles of sewer mains annually. The plan also includes provisions for investing in key facilities (Water Treatment Plant, the Wastewater Treatment Plant, Pump Stations and Administrative Facilities) at an annual “recapitalization” rate of 2% of the replacement value for these facilities.

The Draft 15-year CIP includes no funding for any Jordan Lake water supply capacity projects that may be required as part of our ongoing involvement in the Jordan Lake Partnership. It also includes no funding for any additional biosolids management facilities, and assumes that the regulatory environment for water treatment, wastewater treatment and biosolids recycling will remain substantially as it is today.

FY 2011 CAPITAL PROJECTS

| <u>Cat</u> | <u>Proj. No.</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 |
| | 09 | Stone Quarry Reservoir Development | \$15,000 |
| | 11 | University Lake Pump Station Improvements | \$140,000 |
| | 21 | Cane Creek Reservoir Dam Repairs | \$525,000 |
| 271 | | <u>Raw Water Transmission</u> | |
| | 07 | University Lake & Cane Creek Raw Water Meters | \$275,000 |
| 272 | | <u>Water Treatment Facilities</u> | |
| | 05 | Water Treatment Plant Controls Improvements | \$152,000 |
| | 10 | Water Treatment Plant Recapitalization/Rehabilitation Projects | \$479,000 |
| | 14 | Water Facility Security Improvements | \$290,000 |
| | 15 | Water Treatment Plant Secondary Containment | \$87,000 |
| 275 | | <u>Water Transmission and Distribution</u> | |
| | 15 | Water Main - Road Improvement Projects | \$557,000 |
| | 20 | Water Line Rehabilitation/Replacement Projects | \$2,119,000 |
| | 25 | Water Main Reinforcement Projects | \$50,000 |
| | 53 | Water Distribution System Hydraulic Model | \$127,000 |
| 276 | | <u>Wastewater Collection</u> | |
| | 01 | Bolin Creek Interceptor | \$2,344,000 |
| | 18 | Service Area Sewer Line Rehabilitation/Replacement Projects | \$988,000 |
| | 42 | Willow Drive/Estes Drive & US 15-501/Culbreth Road Aerial Replacements | \$180,000 |
| | 43 | Sanitary Sewer Service Area Study | \$257,000 |
| 277 | | <u>Wastewater Pump Stations and Force Mains</u> | |
| | 01 | Pump Station Rehabilitation/Recapitalization Projects | \$50,000 |
| 278 | | <u>Wastewater Treatment and Disposal</u> | |
| | 11 | Mason Farm WWTP Rehabilitation/Recapitalization Projects | \$50,000 |
| | 19 | Mason Farm WWTP Hydraulic and Treatment Capacity Study | \$20,000 |
| | 38 | Mason Farm WWTP Digester Heat Exchangers | \$500,000 |
| | 39 | Mason Farm WWTP Phosphorus Removal | \$110,000 |
| | 42 | Mason Farm WWTP Safety Enhancements | \$50,000 |
| 279 | | <u>Central Office and Administration</u> | |
| | | Administration Building Rehabilitation/Recapitalization | \$50,000 |
| | | Operations Center Rehabilitation/Recapitalization | \$50,000 |
| 280 | | <u>Information Services</u> | |
| | 01 | Information Services | \$300,000 |
| | | Total | <u>\$9,777,000</u> |

FY 2011 CAPITAL EQUIPMENT LISTING, CONSOLIDATED

| <u>Category. *</u> | <u>(Qty) Department Titles and Item Descriptions</u> | <u>Amount</u> |
|--------------------|--|-----------------|
| | Water Supply and Treatment | |
| A | 2007 39-foot Aluminum Frameless Tandem Axle Dump Trailer | <u>\$36,900</u> |

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

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 131% of labor costs, is credited to the General and Administrative operating budget to offset other operating costs associated with the capital projects. 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 \$6,238,000 for water and sewer main rehabilitation and replacement projects are reflected in the Capital Improvements Budget. Of this amount, \$5,744,800 is expected to be completed by contractors and \$493,200 to be completed by OWASA's construction crews. Below is a list with cost component itemization of rehabilitation projects scheduled to be completed by OWASA's construction crews.

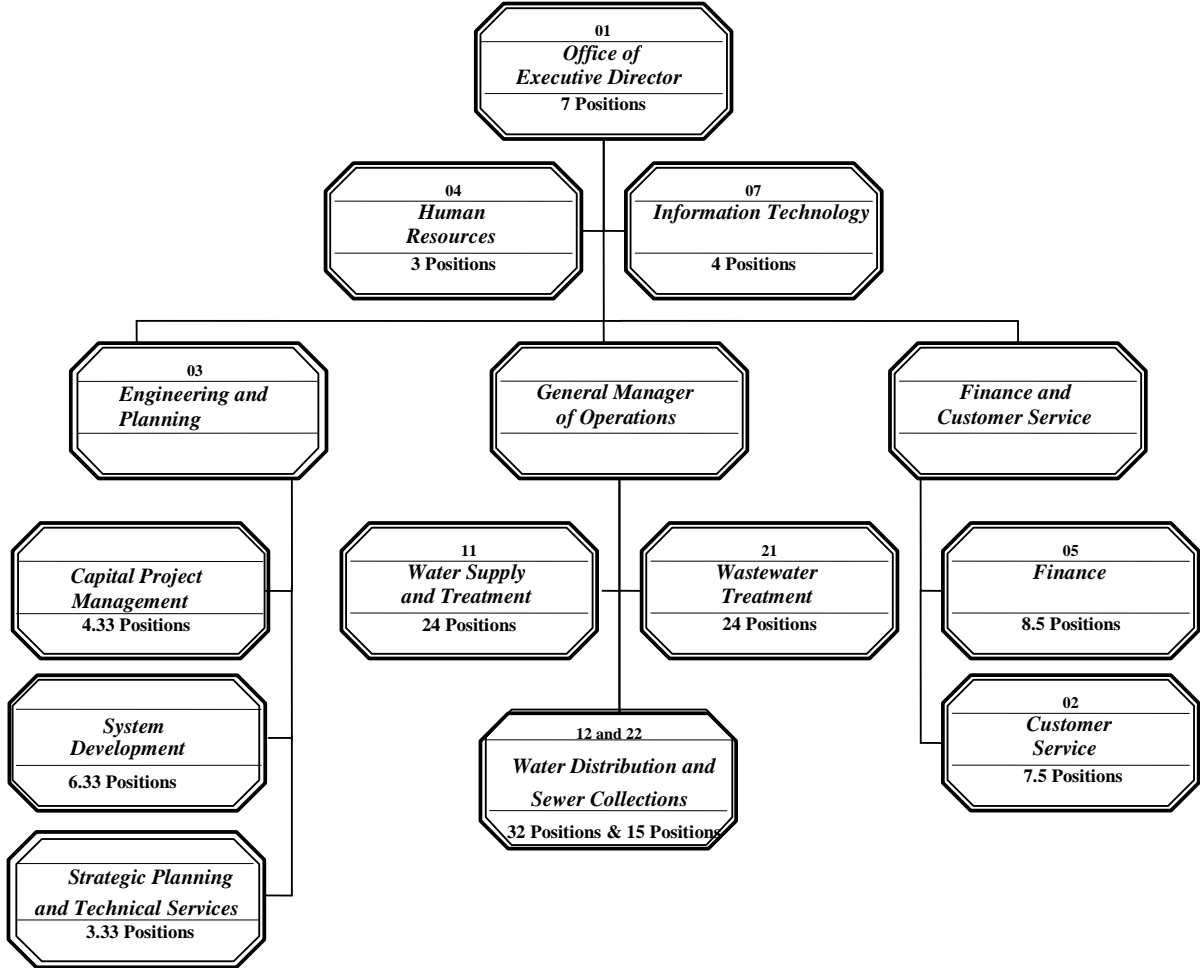
Force Account Rehabilitation / Replacement Projects FY 2011 (Construction Credit)

| Water System Project Titles | Size | Length (ft.) | Material Cost | Equipment Cost | Labor Cost | Overhead Cost | Total |
|--|-------------------|-----------------|-------------------|-------------------|-------------------|------------------|--------------------|
| Long Leaf Road from Willow Dr to Plum Rd | 8" | 890 | 60,998 | 10,749 | 15,175 | 19,879 | 106,800 |
| Emorv Drive from Willow Dr to Long Leaf | 8" | 970 | 66,481 | 11,715 | 16,539 | 21,666 | 116,400 |
| Mason Farm Road at West Drive | 12" | 200 | 13,708 | 2,416 | 3,411 | 4,468 | 24,000 |
| Henderson Street from Franklin St to North St | 6" | 790 | 54,145 | 9,541 | 13,470 | 17,646 | 94,800 |
| East Poplar Ave | 6" | 370 | 25,359 | 4,469 | 6,309 | 8,265 | 44,400 |
| Fordham Boulevard Service Road at Sage Road | 8" | 890 | 60,998 | 10,749 | 15,175 | 19,879 | 106,800 |
| Water System Subtotals | | <u>4,110</u> | <u>\$ 281,689</u> | <u>\$ 49,639</u> | <u>\$ 70,079</u> | <u>\$ 91,803</u> | <u>\$ 493,200</u> |
| Water System Const. Credit (Equip + Labor) | | | | | | | \$119,718 |
| Water System Const. Credit (Overhead) | | | | | | | \$91,803 |
| Total Water System Construction Credit | | | | | | | <u>\$211,522</u> |
| Sewer Collection System Project Titles | Size (in.) | Length | Material | Equipment | Labor Cost | Overhead | Total |
| | N/A | N/A | N/A | N/A | N/A | N/A | \$0 |
| Sewer Collection System Subtotals | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Sewer Coll. Dept. Const. Credit (Equip + Labor) | | | | | <u>\$0</u> | | |
| Total Budget Yr. Rehabilitation Projects (2011) | | <u>4,110</u> | <u>281,689</u> | <u>49,639</u> | <u>70,079</u> | <u>91,803</u> | <u>493,200</u> |
| 2011 Construction Credits | | | | | | | (\$119,718) |
| 2011 Overhead Total | | | | | | | <u>\$ (91,803)</u> |
| 2011 Total Construction Credit | | | | | | | (\$211,522) |

CAPITAL IMPROVEMENTS PROGRAM 2011-2025

| PROJECT CATEGORY: | FIVE-YEAR CAPITAL BUDGETING PERIOD | | | | | 5-YEAR BUDGE | 6 To 15-YEAR PLANNING PERIOD | | 15-YEAR |
|---|---|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------------------|------------------------------|------------------------------|
| | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2011-15</u> | <u>FY 2016-20</u> | <u>FY 2021-25</u> | <u>FY 2011-25</u> |
| RAW WATER SUPPLY SOURCES | \$ 692,000 | \$ 27,000 | \$ 27,000 | \$ 89,000 | \$ 134,000 | \$ 969,000 | \$ 2,936,000 | \$ 1,728,000 | \$ 5,633,000 |
| RAW WATER TRANSMISSION | 275,000 | 0 | 0 | 0 | 23,000 | 298,000 | 0 | 0 | 298,000 |
| WATER TREATMENT FACILITIES | 1,008,000 | 252,000 | 156,000 | 200,000 | 2,043,000 | 3,659,000 | 11,851,000 | 15,124,000 | 30,634,000 |
| FINISHED WATER PUMPING | 0 | 66,000 | 0 | 0 | 0 | 66,000 | 3,295,000 | 0 | 3,361,000 |
| FINISHED WATER STORAGE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| WATER TRANSMISSION AND DISTRIBUTION | 2,853,000 | 2,498,000 | 2,680,000 | 3,348,000 | 4,680,000 | 16,059,000 | 33,430,000 | 37,123,000 | 86,612,000 |
| WASTEWATER COLLECTION LINES | 3,769,000 | 3,312,000 | 2,191,000 | 2,811,000 | 5,579,000 | 17,662,000 | 25,837,000 | 19,819,000 | 63,318,000 |
| WASTEWATER PUMP STATIONS | 50,000 | 950,000 | 1,843,000 | 58,000 | 256,000 | 3,157,000 | 9,226,000 | 2,938,000 | 15,321,000 |
| WASTEWATER TREATMENT AND DISPOSAL | 730,000 | 456,000 | 1,653,000 | 5,563,000 | 3,702,000 | 12,104,000 | 21,476,000 | 27,408,000 | 60,988,000 |
| CENTRAL OFFICE AND OPERATIONS | 100,000 | 106,000 | 112,000 | 116,000 | 366,000 | 800,000 | 2,122,000 | 2,707,000 | 5,629,000 |
| INFORMATION SERVICES | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 1,500,000 | 1,842,000 | 2,000,000 | 5,342,000 |
| TOTAL PROJECTED FOR FISCAL YEAR: | <u>\$ 9,777,000</u> | <u>\$ 7,967,000</u> | <u>\$ 8,962,000</u> | <u>\$ 12,485,000</u> | <u>\$ 17,083,000</u> | <u>\$ 56,274,000</u> | <u>\$ 112,015,000</u> | <u>\$ 108,847,000</u> | <u>\$ 277,136,000</u> |
| PROPOSED 5-YEAR FUNDING SOURCES: | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2011-15</u> | | | |
| CASH | 9,777,000 | 7,967,000 | 8,962,000 | 12,485,000 | 17,083,000 | 56,274,000 | | | |
| PROPOSED BONDS | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| EXISTING BONDS | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| GRANTS | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | | | |
| TOTAL PROPOSED FUNDING SOURCES: | <u>\$9,777,000</u> | <u>\$7,967,000</u> | <u>\$8,962,000</u> | <u>\$12,485,000</u> | <u>\$17,083,000</u> | <u>\$56,274,000</u> | | | |

Orange Water and Sewer Authority Staff/Department Structure



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 small support staff provides direct assistance to the Executive Director, including Public Affairs, 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, wastewater and reclaimed water 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 THE EXECUTIVE DIRECTOR

**Three-year Budget Comparison
Fiscal Years 2009 - 2011**

| | FY 2009 | 10 Budget | FY 2010 | 10 Proj. | FY 2010 | 11 Budget | FY 2011 |
|--------------------------------|--------------------|------------------|------------------|------------------|--------------------|------------------|--------------------|
| | Actual | to | Budget | Variance | Projected | to 10 | Budget |
| | | 09 Actual | | to | | Projected | |
| | | | | 10 Budget | | | |
| Personnel Costs | | | | | | | |
| Salaries and Wages | \$579,457 | | \$565,069 | | \$600,839 | | \$637,004 |
| Fringe Benefits | <u>200,725</u> | | <u>152,615</u> | | <u>158,541</u> | | <u>198,073</u> |
| Total Personnel Costs | 780,182 | -8% | 717,684 | 6% | 759,380 | 10% | 835,078 |
| Other Operating Expense | | | | | | | |
| Materials and Supplies | 4,574 | | 8,320 | | 4,030 | | 7,230 |
| Utilities | 60,356 | | 79,550 | | 62,200 | | 66,500 |
| Maintenance | 0 | | 0 | | 0 | | 0 |
| Professional Services | 217,771 | | 199,400 | | 208,000 | | 204,200 |
| Insurance | 39,017 | | 36,000 | | 40,894 | | 43,483 |
| Communication | 21,781 | | 35,430 | | 23,000 | | 33,930 |
| Printing and Reproduction | 523 | | 875 | | 200 | | 875 |
| Education and Development | 4,692 | | 9,825 | | 5,062 | | 9,960 |
| Other | <u>20,259</u> | | <u>22,425</u> | | <u>16,600</u> | | <u>19,865</u> |
| Total Operating Expenditures | 368,973 | 6% | 391,825 | -8% | 359,986 | 7% | 386,043 |
| Total Expenditures | <u>1,149,155</u> | -3% | <u>1,109,509</u> | 1% | <u>1,119,366</u> | 9% | <u>1,221,120</u> |
| Construction Credit | (134,284) | | (173,068) | | (19,930) | | (116,852) |
| Net Expense | <u>\$1,014,871</u> | -8% | <u>\$936,441</u> | 17% | <u>\$1,099,436</u> | 0% | <u>\$1,104,268</u> |

Personnel Summary

| | FY 2009 | FY 2010 | FY 2011 |
|-----------|---------|---------|---------|
| Positions | 9 | 9 | 7 |

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; 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.
- 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.
- Oversee OWASA's Participation in the NC Debt Setoff Program.

CUSTOMER SERVICE

**Three-year Budget Comparison
Fiscal Years 2009 - 2011**

| | FY 2009 | 10 Budget | FY 2010 | 10 Proj. | FY 2010 | 11 Budget | FY 2011 |
|--------------------------------|------------------|---------------------|------------------|-----------------|------------------|------------------------|------------------|
| | Actual | to 09 Actual | Budget | Variance | Projected | to 10 Projected | Budget |
| Personnel Costs | | | | | | | |
| Salaries and Wages | \$284,414 | | \$270,232 | | \$278,764 | | \$295,630 |
| Fringe Benefits | <u>105,251</u> | | <u>99,822</u> | | <u>105,146</u> | | <u>113,837</u> |
| Total Personnel Costs | 389,665 | -5% | 370,054 | 4% | 383,910 | 7% | 409,467 |
| Other Operating Expense | | | | | | | |
| Materials and Supplies | 8,974 | | 3,000 | | 3,000 | | 3,000 |
| Utilities | 0 | | 0 | | 0 | | 0 |
| Maintenance | 0 | | 805 | | 805 | | 1,255 |
| Professional Services | 67,034 | | 48,000 | | 48,000 | | 51,600 |
| Insurance | 0 | | 0 | | 0 | | 0 |
| Communication | 111,837 | | 110,000 | | 110,000 | | 110,000 |
| Printing and Reproduction | 1,211 | | 3,000 | | 3,000 | | 3,000 |
| Education and Development | 5,302 | | 6,200 | | 6,200 | | 7,000 |
| Other | <u>13,165</u> | | <u>72,000</u> | | <u>67,072</u> | | <u>36,000</u> |
| Total Operating Expenditures | 207,522 | 17% | 243,005 | -2% | 238,077 | -11% | 211,855 |
| Total Expenditures | <u>597,187</u> | 3% | <u>613,059</u> | 1% | <u>621,987</u> | 0% | <u>621,322</u> |
| Construction Credit | 0 | | 0 | | 0 | | 0 |
| Net Expense | <u>\$597,187</u> | 3% | <u>\$613,059</u> | 1% | <u>\$621,987</u> | 0% | <u>\$621,322</u> |

Personnel Summary

| | FY 2009 | FY 2010 | FY 2011 |
|-----------|---------|---------|---------|
| Positions | 7.33 | 7.33 | 7.5 |

Key Performance Measurements

Effectiveness: Percentage of total bills which are delivered to post office on scheduled day.

Call Management - Average length of calls in minutes and percent of abandoned or lost calls.

| | FY 2008 | FY 2009 | FY 2010* |
|-------------------------------------|---------|---------|----------|
| Billing Timeliness; Goal: 100% | 91 | 98 | 96 |
| Length of Call (minutes); Goal: N/A | | 1.82 | 1.91 |
| Abandoned or Lost Calls; Goal: <2% | | <1 | 2 |

Workload: Total number of customer accounts.

Total number of calls.

| | FY 2008 | FY 2009 | FY 2010* |
|------------------------|---------|---------|----------|
| Total Accounts | 19,998 | 20,137 | 20,194 |
| Total number of calls. | | 15,723 | 15,927 |

*Through the 2nd quarter of FY 2010.

03 ENGINEERING AND PLANNING DEPARTMENT
(General and Administrative)

MISSION

The Engineering and Planning Department is responsible for three primary functions: Management of all third party projects, which includes the review of construction plans and inspection of ongoing construction to ensure that all water and sewer work accomplished by outside entities (private developers, etc.) within the OWASA service area is accomplished in accordance with OWASA's Standards and Specifications prior to OWASA taking ownership and assuming operations/maintenance responsibility for these systems; Management of the Capital Improvement Program, which includes execution of design and construction for all large-scale repair, renovation, replacement and upgrade projects as necessary to maintain the reliability and efficient operations of OWASA's water and sewer infrastructure; and Planning, which includes long range and strategic master planning functions such as demand forecasting, land management and the use of various modeling tools that guide policy and capital investment decisions to ensure OWASA remains capable of meeting the community's current and future utility needs.

SUMMARY OF ACTIVITIES

- Review construction drawings and inspect construction work performed by third party entities.
- Provide regular updates and revision of OWASA's standard engineering specifications and procedures.
- Maintain as-built and record drawings for all water and sewer utility work accomplished in the service area.
- Accomplish small-scale in-house designs, primarily for accomplishment by OWASA crews.
- Complete studies and modeling efforts to determine the engineering and economic feasibility of various approaches to repair and upgrade OWASA's infrastructure.
- Manage and direct consultant efforts for development of project designs, biddable contract documents and management of all contract administrative requirements.
- Develop the 15 year Capital Improvements Plan.
- 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.
- Direct all land management issues including acquisition of necessary utility easements and efforts to protect OWASA watersheds.
- Provide engineering support for the operation and maintenance of water and wastewater facilities and infrastructure.
- 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

**Three-year Budget Comparison
Fiscal Years 2009 - 2011**

| | FY 2009 | 10 Budget | FY 2010 | 10 Proj. | FY 2010 | 11 Budget | FY 2011 |
|--------------------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|
| | Actual | to | Budget | Variance | Projected | to 10 | Budget |
| | | 09 Actual | | to | | Projected | |
| | | | | 10 Budget | | | |
| Personnel Costs | | | | | | | |
| Salaries and Wages | \$963,956 | | \$885,263 | | \$814,750 | | \$890,583 |
| Fringe Benefits | <u>269,535</u> | | <u>253,450</u> | | <u>252,615</u> | | <u>289,853</u> |
| Total Personnel Costs | 1,233,491 | -8% | 1,138,713 | -6% | 1,067,365 | 11% | 1,180,436 |
| Other Operating Expense | | | | | | | |
| Materials and Supplies | 13,710 | | 19,942 | | 17,942 | | 16,710 |
| Utilities | 0 | | 0 | | 0 | | 0 |
| Maintenance | 1,535 | | 1,700 | | 1,700 | | 1,535 |
| Professional Services | 142,269 | | 33,000 | | 55,000 | | 59,000 |
| Communication | 442 | | 600 | | 600 | | 600 |
| Printing and Reproduction | 1,276 | | 2,350 | | 2,350 | | 1,550 |
| Education and Development | 7,148 | | 12,050 | | 9,500 | | 8,250 |
| Other | <u>2,414</u> | | <u>2,538</u> | | <u>2,253</u> | | <u>7,625</u> |
| Total Operating Expenditures | 168,794 | -57% | 72,180 | 24% | 89,345 | 7% | 95,270 |
| Total Expenditures | <u>1,402,285</u> | -14% | <u>1,210,893</u> | -4% | <u>1,156,710</u> | 10% | <u>1,275,706</u> |
| Construction Credit | 0 | | 0 | | 0 | | 0 |
| Net Expense | <u>\$1,402,285</u> | -14% | <u>\$1,210,893</u> | -4% | <u>\$1,156,710</u> | 10% | <u>\$1,275,706</u> |

Personnel Summary

| | FY 2009 | FY 2010 | FY 2011 |
|-----------|---------|---------|---------|
| Positions | 15 | 13.5 | 14 |

Key Performance Measurements

Effectiveness: Actual capital project expenditures as an annualized percentage of total capital budget.
 The average length of time to review plan from date received to issuance of review letter.
 Capital projects communication plans effectiveness ratings.

| | FY 2008 | FY 2009 | FY 2010* |
|---|---------|---------|-------------------|
| Actual capital project expense to budget; Goal: >80% | 66 | 79 | 25 |
| Average plan review time; Goal: <15 work days. | 11 | 9 | 8 |
| Rating by OWASA customers of our manhole rehabilitation program; Goal: 5 on a scale of 1-5. | 3.2 | 4.4 | N/A (no projects) |

*Through the 2nd quarter of FY 2010.

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, 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 organization's 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 timesheets 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

**Three-year Budget Comparison
Fiscal Years 2009 - 2011**

| | FY 2009 Actual | 10 Budget to 09 Actual | FY 2010 Budget | 10 Proj. Variance to 10 Budget | FY 2010 Projected | 11 Budget to 10 Projected | FY 2011 Budget |
|--------------------------------|---------------------------|-----------------------------------|---------------------------|---|------------------------------|--|---------------------------|
| Personnel Costs | | | | | | | |
| Salaries and Wages | \$233,107 | | \$217,721 | | \$185,106 | | \$194,541 |
| Fringe Benefits | <u>244,730</u> | | <u>192,593</u> | | <u>203,221</u> | | <u>229,848</u> |
| Total Personnel Costs | 477,837 | -14% | 410,314 | -5% | 388,327 | 9% | 424,389 |
| Other Operating Expense | | | | | | | |
| Materials and Supplies | 5,095 | | 12,481 | | 11,094 | | 5,311 |
| Utilities | 0 | | 0 | | 0 | | 0 |
| Maintenance | 73 | | 0 | | 0 | | 0 |
| Professional Services | 22,799 | | 34,200 | | 12,490 | | 21,500 |
| Communication | 6,436 | | 23,000 | | 16,665 | | 11,320 |
| Printing and Reproduction | 659 | | 1,500 | | 1,057 | | 800 |
| Education and Development | 1,652 | | 6,500 | | 6,055 | | 3,000 |
| Other | <u>11,682</u> | | <u>21,687</u> | | <u>19,875</u> | | <u>20,187</u> |
| Total Operating Expenditures | 48,396 | 105% | 99,368 | -32% | 67,236 | -8% | 62,118 |
| Total Expenditures | <u>526,233</u> | -3% | <u>509,682</u> | -11% | <u>455,563</u> | 7% | <u>486,507</u> |
| Construction Credit | 0 | | 0 | | | | 0 |
| Net Expense | <u>\$526,233</u> | -3% | <u>\$509,682</u> | -11% | <u>\$455,563</u> | 7% | <u>\$486,507</u> |

Personnel Summary

| | FY 2009 | FY 2010 | FY 2011 |
|-----------|---------|---------|---------|
| Positions | 6 | 3.5 | 3 |

Key Performance Measurements

- Effectiveness: The percentage vacancies of the total number of authorized positions.
- Number of EEOC complaints for which the organization was found to have responsibility.
- The racial and gender diversity of OWASA employees.
- The number of injuries, illnesses, or lost workdays compared to a common exposure base of 100 full-time workers.

| | FY 2008 | FY 2009 | FY 2010* |
|--|---------|---------|----------|
| Attrition rate; Goal: <8% | 10.6% | 7.2% | 2.9% |
| At fault EEOC Complaints; Goal 0 | 0 | 0 | 0 |
| Diversity percentages: Racial: Goal 25-30% | 27 | 24 | 24 |
| Gender: Goal 25-30% | 24 | 25 | 25 |
| Industry incident rate: <3 | 2.6 | 2.3 | 1.3 |

*Through the 2nd quarter of FY 2010.

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, purchasing, 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 years.
- 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 Financial Management Policy.
- Review adequacy of rates and fees to generate necessary revenues to support a fiscally sound organization.

FINANCE

**Three-year Budget Comparison
Fiscal Years 2009 - 2011**

| | FY 2009 | 10 Budget to 09 Actual | FY 2010 Budget | 10 Proj. Variance to 10 Budget | FY 2010 Projected | 11 Budget to 10 Projected | FY 2011 Budget |
|--------------------------------|-------------------------|---------------------------------------|---------------------------|---|------------------------------|--|---------------------------|
| Personnel Costs | | | | | | | |
| Salaries and Wages | \$470,763 | | \$452,021 | | \$524,570 | | \$585,730 |
| Fringe Benefits | <u>146,414</u> | | <u>140,044</u> | | <u>179,521</u> | | <u>213,431</u> |
| Total Personnel Costs | 617,177 | -4% | 592,066 | 19% | 704,091 | 14% | 799,160 |
| Other Operating Expense | | | | | | | |
| Materials and Supplies | 9,492 | | 10,100 | | 10,466 | | 9,830 |
| Utilities | 6,183 | | 4,500 | | 4,500 | | 4,500 |
| Maintenance | 943 | | 3,200 | | 2,412 | | 3,000 |
| Professional Services | 205,746 | | 179,850 | | 300,345 | | 380,000 |
| Communication | 3,702 | | 4,400 | | 2,802 | | 4,300 |
| Printing and Reproduction | 8,940 | | 2,900 | | 3,067 | | 2,600 |
| Education and Development | 8,523 | | 8,680 | | 9,774 | | 12,650 |
| Other | <u>1,418</u> | | <u>2,115</u> | | <u>1,439</u> | | <u>2,115</u> |
| Total Operating Expenditures | 244,946 | -12% | 215,745 | 55% | 334,805 | 25% | 418,995 |
| Total Expenditures | <u>862,123</u> | -6% | <u>807,811</u> | 29% | <u>1,038,896</u> | 17% | <u>1,218,155</u> |
| Construction Credit | 0 | | 0 | | 0 | | 0 |
| Net Expense | <u>\$862,123</u> | -6% | <u>\$807,811</u> | 29% | <u>\$1,038,896</u> | 17% | <u>\$1,218,155</u> |

FINANCE

Personnel Summary

| | FY 2009 | FY 2010 | FY 2011 |
|-----------|---------|---------|---------|
| Positions | 6.5 | 6.33 | 8.5 |

Key Performance Measurements

Effectiveness: The sufficiency of reserves to defray the cost of operations and meet capital expenditure needs.
 The sufficiency of net revenues to repay debt, and to fund future operating and capital needs.
 The adequacy of net worth in comparison to debt leveraging.
 Appropriate constraint of the financial burden OWASA's billings place on our customers.

| | FY 2008 | FY 2009 | FY 2010* |
|---|------------|------------|------------|
| Working Capital Reserve; Goal: the greater of four months operating budget of 20% of the succeeding three year's CIP (\$6.2 Mil. in FY 2010). | \$7.7 Mil. | \$8.5 Mil. | \$9.4 Mil. |
| Debt Service Coverage Ratio; Goal: 2.0 | 1.53 | 1.63 | 2.13 |
| Debt to Asset Value; Goal: ≤ 50% | 39 | 37 | 35 |
| Service Affordability; Goal: ≤ 1.5 of Median Household income | 1.1 | 1.4 | 1.6 |

*Through the 2nd quarter of FY 2010

07 Information Technology
(General and Administrative)

MISSION

The Information Technology (IT) Department 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.
- IT 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, and printers).
- Develops, maintains, and implements, a long-range technology plan for the effective and efficient use of technology for information systems throughout the organization.
- IT 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. IT establishes appropriate technology standards, specifications, security levels, and changes procedures for OWASA's information system.

INFORMATION TECHNOLOGY

**Three-year Budget Comparison
Fiscal Years 2009 - 2011**

| | FY 2009 | 10 Budget | FY 2010 | 10 Proj. | FY 2010 | 11 Budget | FY 2011 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | to | Budget | Variance | Projected | to 10 | Budget |
| | | 09 Actual | | to | | Projected | |
| | | | | 10 Budget | | | |
| Personnel Costs | | | | | | | |
| Salaries and Wages | \$253,074 | | \$244,491 | | \$266,242 | | \$291,568 |
| Fringe Benefits | <u>72,393</u> | | <u>72,595</u> | | <u>74,936</u> | | <u>86,214</u> |
| Total Personnel Costs | 325,467 | -3% | 317,086 | 8% | 341,178 | 11% | 377,782 |
| Other Operating Expense | | | | | | | |
| Materials and Supplies | 15,888 | | 18,000 | | 18,000 | | 18,000 |
| Utilities | 106,966 | | 106,200 | | 98,264 | | 120,200 |
| Maintenance | 231,127 | | 214,000 | | 214,000 | | 218,400 |
| Professional Services | 22,875 | | 5,000 | | 4,993 | | 41,000 |
| Communication | 50 | | 500 | | 96 | | 0 |
| Printing and Reproduction | 0 | | 0 | | 0 | | 0 |
| Education and Development | 11,148 | | 15,390 | | 15,390 | | 15,390 |
| Other | <u>39,026</u> | | <u>63,000</u> | | <u>52,524</u> | | <u>48,200</u> |
| Total Operating Expenditures | 427,080 | -1% | 422,090 | -4% | 403,267 | 14% | 461,190 |
| Total Expenditures | <u>752,547</u> | -2% | <u>739,176</u> | 1% | <u>744,445</u> | 13% | <u>838,972</u> |
| Construction Credit | 0 | | 0 | | 0 | | 0 |
| Net Expense | <u>\$752,547</u> | -2% | <u>\$739,176</u> | 1% | <u>\$744,445</u> | 13% | <u>\$838,972</u> |

Personnel Summary

| | FY 2009 | FY 2010 | FY 2011 |
|-----------|---------|---------|---------|
| Positions | 4 | 4 | 4 |

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 and maintenance of three water supply reservoirs with public recreation facilities at two lakes, the Jones Ferry Road Water Treatment Plant, water treatment residuals processing and disposal facilities: and the operation and maintenance of five elevated storage tanks within the distribution system. The department administers the watershed protection programs.

SUMMARY OF ACTIVITIES

- Efficiently and effectively operate the water treatment, laboratory and maintenance programs in full compliance with all Federal and State regulations and requirements while providing high quality drinking water that is aesthetically pleasing to OWASA customers.
- Provide timely analytical monitoring data for process control and regulatory reporting.
- 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.
- Provide responsive and courteous service to address water quality concerns from customers.
- 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 professional certifications and safety requirements.
- Reinforce the teamwork approach collective commitments required by department employees to accomplish objectives within the operation and maintenance 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

Three-year Budget Comparison

Fiscal Years 2009 - 2011

| | FY 2009 Actual | 10 Budget to 09 Actual | FY 2010 Budget | 10 Proj. Variance to 10 Budget | FY 2010 Projected | 11 Budget to 10 Projected | FY 2011 Budget |
|--------------------------------|--------------------|------------------------------|--------------------|---|----------------------|---------------------------------|--------------------|
| Personnel Costs | | | | | | | |
| Salaries and Wages | \$1,179,894 | | \$1,159,622 | | \$1,140,191 | | \$1,197,573 |
| Fringe Benefits | <u>429,706</u> | | <u>441,925</u> | | <u>458,012</u> | | <u>507,557</u> |
| Total Personnel Costs | 1,609,600 | -1% | 1,601,547 | 0% | 1,598,203 | 7% | 1,705,131 |
| Other Operating Expense | | | | | | | |
| Materials and Supplies | 139,360 | | 152,147 | | 131,017 | | 135,615 |
| Water Purchases | 0 | | 0 | | 0 | | 0 |
| Chemicals | 1,246,910 | | 1,478,491 | | 1,040,629 | | 1,150,000 |
| Utilities | 392,262 | | 420,200 | | 394,013 | | 441,594 |
| Maintenance | 641,237 | | 585,400 | | 538,353 | | 693,373 |
| Professional Services | 92,265 | | 70,500 | | 52,835 | | 67,000 |
| Insurance | 74,188 | | 72,021 | | 90,165 | | 98,734 |
| Communication | 7,175 | | 5,300 | | 3,885 | | 5,300 |
| Printing and Reproduction | 0 | | 0 | | 0 | | 0 |
| Education and Development | 10,887 | | 19,043 | | 10,860 | | 19,710 |
| Other | <u>7,690</u> | | <u>11,061</u> | | <u>10,860</u> | | <u>15,701</u> |
| Total Operating Expenditures | 2,611,974 | 8% | 2,814,163 | -19% | 2,272,617 | 16% | 2,627,027 |
| Total Expenditures | <u>4,221,574</u> | 5% | <u>4,415,710</u> | -12% | <u>3,870,820</u> | 12% | <u>4,332,157</u> |
| Construction Credit | \$0 | | (\$1,351) | | (\$1,891) | | \$0 |
| Net Expense | <u>\$4,221,574</u> | 5% | <u>\$4,414,359</u> | -12% | <u>\$3,868,929</u> | 12% | <u>\$4,332,157</u> |

Personnel Summary

| | FY 2009 | FY 2010 | FY 2011 |
|-----------|---------|---------|---------|
| Positions | 13 | 13.5 | 24 |

Key Performance Measurements

Workload: Measure of the number of million gallons of finished drinking water pumped from the Jones Ferry Road Water Treatment Plant.
The percent of solids that were removed from the water treatment process that was treated and recycled for beneficial use.

| | FY 2008 | FY 2009 | FY 2010* |
|--|---------------|---------------|---------------|
| Finished water pumped to distribution system; Goal: N/A. | 2,930 Billion | 3,008 Billion | 1,492 Billion |
| Solids beneficially reused; Goal: 100% | 100% | 100% | 100% |

Effectiveness: Number of primary drinking water standards noncompliances.
Number of secondary drinking water standards noncompliances.
The presence of suspended and colloidal matter in the finished water.

| | FY 2008 | FY 2009 | FY 2010* |
|--|---------|---------|----------|
| Primary drinking water standards noncompliances; Goal: 0 | 0 | 0 | 0 |
| Number of secondary drinking water standards noncompliances; Goal: 0 | 0 | 0 | 0 |
| Average finished water turbidity; Goal: <0.06 NTU. | 0.03 | 0.03 | 0.03 |

*Through the 2nd quarter of FY 2010.

12 WATER DISTRIBUTION DEPARTMENT

MISSION

The Water Distribution Department is responsible for maintaining the drinking water distribution system from the Water Treatment Plant clearwell to the meters at customers' premises with exception of the system's storage tanks and the distribution pipes. The Water Distribution Department develops and implements efficient and effective measures for maintenance and repair of all components of the water distribution infrastructure. The Water Distribution Department is also responsible for accurately and efficiently reading meters and replacing certain water mains to maintain the integrity and capacity of the 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.
- Maintain ongoing valve and fire hydrant maintenance and repair programs to help ensure reliable operation of the distribution system.
- Accurately and efficiently read water meters to ensure correct consumption is billed to customers.
- Investigate distribution system for sources of unaccounted water (water pumped to system but not metered).
- Administer a Backflow Prevention Program to ensure water quality..
- Coordinate the repair and replacement of billing meters.
- Maintain integrity of water distribution lines by continuing rehabilitation program.

WATER DISTRIBUTION

Three-year Budget Comparison Fiscal Years 2009 - 2011

| | FY 2009 Actual | 10 Budget to 09 Actual | FY 2010 Budget | 10 Proj. Variance to 10 Budget | FY 2010 Projected | 11 Budget to 10 Projected | FY 2011 Budget |
|--------------------------------|--------------------|------------------------------|--------------------|---|----------------------|---------------------------------|--------------------|
| Personnel Costs | | | | | | | |
| Salaries and Wages | \$1,111,207 | | \$1,123,100 | | \$1,102,252 | | \$1,187,467 |
| Fringe Benefits | <u>472,589</u> | | <u>489,952</u> | | <u>456,439</u> | | <u>597,010</u> |
| Total Personnel Costs | 1,583,796 | 2% | 1,613,052 | -3% | 1,558,691 | 14% | 1,784,477 |
| Other Operating Expense | | | | | | | |
| Materials and Supplies | 71,611 | | 74,250 | | 73,292 | | 66,250 |
| Utilities | 201,772 | | 204,525 | | 203,023 | | 221,400 |
| Maintenance | 408,690 | | 500,000 | | 483,983 | | 487,822 |
| Professional Services | 16,900 | | 0 | | 0 | | 0 |
| Insurance | 6,607 | | 8,080 | | 9,551 | | 9,998 |
| Communication | 370 | | 500 | | 481 | | 500 |
| Printing and Reproduction | 25 | | 1,400 | | 961 | | 1,300 |
| Education and Development | 7,967 | | 10,550 | | 9,212 | | 10,600 |
| Other | <u>2,450</u> | | <u>3,900</u> | | <u>1,786</u> | | <u>3,400</u> |
| Total Operating Expenditures | 716,392 | 12% | 803,205 | -3% | 782,289 | 2% | 801,270 |
| Total Expenditures | <u>2,300,188</u> | 5% | <u>2,416,257</u> | -3% | <u>2,340,980</u> | 10% | <u>2,585,747</u> |
| Construction Credit | (144,175) | | (182,556) | | (182,556) | | (144,270) |
| Net Expense | <u>\$2,156,013</u> | 4% | <u>\$2,233,701</u> | -3% | <u>\$2,158,424</u> | 13% | <u>\$2,441,477</u> |

Personnel Summary

| | FY 2009 | FY 2010 | FY 2011 |
|-----------|---------|---------|---------|
| Positions | 32 | 32 | 32 |

Key Performance Measurements

Workload: Miles of finished water distribution pipe maintained.

| | FY 2008 | FY 2009 | FY 2010* |
|--------------------------|---------|---------|----------|
| Miles of pipe maintained | 389 | 390 | 391 |

Effectiveness: The volume of billed finished water compared to the volume of finished water pumped to the distribution system.

The number of main breaks per 100 miles of water distribution pipe.

Percentage of meters read accurately.

| | FY 2008 | FY 2009 | FY 2010* |
|--|---------|---------|----------|
| Accounted for water; Goal: > 90% | 93 | 86 | 93 |
| Number of main breaks; Goal: < 15 per 100 miles of pipe. | 12 | 10 | 5 |
| Meter reading accuracy; Goal: 100% | 99% | 99% | 99% |

*Through the 2nd quarter of FY 2010.

Wastewater Treatment Plant

MISSION

The Wastewater Plant is responsible for reliably providing efficient and effective treatment of the wastewater and its residuals generated by OWASA customers. The Department complies with various Local, State, and Federal regulations, that pertain to all the discharges from the OWASA facilities, plus the general operation requirements to meet all applicable standards. These include; National Pollutant Discharge Elimination System (NPDES) Permit, the Land Application Permit (WQ, Non-Discharge), the Storm Water Discharge Permit and Reclaimed Water Permit.

SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Maintain the plant, maintenance, and laboratory programs to ensure that all discharges are in compliance with their operating permits.
- Operate the plant, laboratory and maintenance areas in compliance with all applicable State and Federal requirements.
- Effectively control odors and provide prompt response to public inquires
- Maintain all equipment necessary to provide reliable pumping of wastewater without spillage or overflow.
- Provide timely analytical monitoring data for process control and regulatory reporting.
- Maintain a computerized maintenance management program to facilitate work scheduling, tracking of equipment history and reliability, and development of a database of suppliers and parts for installed equipment to support company asset management.
- Manage all programs in an environmentally and operational sound manner.
- Provide training and professional development to employees to improve their knowledge, skills/abilities, as related to their work area including professional certifications and safety requirements.

WASTEWATER TREATMENT

Three-year Budget Comparison Fiscal Years 2009 - 2011

| | 10 Budget | | 10 Proj. Variance | | 11 Budget | | |
|--------------------------------|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|
| | FY 2009 | to | FY 2010 | to | FY 2010 | to 10 | FY 2011 |
| | Actual | 09 Actual | Budget | 10 Budget | Projected | Projected | Budget |
| Personnel Costs | | | | | | | |
| Salaries and Wages | \$1,297,161 | | \$1,258,708 | | \$1,093,408 | | \$1,183,640 |
| Fringe Benefits | <u>486,710</u> | | <u>490,227</u> | | <u>437,639</u> | | <u>502,694</u> |
| Total Personnel Costs | 1,783,871 | -2% | 1,748,935 | -12% | 1,531,047 | 10% | 1,686,334 |
| Other Operating Expense | | | | | | | |
| Materials and Supplies | 210,967 | | 269,990 | | 270,717 | | 262,651 |
| Chemicals | 779,277 | | 1,589,761 | | 698,242 | | 1,150,000 |
| Chemicals - Odor Control | 5,000 | | 135,780 | | 12,000 | | 91,444 |
| Utilities | 932,792 | | 975,500 | | 1,045,896 | | 1,028,213 |
| Maintenance | 692,454 | | 530,114 | | 727,765 | | 564,499 |
| Professional Services | 46,888 | | 44,500 | | 53,295 | | 34,424 |
| Insurance | 90,200 | | 90,430 | | 113,173 | | 120,044 |
| Communication | 7,973 | | 8,100 | | 8,146 | | 6,840 |
| Printing and Reproduction | 0 | | 0 | | 0 | | 0 |
| Education and Development | 12,087 | | 18,683 | | 18,682 | | 18,125 |
| Other | <u>35,460</u> | | <u>31,000</u> | | <u>31,000</u> | | <u>28,062</u> |
| Total Operating Expenditures | 2,813,098 | 31% | 3,693,858 | -19% | 2,978,916 | 11% | 3,304,303 |
| Total Expenditures | <u>4,596,969</u> | 18% | <u>5,442,793</u> | -17% | <u>4,509,963</u> | 11% | <u>4,990,637</u> |
| Construction Credit | 0 | | 0 | | 0 | | 0 |
| Net Expense | <u>\$4,596,969</u> | 18% | <u>\$5,442,793</u> | -17% | <u>\$4,509,963</u> | 11% | <u>\$4,990,637</u> |

| | | | |
|-----------|----|------|----|
| Positions | 15 | 13.5 | 24 |
|-----------|----|------|----|

Key Performance Measurements

Workload: The number of million gallons treated at the WWTP.

| | FY 2008 | FY 2009 | FY 2010* |
|-------------------------------|---------------|---------------|---------------|
| Wastewater treated; Goal: N/A | 2,707 Billion | 2,864 Billion | 1,428 Billion |

Effectiveness: Events of permit noncompliance.

Wastewater overflows at plant

Number of odor events documented regarding the operation of the WWTP.

| | FY 2008 | FY 2009 | FY 2010* |
|---|---------|---------|----------|
| Events of permit noncompliance; Goal: 0 | 2 | 1 | 0 |
| Wastewater overflows; Goal: 0 | 1 | 1 | 0 |
| Odor events; goal: 0 | 55 | 47 | 6 |

*Through the 2nd quarter of FY 2010.

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.

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 program.

SEWER COLLECTIONS
Three-year Budget Comparison
Fiscal Years 2009 - 2011

| | 10 Budget | | 10 Proj. Variance | | 11 Budget | | |
|--------------------------------|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|
| | FY 2009 | to | FY 2010 | to | FY 2010 | to 10 | FY 2011 |
| | Actual | 09 Actual | Budget | 10 Budget | Projected | Projected | Budget |
| Personnel Costs | | | | | | | |
| Salaries and Wages | \$482,088 | | \$507,817 | | \$462,520 | | \$446,098 |
| Fringe Benefits | <u>205,929</u> | | <u>214,815</u> | | <u>194,804</u> | | <u>201,419</u> |
| Total Personnel Costs | 688,017 | 5% | 722,633 | -9% | 657,324 | -1% | 647,518 |
| Other Operating Expense | | | | | | | |
| Materials and Supplies | 48,613 | | 60,000 | | 60,275 | | 59,500 |
| Chemicals | 0 | | 71,000 | | 75,773 | | 200,000 |
| Chemicals - Odor Control | 38,258 | | 35,000 | | 31,345 | | 26,000 |
| Utilities | 123,206 | | 133,750 | | 132,971 | | 134,310 |
| Maintenance | 165,871 | | 218,000 | | 214,167 | | 191,000 |
| Professional Services | 0 | | 1,500 | | 0 | | 1,500 |
| Insurance | 6,740 | | 7,582 | | 6,936 | | 9,696 |
| Communication | 269 | | 1,000 | | 709 | | 1,000 |
| Printing and Reproduction | 195 | | 1,000 | | 432 | | 500 |
| Education and Development | 6,623 | | 11,750 | | 9,090 | | 10,750 |
| Other | <u>1,091</u> | | <u>5,200</u> | | <u>1,560</u> | | <u>3,660</u> |
| Total Operating Expenditures | 390,865 | 40% | 545,782 | -2% | 533,258 | 20% | 637,916 |
| Total Expenditures | <u>1,078,882</u> | 18% | <u>1,268,415</u> | -6% | <u>1,190,582</u> | 8% | <u>1,285,433</u> |
| Construction Credit | (46,468) | | 0 | | (16,288) | | 0 |
| Net Expense | <u>\$1,032,414</u> | 23% | <u>\$1,268,415</u> | -7% | <u>\$1,174,294</u> | 9% | <u>\$1,285,433</u> |

Personnel Summary

| | FY 2009 | FY 2010 | FY 2011 |
|-----------|---------|---------|---------|
| Positions | 15 | 15 | 15 |

Key Performance Measurements

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

| | FY 2008 | FY 2009 | FY 2010* |
|--------------------------------------|---------|---------|----------|
| Miles of pipe maintained; Goal: N/A. | 320 | 322 | 322 |

Effectiveness: Number of reportable wastewater overflows.
Total number of sewer blockages per 100 miles of sewer pipe.

| | FY 2008 | FY 2009 | FY 2010* |
|--|---------|---------|----------|
| Sewer overflows; Goal: 0 | 4 | 7 | 1 |
| Sewer blockages per 100 miles of pipe. | 1.6 | 0.6 | 0.6 |

*Through the 2nd quarter of FY 2010.

Attachment 2

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

APPLICABLE TO ALL BILLINGS AND SERVICES ON AND AFTER OCTOBER 1, 2010

| | |
|--|------------------|
| SECTION I: SCHEDULE OF WATER RATES AND FEES..... | Pg. 2 to Pg. 7 |
| SECTION II: SCHEDULE OF SEWER RATES AND FEES..... | Pg. 8 to Pg. 12 |
| SECTION III: SCHEDULE OF RECLAIMED WATER RATES AND FEES..... | Pg. 13 to Pg. 14 |
| SECTION IV: SCHEDULE OF MISCELLANEOUS CHARGES..... | Pg. 15 to Pg. 22 |

Background and Authorization

In providing essential public water, sewer and reclaimed water services to Chapel Hill, Carrboro and portions of southern Orange County, Orange Water and Sewer Authority (OWASA) incurs substantial operating and capital expenses. As a community-owned nonprofit public utility, OWASA has no authority to levy taxes, nor does it receive tax revenues from local governments for ongoing operations. OWASA finances its water, sewer and reclaimed water 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 cost-of-service rate-making methodology. OWASA's customers pay for the cost of providing the services and/or facility capacity required to meet customer demand.

The OWASA Board of Directors has determined that the provisions in the attached Schedule of Rates, Fees, and Charges are necessary to adequately sustain OWASA's near-term and long-range utility operations. Revenues generated by these rate adjustments will provide OWASA with the financial resources necessary to: (1) fund operating costs; (2) adequately maintain existing water, sewer, and reclaimed water facilities; (3) fully comply with increasingly stringent environmental and public health standards; (4) meet debt service requirements; (5) create additional facility capacity to stay abreast of water, reclaimed water and sewer service demand in a growing, dynamic community; and (6) maintain adequate reserves.

The attached Schedule of Rates, Fees, and Charges will replace the schedule adopted on January 28, 2010, which became effective on April 28, 2010.

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 billing date. Monthly water rates consist of two components; a monthly service charge and a commodity (volume) charge.

Water Service Charge

This charge recovers 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> | |
|-------------------|-------------------------------|-----------------|
| | <u>Existing</u> | <u>Proposed</u> |
| 5/8" | \$13.19 | \$14.41 |
| 1" | \$26.50 | \$28.95 |
| 1-1/2" | \$57.31 | \$62.61 |
| 2" | \$86.49 | \$94.49 |
| 3" | \$177.88 | \$194.33 |
| 4" | \$290.38 | \$317.24 |
| 6" | \$632.35 | \$690.84 |
| 8" | \$899.23 | \$982.41 |

Water Irrigation Service Charge

(NOTE: In accordance with State law, all new in-ground irrigation systems installed on or after July 1, 2009 and supplied by a public drinking water system are required to have a separate meter to measure the volume of water used through the irrigation system.)

This charge is calculated to recover certain direct and indirect customer service, meter and lateral maintenance, and capital costs associated with supplying water for irrigation through irrigation-only meters. 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> | |
|-------------------|-------------------------------|-------------------|
| | <u>Existing</u> | <u>Proposed</u> |
| 5/8" | \$21.13 | \$23.08 |
| 1" | \$42.22 | \$46.13 |
| 1-1/2" | \$78.16 | \$85.39 |
| 2" | \$120.21 | \$131.33 |
| 3" | \$237.94 | \$259.95 |
| 4" | \$365.25 | \$399.04 |
| 6" | \$718.51 | \$784.97 |
| 8" | \$1,142.64 | \$1,248.33 |

Monthly service charges for compound meter arrangements are based 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. OWASA-owned sub-meters are no longer available and no additional sub-meters will be installed.

Meter readings and service charges for first and final bills are prorated based on days of service.

Water Commodity Charge

This charge recovers the direct and indirect costs of water supply and treatment, water distribution, general administration and capital costs not recovered by the monthly service charge. This charge is applicable to all water accounts based on meter readings of water consumed. When a billing period includes a change in commodity rates, the charges are prorated based on the ratio of days in the billing period at the old and new rates. Metered monthly consumption will be billed in thousand gallon increments rounded down to the nearest thousand gallons. Unbilled consumption due to rounding will be carried forward and billed in the month the next thousand gallon increment is registered by the meter.

When no meter reading is available due to an inoperative, damaged or inaccessible meter, consumption will be estimated based on prior usage at the location.

Individually Metered Residential Accounts Except Irrigation-Only Accounts

Individually metered residential accounts will be billed under an increasing block rate structure designed to encourage efficient water use by applying increasing commodity charges (rate per thousand gallons) to incremental increases in water use.

| | Volume of Use (Gallons) | Commodity Rate per 1,000 Gallons | |
|---------|----------------------------|-------------------------------------|-----------------|
| | | <u>Existing</u> | <u>Proposed</u> |
| Block 1 | 1,000 to 2,000 | \$2.36 | \$2.58 |
| Block 2 | 3,000 to 5,000 | \$5.73 | \$6.26 |
| Block 3 | 6,000 to 10,000 | \$7.03 | \$7.68 |
| Block 4 | 11,000 to 15,000 | \$9.82 | \$10.73 |
| Block 5 | All use 16,000 and up | \$17.76 | \$19.40 |

Conservation Water Commodity Charges Under Mandatory Water Use Restrictions

Water commodity charges applicable to all customer accounts will be temporarily increased during periods of declared Water Shortages and mandatory water use restrictions regardless of the time of year. These applicable surcharges are summarized in the following table.

**WATER COMMODITY SURCHARGES
APPLICABLE UNDER WATER SHORTAGE DECLARATION STAGES**

| Individually-Metered Residential Accounts | | | | | | Non-Residential and Irrigation-Only |
|---|-------------------|--------------------------------------|--------------------------------------|-------------------------------------|-----------------------------------|---|
| Block: | Res. Block 1 | Res. Block 2 | Res. Block 3 | Res. Block 4 | Res. Block 5 | |
| Use Level: (gallons) | 1,000 to 2,000 | 3,000 to 5,000 | 6,000 to 10,000 | 11,000 to 15,000 | 16,000 and up | |
| Stage 1 | No surcharge | No surcharge | 1.25 times normal Block 3 rate | 1.5 times normal Block 4 rate | 2 times normal Block 5 rate | 1.15 times seasonal and irrigation-only rate. |
| Stage 2 | No surcharge | 1.25 times normal Block 2 rate | 1.5 times normal Block 3 rate | 2 times normal Block 4 rate | 3 times normal Block 5 rate | 1.25 times seasonal and irrigation-only rate. |
| Stage 3 and Emergency | No surcharge | 1.5 times normal Block 2 rate | 2 times normal Block 3 rate | 3 times normal Block 4 rate | 4 times normal Block 5 rate | 1.5 times seasonal and irrigation-only rate. |

Non-residential Accounts Except Irrigation-Only Accounts

To achieve demand reduction during peak water use periods, a seasonal conservation rate structure will be applied to all non-residential accounts other than irrigation-only accounts. A reduced water 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).

| | <u>Existing</u> | <u>Proposed</u> |
|--|-----------------|-----------------|
| Off-peak seasonal rate per 1,000 gallons (October through April) | \$3.73 | \$4.08 |
| Peak seasonal rate per 1,000 gallons (May through September) | \$7.09 | \$7.75 |
| Equivalent Uniform Water Commodity Charge | \$5.40 | \$5.90 |

Irrigation-Only Accounts

To promote conservation of water used for irrigation and to achieve greater equity between rates for irrigation-only use and irrigation use through a domestic meter, irrigation-only accounts shall be charged the following year-round commodity rate.

\$7.63 per thousand gallons **Proposed \$8.34 per thousand gallons**

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 OWASA.

TEMPORARY HYDRANT METER CHARGE

Subject to availability, a Customer may obtain a temporary hydrant meter (metering device) from OWASA for a period of up to 60 days. A customer may submit a written request to use the hydrant meter for one additional 60 day period but granting said request will be subject to availability and is at OWASA's sole discretion. Service from a fire hydrant is subject to interruption when the hydrant is needed for fire protection, compliance with water conservation standards, and other applicable law. For situations where temporary water service is needed for a period longer than 120 days, the user can purchase a metering device of a size, make and model specified by OWASA. A \$200.00 (**No Change Proposed**) service charge, payable in advance, shall be collected for setting and removing the meter. In addition, a security deposit shall be required in accordance with the following schedule:

Security Deposit
\$1,000 (**No Change Proposed**)

Monthly billings for temporary hydrant meters consist of two charges: (1) a service charge for that size meter, and (2) the seasonal commodity charge, including surcharges where applicable, based on monthly readings of the meter. When the hydrant meter is returned, the security deposit shall be applied to the final bill plus any damages. The Customer is responsible for paying OWASA for damages that exceed the amount of the Security Deposit. 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) Multi-family Residential, Individually-metered; and (3) Non-residential. The Non-residential category includes master-metered multi-family customers and all commercial, University, and other institutional accounts. The use of these categories is justified by distinctive patterns of water and sewer consumption.

| | | |
|--|-----------------|-----------------|
| 5/8" Meter, Single-family Residential: | <u>Existing</u> | <u>Proposed</u> |
| <1300 square feet | \$1,143 | \$1,186 |
| 1300-1700 square feet | \$1,395 | \$1,448 |
| 1701-2400 square feet | \$1,766 | \$1,833 |

| | | |
|--------------------------------------|-----------|------------------|
| 2401-3100 square feet | \$3,018 | \$3,133 |
| 3101-3800 square feet | \$4,104 | \$4,260 |
| >3800 square feet | \$6,889 | \$7,151 |
| 5/8" Meter, Multi-family Residential | \$1,231 | \$1,278 |
| 5/8" Meter, Non-residential* | \$3,344 | \$3,471 |
| 1" Meter, Non-residential* | \$8,360 | \$8,678 |
| 1-1/2" Meter, Non-residential* | \$16,720 | \$17,355 |
| 2" Meter, Non-residential* | \$26,752 | \$27,769 |
| 3" Meter, Non-residential* | \$53,504 | \$55,537 |
| 4" Meter, Non-residential* | \$83,600 | \$86,777 |
| 6" Meter, Non-residential* | \$167,200 | \$173,554 |
| 8" Meter, Non-residential* | \$267,520 | \$277,686 |

* Same fee for Irrigation-Only accounts.

A person or party completing a development or re-development project may be eligible to request and receive a credit on the Water Availability Fees due if their project directly results in the permanent abandonment of previously existing water meters which were connected to residences, buildings or facilities connected to and having a documented demand on the OWASA water system.

If OWASA determines that a credit is due, the amount of the credit shall be based on the current Water Availability Fees that would apply to the size of the water meters that are permanently abandoned as a direct result of the project. However, the credit due shall not exceed the amount of the Water Availability Fees that would otherwise apply to the development or re-development project.

If an existing water meter is removed from service and/or is replaced with a smaller meter, OWASA will not issue any credit or refund to the customer for any previously paid Availability Fees.

Availability Fee credits are not transferrable to any other project or property.

WATER SERVICE AND METER INSTALLATION CHARGE

This charge is to recover costs of extending service from the OWASA 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 to serve the customer's 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 shall apply. Customer requested meter/water service relocations shall be performed on a time and materials basis. Complete new and/or additional water service installation and meter-only charges are as follows:

| | <u>Existing</u> | <u>Proposed</u> |
|---|-----------------|-----------------|
| Complete Water Service Installation, 5/8" meter | \$2,785 | \$2,785 |
| Complete Water Service Installation, 1" meter | \$2,980 | \$2,980 |
| Meter Only Installation, 5/8" meter | \$200 | \$200 |
| Meter Only Installation, 1" meter | \$250 | \$250 |
| Meter Only Installation, 1-1/2" meter | \$520 | \$520 |

| | | |
|--|-------|--------------|
| Meter Only Installation, 2" meter | \$975 | \$650 |
| Remote Read Box with 5/8" Detector Meter | \$355 | \$355 |

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 shall be responsible for providing a meter box or vault constructed to OWASA standards. All meters, regardless of size, shall be purchased from OWASA at cost plus 10%. A \$100.00 (**No Change Proposed**) delivery fee for 3-inch and larger meters shall also apply.

A remote read box and 5/8" detector meter shall be required on all private fire protection service connections. The remote read box shall be purchased from OWASA and installed by the applicant. OWASA shall install the 5/8" detector meter at the applicant's expense.

WATER MAIN TAPPING FEE

This charge is for making a tap into an OWASA water main. The tap fee shall 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 may be needed 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 shall be for time and equipment plus an allowance for overhead, but not less than \$350.00 (**No Change Proposed**).

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 \$100.00 (**No Change Proposed**) 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. The tap will not be performed until any applicable reinspection fees are paid in full.

HYDRAULIC FIRE FLOW TESTING

This charge is calculated to recover the cost of hydrant 'fire flow' testing of the water distribution system. Test results provide data to developers and engineers to determine available flows and pressures in the systems they are designing for new developments.

\$225.00 per test (**No Change Proposed**)

SECTION II: SEWER RATES AND FEESMONTHLY 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 billing date. Monthly sewer rates consist of two components: a monthly service charge and a sewer 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. Meter readings and service charges for first and final bills are prorated based on days of service. Applicable to all sewer accounts, regardless of whether or not there is a commodity charge, the monthly service charge is based on the size of the meter upon which sewer usage is calculated as follows:

| <u>Meter Size</u> | <u>Monthly Service Charge</u> | |
|-------------------|-------------------------------|-----------------|
| | <u>Existing</u> | <u>Proposed</u> |
| 5/8" | \$10.77 | \$11.77 |
| 1" | \$18.50 | \$20.21 |
| 1-1/2" | \$31.88 | \$34.83 |
| 2" | \$48.21 | \$52.67 |
| 3" | \$91.16 | \$99.59 |
| 4" | \$139.35 | \$152.24 |
| 6" | \$255.49 | \$279.12 |
| 8" | \$435.96 | \$476.29 |

The monthly sewer service charge shall apply to any meter(s) used to directly or indirectly measure the volume of wastewater discharged from a customer's premises, regardless of whether the water source to the customer is from OWASA's drinking water and/or reclaimed water system, or a non-OWASA water source including but not limited to harvested rainwater or groundwater.

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. When a billing period includes a change in commodity rates, the charges are prorated based on the ratio of days in the billing period at the old and new rates. Metered monthly consumption will be billed in thousand gallon increments rounded down to the nearest thousand gallons. Unbilled consumption due to rounding will be carried forward and billed in the month the next thousand gallon increment is registered by the meter. 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.

The sewer commodity charge is applicable to all customer's discharging wastewater into the OWASA sewer system, regardless of whether or not that discharge results from the customer's use of OWASA's drinking water or reclaimed water, or their use of a non-OWASA water source, including but not limited to harvested rainwater or groundwater.

\$5.81 per thousand gallons (**Proposed \$6.35**)

Individually-metered residential customers will not be charged for monthly sewer use in excess of 15,000 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 OWASA.

MONTHLY RATES FOR SEWER ONLY ACCOUNTS

For sewer only accounts where there is no OWASA meter for directly or indirectly measuring the volume of wastewater discharged by the customer, the monthly sewer service and commodity charges shall be fixed and be the total of:

- (1) a monthly service charge which shall be determined by the water meter size which would be required to supply water service to the property,

plus

- (2) a sewer commodity charge of \$5.81 (**Proposed \$6.35**) per 1,000 gallons times the estimated volume of wastewater expected to be discharged by the customer (using national engineering standards as the basis); provided however, that in no case shall the billable quantity be less than 6,000 gallons per month.

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.

If a customer that has a standard metered water and sewer service (sewer gallons billed are based on the water gallons billed) also discharges wastewater resulting from the use of OWASA reclaimed water, harvested rainwater, groundwater, or sources other than OWASA drinking water, that customer shall be billed a monthly service charge and commodity charges calculated in accordance the *OWASA Rainwater Harvesting Systems Requirements and Charges Policy* for said additional discharge; provided, however, that the minimum threshold for which

the charges shall apply is 3,000 gallons per month. For this purpose, such systems serving single-family residential customers are deemed to fall below this threshold, provided there is also a standard metered water and sewer service.

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 the availability fee, customer accounts are divided into three categories: (1) Single-family Residential; (2) Multi-family Residential, Individually-metered; and (3) Non-residential. The Non-residential category includes master-metered Multi-family customers plus all other commercial, the University, and other institutional accounts. The use of these categories is justified by distinctive patterns of water and sewer consumption.

| | | |
|--|-----------------|------------------|
| 5/8" Meter, Single-family Residential: | <u>Existing</u> | <u>Proposed</u> |
| <1300 square feet | \$2,652 | \$2,753 |
| 1301-1700 square feet | \$3,204 | \$3,326 |
| 1701-2400 square feet | \$3,260 | \$3,384 |
| 2401-3100 square feet | \$3,995 | \$4,147 |
| 3101-3800 square feet | \$4,317 | \$4,481 |
| >3800 square feet | \$4,904 | \$5,090 |
| 5/8" Meter, Multi-family Residential | \$2,874 | \$2,983 |
| 5/8" Meter, Nonresidential | \$5,703 | \$5,920 |
| 1" Meter, Nonresidential | \$14,257 | \$14,799 |
| 1-1/2" Meter, Nonresidential | \$28,515 | \$29,599 |
| 2" Meter, Nonresidential | \$45,624 | \$47,358 |
| 3" Meter, Nonresidential | \$91,248 | \$94,715 |
| 4" Meter, Nonresidential | \$142,575 | \$147,993 |
| 6" Meter, Nonresidential | \$285,150 | \$295,986 |
| 8" Meter, Nonresidential | \$456,240 | \$473,577 |

In addition to the sewer availability fee, an excess sewer capacity fee of four percent (4%) of the applicable sewer service availability fee shall be charged to recover the costs of excess sewer capacity installed in an area covered by an agreement with a developer for credit payments to the constructing developer. This fee shall apply to residential and non-residential customers.

A person or party completing a development or re-development project may be eligible to request and receive a credit on the Sewer Availability Fees due if their project directly results in the permanent abandonment of previously existing water meters and sewer services which were connected to residences, buildings or facilities connected to and having a documented demand on the OWASA sanitary sewer system.

If OWASA determines that a credit is due, the amount of the credit shall be based on the current Sewer Availability Fees that would apply to the size water meters that are permanently abandoned as a direct result of the project. However, the credit due shall not exceed the amount of the Sewer Availability Fees that would otherwise apply to the development or re-development

project.

If an existing water or sewer meter upon which consumption is based is removed from service and/or is replaced with a smaller meter, OWASA will not issue any credit or refund to the customer for any previously paid Availability Fees.

Availability Fee credits are not transferrable to any other project or property.

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 may be needed 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 lines 6" in diameter and larger must be tapped into a manhole. All permits, bonds and pavement repairs are the responsibility of the applicant.

The charge shall be for time and equipment plus an allowance for overhead, but not less than \$320.00 (**No Change Proposed**).

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 \$100.00 (**No Change Proposed**) 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. The tap will not be performed until any applicable reinspection fees are paid in full.

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.

Normal Strength Domestic Wastewater

| | |
|---|----------|
| Carbonaceous Biochemical Oxygen Demand (CBOD) | 205 mg/l |
| Suspended Solids (SS) | 235 mg/l |
| Ammonia Nitrogen (NH ₃ -N) | 25 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:

| | |
|---|--|
| Carbonaceous Biochemical Oxygen Demand (CBOD) | \$0.38 (Proposed \$0.42) per pound for all CBOD in excess of 205 mg/l |
| Suspended Solids (SS) | \$0.47 (Proposed \$0.51) per pound for all SS in excess of 235 mg/l |
| Ammonia Nitrogen (NH ₃ -N) | \$2.73 (Proposed \$0.2.98) (per pound for all NH ₃ -N in excess of 25 mg/l |
| Phosphorus (P) | \$11.00 (Proposed \$12.02) (per pound for all P excess of 6.5 mg/l |

SECTION III: RECLAIMED WATER RATES AND CHARGES

MONTHLY RECLAIMED WATER RATES

Reclaimed water charges will be 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 reclaimed water rates consist of two components: a monthly service charge and a commodity (volume) charge.

The University of North Carolina at Chapel Hill (UNC) funded the construction of the first phase of the reclaimed water system, and the methodology for determining reclaimed water charges applicable to UNC is stipulated by a contract between OWASA and UNC. For this reason, reclaimed water charges have been established for two major customer classes: UNC uses and non-UNC uses. As determined necessary by OWASA, and in accord with OWASA's contractual obligations to UNC, reclaimed water service to non-UNC customers may be temporarily interrupted to ensure the UNC's reclaimed water demand can be met from the facilities and capacity paid for by UNC.

Reclaimed Water Service Charge

This fixed monthly charge is calculated to recover direct and indirect costs including but not limited to customer service and billing, meter and lateral maintenance, general and administrative services, and fixed costs associated with supplying reclaimed water to the customer's property. The Reclaimed Water service charge is applicable to all metered reclaimed water accounts, independent of the quantity of reclaimed water consumed. Meter readings and service charges for first and final bills are prorated based on days of service.

UNC Reclaimed Water Use (covers all UNC reclaimed water uses served by the facilities paid for by UNC) \$24,000 (**No Change Proposed**) per month

| | | |
|---|----------------|-------------------|
| Non-UNC RCW Customers (No Changes Proposed) | 5/8" meter | \$8.37 per month |
| | 1-inch meter | \$16.74 per month |
| | 1.5-inch meter | \$30.96 per month |
| | 2-inch meter | \$47.62 per month |

Service charges for non-UNC reclaimed water meters larger than 2" will be determined on a case-by-case basis following an evaluation of the reclaimed water demands of the customer.

Reclaimed Water Commodity Charge

This charge is calculated to recover the direct costs for reclaimed water treatment and distribution and all other direct and indirect costs not recovered by fixed monthly service charges. This charge is applicable to all reclaimed water accounts based on meter readings of reclaimed water consumed.

When a billing period includes a change in commodity rates, the charges are prorated based on the ratio of days in the billing period at the old and new rates. Metered monthly consumption will be billed in thousand gallon increments rounded down to the nearest thousand gallons. Unbilled consumption due to rounding will be carried forward and billed in the month the next thousand gallon increment is registered by the meter.

(No Changes Proposed)

| | |
|-----------------------|--------------------------|
| UNC Accounts | \$0.60 per 1,000 gallons |
| Non-UNC RCW Customers | \$2.18 per 1,000 gallons |
| Bulk (Tanker) Sales | \$0.00 |

RECLAIMED WATER SERVICE AVAILABILITY AND CONNECTION FEES

Reclaimed Water Availability Fees

The purpose of this fee is to recover the capital costs of providing reclaimed water system facility capacity and to fund future expansion of that capacity. Since the University (UNC) has paid to construct the reclaimed water system, UNC will not be required to pay a reclaimed water availability fee for UNC facilities that are connected to and can be served by capacity available in the reclaimed water facilities paid for by the UNC.

Reclaimed water availability fees are applicable to each non-UNC connection to the reclaimed water system, regardless of who may have paid for the installation of the main to which the connection is to be made. Reclaimed water availability fees for non-UNC customers are as follows:

| <u>Meter Size</u> | <u>Fee</u> | |
|-------------------|-----------------|-----------------|
| | <u>Existing</u> | <u>Proposed</u> |
| 5/8" | \$1,110 | \$1,152 |
| 1" | \$2,775 | \$2,880 |
| 1-1/2" | \$5,550 | \$5,761 |
| 2" | \$8,880 | \$9,217 |

Reclaimed water availability fees for connections to be served by meters larger than 2 inches shall be determined on a case-by-case basis following an evaluation of the reclaimed water demands of the customer.

Reclaimed Water Service Connection Fees

Reclaimed water service connection fees, including meter installation and meter fees, shall be the same as the fees applicable to potable water system service connections, as specified in Section I of this schedule.

SECTION IV: MISCELLANEOUS CHARGESSERVICE 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.

(No Changes Proposed)

\$45.00 per event

\$80.00 per event, outside of normal business hours of OWASA

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 Change 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:

(No Changes Proposed)

Returned Check: \$25.00

Dishonored Draft: \$25.00

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 or an additional security deposit.

CHARGE FOR RECONNECTION OF DELINQUENT ACCOUNTS

Disconnection of water, sewer and/or reclaimed water 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 is 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 the balance due plus the reconnection charge and applicable security deposit.

(No Changes Proposed)

\$45.00 per event, during OWASA's normal business hours

\$80.00 per event, outside OWASA's normal business hours

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.

\$45.00 per event, during OWASA's normal business hours **(No Change Proposed)**

\$80.00 per event, outside OWASA's normal business hours **(Added)**

LATE PAYMENT FEE

This fee is designed to recover a portion of the cost of delinquent payment collection efforts that arise prior to service termination and are not recovered by charges for reconnection of delinquent accounts, and to encourage customers to make timely payments, thereby reducing the overall cost of a delinquent account to the customer base. The late payment fee applies when a customer's account is delinquent as defined above.

(Added Minimum Balance of \$10.00)

Late Payment Fee: For past due balances of \$10.00 or more, \$2.40 plus 0.42% a month (5% APR) of the outstanding balance.

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 of single-family residential properties, whether 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 \$50.00 (**No Change Proposed**) for single-family residential customers. All security deposits must be paid at the time application for service is made and in advance of service initiation.

Any residential customer whose service has been disconnected for non-payment of billing charges twice within a six month period of time and who has not previously given a security deposit will be required to pay a \$50.00 (**No Change Proposed**) security deposit prior to reconnection of service.

Non-residential security deposits may be required and will be computed as two times the average monthly bill of the previous customer at the same location over the past calendar year. If there is no previous customer at the service location, the security deposit will be determined by OWASA based on the best information available, such as OWASA's experience with similar types, sizes, etc. of businesses.

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 may be refunded after the customer has established a satisfactory payment history for 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:

| | |
|--|--|
| Administrative Charge | \$30.00/ trip, plus (No Change Proposed) |
| Volume Charge and High Strength Surcharge | \$125.00 (Proposed \$137.00)/ thousand gallons |

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
- CBOD = Carbonaceous Biochemical Oxygen Demand
- TSS = Total Suspended Solids
- P = Phosphorus

Administrative Charge of \$30.00 (**No Change Proposed**) / trip, 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 \$2.73 (**Proposed \$2.98**)/pound

B = pounds of CBOD/thousand gallons in waste x \$0.38 (**Proposed \$0.42**)/pound

C = pounds of TSS/thousand gallons in waste x \$0.47 (**Proposed \$0.51**)/pound

D = \$5.81 (**Proposed \$6.35**)/per 1,000 gallons Sewer Commodity Charge

E = pounds of P/thousand gallons in waste x \$11.00 (**Proposed \$12.02**)/pound

Waste concentrations shall be 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 | \$25.00 (No Change Proposed) per trip, plus |
| Commodity Charge | \$5.40 (\$5.90 Proposed) per thousand gallons or portion thereof. |

Bulk sales are subject to administrative regulations and controls for protection of the wastewater 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 Change Proposed**).

BOAT RENTAL AND LAKE USE FEES (changes effective March, 2011)General Public

Fees are 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 are:

OWASA CUSTOMERS AND ORANGE COUNTY RESIDENTS

Day Use

| | |
|--|---|
| Charge for each boat or canoe rental | \$4.00 (Proposed \$4.50) for one-half day plus the applicable lake use fee for each person |
| Trolling motor rental | \$14.00 (Proposed \$15.00) for one-half day |
| Private Boat Launching Fee | \$3.00 (Proposed \$3.50) per boat plus the applicable lake use fee for each person |
| Lake Use Fee, Under 12 Years Old | \$2.00 (No Change Proposed) per person |
| Lake Use Fee, 12-64 Years | \$4.00 (Proposed \$4.50) per person |
| Lake Use Fee, 65 Years and over | \$2.00 (No Change Proposed) per person |
| INDIVIDUAL SEASON PASS Boat or canoe rental | \$75.00 (Proposed \$80.00) per person. Each additional person pays appropriate lake use fee. |
| Lake Use Pass – Adult | \$40.00 (Proposed \$45.00) |
| Boat with trolling motor rental | \$150.00 (Proposed \$160.00) per person. Each additional person pays appropriate lake use fee. |
| GROUP SEASON PASS Boat or canoe rental | \$150.00 (Proposed \$160.00) (maximum of 3 people per pass.) Each additional person pays appropriate lake use fee. |
| Boat with trolling motor rental | \$220.00 (Proposed \$240.00) (maximum of 3 people per pass.) Each additional person pays appropriate lake use fee. |

FOR VISITORS WHO ARE NOT OWASA CUSTOMERS OR ORANGE COUNTY RESIDENTS

Day Use

| | |
|---|--|
| Charge for each boat or canoe rental | \$7.00 (Proposed \$8.00)for one-half day plus the applicable lake use fee for each person |
| Trolling motor rental | \$20.00 (Proposed \$22.00) for one-half day |
| Private Boat Launching Fee | \$6.00 (Proposed \$7.00) per boat plus the applicable lake use fee for each person |
| Lake Use Fee, Under 12 years old | \$2.00 (Proposed \$2.50)per person |
| Lake Use Fee, 12-64 Years | \$5.00 (Proposed \$5.50)per person |
| Lake Use Fee, 65 Years and over | \$2.00 (Proposed \$2.50)per person |
| UNC Men's Crew Club and Women's Rowing Team | By agreement between UNC- Chapel Hill and OWASA. |

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 \$80.00 (**No Change Proposed**) for the meter test.

SHOP TESTING OF METER

Upon a customer's written request, OWASA will conduct a special shop test of water meters that are 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 \$125.00 (**No Change Proposed**) for the shop meter test.

FIELD TEST OF LARGE METERS

Upon a customer's written request, OWASA will conduct a special field test of water meters that are 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 \$225.00 **(No Change Proposed)**.

REINSPECTION FEE

OWASA will initially inspect grease traps, cross connections and water and sewer taps at no cost to the customer. Should a subsequent reinspection be required for any of these fixtures, a \$100.00 **(No Change Proposed)** fee will apply to each reinspection.

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, water sampling, laboratory testing, video inspection, pressure testing, etc. associated with 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 Change Proposed)**.

| | WATER | SEWER |
|---------------------------|---------------------------------------|---------------------------------------|
| Plan Review: | \$3.63/lf (No Change Proposed) | \$3.63/lf (No Change Proposed) |
| Construction Observation: | \$3.69/lf (No Change Proposed) | \$3.69/lf (No Change Proposed) |

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, relocation of mains, services and meters, 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 to a customer when such a customer (including but not limited to individuals, corporations, or partnerships), owes OWASA any past due balance which is not in dispute.


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 (**No Change Proposed**). For amounts exceeding \$1,500.00 (**No Change Proposed**), approval of the Board of Directors shall also be required prior to filing an action for collection.

**ORANGE WATER AND SEWER AUTHORITY**

*A public, non-profit agency providing water, sewer and reclaimed water services
to the Carrboro-Chapel Hill community.*

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin 

FROM: F. Stuart Carson, P.E.

DATE: May 20, 2010

SUBJECT: Semiannual Status Report for Various Capital Improvement Projects including
the Semiannual Report on Communications Plans for Capital Projects

SUMMARY

This semiannual status report provides information on active or recently completed capital improvement projects. It includes a brief summary of project activities, highlighting information significant to project cost and/or schedule. "Cost to Date" versus "Project Budget" information is also presented. Please note that the budget amounts shown for individual projects may differ from the amounts shown in the fiscal year (FY) 2010 Capital Improvements Program (CIP). These differences are related either to differences in the amount of funds carried over into the current FY from past FYs, situations where contracts have been awarded (actual contract award amount is known), or where cost estimates have been refined during the later design phases for a particular project.

Communication plan updates for each project are also included in this report.

1. University Lake Pump Station Improvements (CIP# 270-11, CIP Page 23)

Background: This project includes the design and installation of a 1 to 3 million gallons per day (MGD) capacity variable speed raw water pump to provide a low flow pumping capability at the University Lake pump station. In the current configuration, the minimum pumping rate is 5 MGD. A lower (variable control) flow pumping capability is needed to allow continuous movement of water in the raw water transmission line coming from University Lake when the Cane Creek Reservoir is being used as the primary raw water source (because of water quality issues that arise when raw water sits stagnant in a transmission main).

| | |
|---------------|------------------------------|
| Study: | McKim & Creed |
| Design: | McKim & Creed |
| Construction: | Crowder Construction Company |
| Inspection: | OWASA / McKim & Creed |

Project Schedule and Budget:

| | Status | Start | Finish | Project Budget | Cost to Date |
|--------------------|----------|----------|----------|-------------------|------------------|
| Planning | Complete | | Aug 2006 | \$ 12,000 | \$ 12,000 |
| Design/Land | Complete | Jul 2007 | Apr 2008 | \$ 23,000 | \$ 30,021 |
| Construction | Pending | Feb 2010 | Sep 2010 | \$ 239,000 | \$ 37,483 |
| Construction Admin | Pending | Feb 2010 | Sep 2010 | \$ 5,600 | \$ 0 |
| Inspection | Pending | Feb 2010 | Sep 2010 | \$ 4,300 | \$ 0 |
| Equipment | | | | | |
| Contingency | | | | \$ 27,000 | \$ 0 |
| Total | | | | \$ 318,900 | \$ 79,504 |

Project Update: Design and permitting for this project was completed in 2008 but construction was postponed due to budgetary restrictions. Staff applied for American Recovery and Reinvestment Act of 2009 (ARRA) funding and the project is currently on the ARRA ‘Overcommitment List’. Should funds from other ARRA projects not be used, the University Lake Pump Station project potentially may receive partial or full funding under an ARRA grant. Construction phase activity since February 2010 has consisted of material and equipment approvals and fabrication. Actual site construction will begin this month and will be complete by the end of the summer.

Public Communication: There are no impacts to neighbors as a result of this construction. No public communication has been made to date and none are planned.

2. Water Facilities Security Improvements (CIP# 272-14, CIP page 40)

Background: This project initially was undertaken to implement the recommended improvements from the Vulnerability Assessment completed in response to the Federal Public Health Security and Bioterrorism Preparedness and Response Act. Subsequent planning redefined the major project objective and scope elements to focus exclusively on protection of public health (as opposed to protection of system assets). The project is now being conducted in two phases: the first phase will upgrade and supplement existing security equipment such as high security locks, motion detection, etc. at identified high-risk locations and the second phase will install a contaminant monitoring system within the water distribution network.

Planning: Black and Veatch
 Design: TBD
 Construction: Various

Project Schedule and Budget:

| | Status | Start | Finish | Project Budget | Cost To Date |
|--------------------|----------------------|----------|----------|------------------------|--------------|
| Planning and Study | Complete | Mar 2007 | Jul 2008 | \$ 30,973 | \$ 30,973 |
| Design/Land/ROW | Pending ¹ | Jul 2010 | Dec 2010 | \$ 22,000 ¹ | \$ 0 |
| Construction | Active | Apr 2010 | Jul 2011 | \$ 249,000 | \$ 2,350 |
| Construction Admin | Pending ¹ | Jan 2011 | Jul 2011 | \$ 11,000 ¹ | \$ 0 |
| Inspections | Pending ¹ | Jan 2011 | Jul 2011 | \$ 11,000 ¹ | \$ 0 |

| | | | | | |
|---------------|--|--|--|-------------------|------------------|
| Equipment | | | | | |
| Contingencies | | | | \$ 32,000 | \$ 0 |
| Total | | | | \$ 355,973 | \$ 33,323 |

[†] For Phase 2

Project Update: The Phase 1 upgrade of existing security equipment is ongoing and expected to be complete this summer. Design and installation of the Phase 2 contaminant monitoring system is planned for FY 2011.

Public Communication: No public communication has been made to date and none are planned.

3. Water Line Rehabilitation and Replacement Program – (CIP# 275-20, CIP Page 66)

Background: CIP category 275-20 represents OWASA’s ongoing water main replacement and rehabilitation program and consists of various water main replacement projects throughout the service area. Projects primarily are identified by a water main prioritization model that is updated every 2 -3 years. Construction projects for FY 2010 include various water main replacements in the Colony Woods, Ridgefield, and Briarcliff neighborhoods.

Design: OWASA
 Construction: OWASA

Project Schedule and Budget:

| | Status | Start | Finish | Project Budget | Cost to Date |
|--------------------|--------|----------|----------|-------------------|-------------------|
| Planning and Study | | | | | |
| Design/Land/ROW | Active | Jul 2009 | Jun 2010 | \$ 0 | \$ 0 |
| Construction | Active | Jul 2009 | Jun 2010 | \$ 936,000 | \$ 574,009 |
| Construction Admin | | | | | |
| Inspections | | | | | |
| Equipment | | | | | |
| Contingencies | Active | Jul 2009 | Jun 2010 | \$ 59,000 | \$ 0 |
| Total | | | | \$ 995,000 | \$ 574,009 |

Project Update: Construction is complete in the Colony Woods neighborhood and is ongoing in the Ridgefield/Briarcliff neighborhoods through December 2010 (budget numbers in the table above are shown for FY 2010 only). Nearly one mile of new water mains have been installed in FY 2010 to date. FY 2010 work also included engineering consultant assistance to refine and improve the software model used to identify and prioritize projects.

Public Communication: Public notices are sent out prior to and periodically during construction, and a customer survey is sent following completion of the project. A survey will be sent to Colony Woods customers this month and results will be included with the next performance measures report. The customer survey for Ridgefield/Briarcliff will be mailed out following completion of all work in December 2010.

4. Water Distribution System Hydraulic Model (CIP# 275-53, CIP Page 90)

Background: OWASA’s model was first developed in 1982 and was updated in 1992 and 2000. In 2004, OWASA began development of an “all pipes” model that combined GIS data and existing hydraulic model data so that all of the existing water pipes were represented in the model. The “all pipes” model was calibrated under existing demand conditions in 2006 and future water demand projections were added to the model for the 740-foot pressure zone in 2007. This update to OWASA’s existing hydraulic model will complete the model by adding future demands in the 640-foot pressure zone to the database and then calibrating the entire model to ensure it reasonably represents the entire system.

Model Update: AECOM (formerly Earth Tech)

Project Schedule and Budget:

| | Status | Start | Finish | Project Budget | Cost to Date |
|--------------------|--------|----------|----------|-------------------------|---------------------|
| Planning and Study | Active | Dec 2009 | Nov 2010 | \$ 211,863 ¹ | \$ 70,084.02 |
| Design/Land/ROW | | | | | |
| Construction | | | | | |
| Construction Admin | | | | | |
| Inspections | | | | | |
| Equipment | | | | | |
| Contingencies | | | | | |
| Total | | | | \$ 211,863 | \$ 70,084.02 |

¹ The executed contract amount with AECOM is \$11,263 higher than FY '10 CIP budgeted amount. There are sufficient funds in the CIP budget to pay this increased amount.

Project Update: OWASA contracted for this work with AECOM in December 2009. AECOM has completed reviewing existing information and most of the field tests. They are now evaluating the estimated future water demands provided by OWASA staff and are completing their update of the existing model. Once the model is updated, it will be calibrated (including field test verifications, as warranted) and then used to evaluate the system for capacity, pressure, and water quality evaluations. The final part of the contract will be to develop a Capital Improvement Planning project prioritization tool and to recommend project prioritization. Work on the model update will be complete in November 2010.

Public Communication: This project involves limited fire hydrant flushing to check flows and pressures at several location in the OWASA service area. Door-to-door notications will continue to be made as appropriate, but no mass mailing or survey is appropriate for this project. The municipal fire departments also are notified of any planned field work involving pressure monitoring at fire hydrants.

5. Bolin Creek Interceptor Phase III (CIP# 276-01, CIP Page 104)

Background: The Bolin Creek Interceptor project will replace approximately 6,100 feet of the existing 15 inch and 18 inch sewer interceptor with a new 30 inch pipe. The new construction will provide additional capacity required to accommodate growth in the service area and will reduce existing inflow/infiltration and surcharge conditions.

Design: HDR Engineering, Inc. of the Carolinas
 Construction: TBD
 Inspection: HDR Engineering, Inc. of the Carolinas

Project Schedule and Budget:

| | Status | Start | Finish | Project Budget ¹ | Cost to Date ¹ |
|--------------------|----------|----------|----------|-----------------------------|---------------------------|
| Planning | Complete | Jan 2004 | Mar 2004 | \$ 65,000 | \$ 64,363 |
| Design/Land/ROW | Active | Nov 2005 | Jun 2010 | \$ 331,542 | \$ 284,245 |
| Construction | Pending | Nov 2010 | Jan 2012 | \$ 4,080,000 | |
| Construction Admin | Pending | Nov 2010 | Jan 2012 | \$ 79,821 | |
| Inspections | Pending | Nov 2010 | Jan 2012 | \$ 238,971 | |
| Equipment | | | | | |
| Contingencies | Pending | Nov 2010 | Jan 2012 | \$ 408,000 | |
| Total | | | | \$ 5,203,334 | \$ 348,608 |

¹ Planning, Design, Construction Administration, and Inspections budgets are based upon contractual agreements or proposed additional services quotes by HDR. The Construction and Contingencies estimates are from an October 2009 Hazen and Sawyer (H&S) constructability review cost estimate.

Project Update: The design was completed in FY 2007 when the project was placed on hold for budgetary reasons. The project was restarted in FY 2009 in an unsuccessful attempt to obtain economic stimulus funding under the American Recovery and Reinvestment Act of 2009 (ARRA). A Town of Chapel Hill Zoning Compliance Permit (ZCP) was obtained in January 2010. Following OWASA staff evaluation of the H&S constructability review, design changes were made that necessitated modifying the ZCP. Approval of the modified ZCP is expected before July 2010. Easement acquisition efforts are underway and all easements are expected to be obtained and recorded prior to July 2010. Contractors will be pre-qualified to bid for this project and the construction phase will begin in November 2010 and is estimated to last 14 months.

Public Communication: In October 2005 public notices were mailed to area residents and stakeholders to inform them of OWASA’s plans for replacing the existing sewer interceptor. Letters were also mailed to immediate project neighbors in February 2006 alerting them about the start of land surveying for this project. The area residents and other stakeholders will be notified in July 2010 of the pending construction phase and regular project updates will be provided to the community throughout the project’s duration. A customer survey will be distributed following substantial completion of the project.

6. Willow Drive/Estes Drive & US 15-501/Culbreth Road Aerial Replacements (CIP# 276-42, CIP Page 117)

Background: This project will replace or rehabilitate two existing gravity sanitary sewer aerial crossings over creeks. These two sites were identified by OWASA Operations staff as needing prompt repair. The Willow Drive/Estes Drive project will replace an existing 8-inch sewer line over Bolin Creek. The US 15-501/Culbreth Road project will rehabilitate a 24-inch sewer line over Morgan Creek.

Design: The John R. McAdams Co., Inc.
 Construction: TBD

Inspection: The John R. McAdams Co., Inc.

Project Schedule and Budget:

| | Status | Start | Finish | Project Budget ¹ | Cost to Date |
|--------------------|---------|----------|----------|-----------------------------|------------------|
| Planning and Study | Active | Oct 2009 | Jan 2010 | \$ 24,000 | \$ 14,503 |
| Design/Land/ROW | Active | Oct 2009 | Jun 2010 | \$ 65,500 | \$ 31,464 |
| Construction | Pending | Jul 2010 | Sep 2010 | \$ 145,000 | \$ 0 |
| Construction Admin | Pending | Jul 2010 | Sep 2010 | \$ 5,400 | \$ 0 |
| Inspections | Pending | Jul 2010 | Sep 2010 | \$ 3,700 | \$ 0 |
| Equipment | | | | | |
| Contingencies | Pending | Jul 2010 | Sep 2010 | \$ 20,000 | \$ 198 |
| Total | | | | \$ 263,600 | \$ 46,165 |

¹ Project budget amounts are from the contract with The John R. McAdams Co., Inc (including Change Order No. 1).

Project Update: The John R. McAdams Company was selected in October 2009 to provide engineering services. The replacement for the 8-inch diameter Bolin Creek aerial crossing near Willow Drive/Estes Drive has been designed and permitted and a needed easement has been obtained. Advertisement for bid is scheduled for late May 2010 and construction is expected to be completed in August 2010. Analysis of the Morgan Creek aerial crossing near US 15-501/Culbreth Road revealed that the existing piers can be stabilized. The pier stabilization project was advertised for bids in early May 2010 and construction is expected to be complete in September 2010. The existing 24-inch diameter gravity sewer pipe will be lined with cured-in-place pipe (CIPP) under a separate contract this fall.

Public Communication: Area residents and other stakeholders will be notified at least 30 days prior to the construction start date at each site and will be regularly updated thereafter. A customer survey will be distributed following substantial completion for each site.

7. Sanitary Sewer Flow Monitoring and Service Area Study (CIP# 276-43, CIP Page 119)

Background: This project is a long-range planning study of the sanitary sewer collection system for the OWASA service area. OWASA last completed such a study in 2001 as part of the Comprehensive Water and Sewer Master Plan. The current study will be completed by December 2010 and will identify and prioritize sanitary sewer evaluation studies (SSES), rehabilitation and replacement projects, and capacity projects for a 20-year planning period. The consultant contract for this project also includes design and construction phase services for cured-in-place-pipe (CIPP) lining sewer rehabilitation projects as identified by OWASA staff.

Design: Camp Dresser & McKee (CDM)
 Construction: TBD
 Inspection: CDM

Project Schedule and Budget:

| | Status | Start | Finish | Project Budget | Cost to Date |
|---------------------------|---------|----------|----------|-------------------|------------------|
| Planning and Study | Active | Oct 2009 | Nov 2010 | \$ 392,200 | \$ 76,418 |
| Design/Land/ROW | Active | Nov 2009 | Sep 2010 | \$ 37,250 | \$ 0 |
| Construction ¹ | Pending | Oct 2010 | Jun 2011 | \$ 0 | \$ 0 |
| Construction Admin | Pending | Oct 2010 | Jun 2011 | \$ 31,010 | \$ 0 |
| Inspections | Pending | Oct 2010 | Jun 2011 | \$ 19,440 | \$ 0 |
| Equipment | | | | | |
| Contingencies | | | | | |
| Total | | | | \$ 479,900 | \$ 76,418 |

¹ Construction costs for the CIPP lining projects are included under 276-18.

Project Update: CDM, with significant input from staff, is developing a condition assessment methodology that will identify sewer collection system projects and studies. The condition assessment results will be combined with results from a hydraulic capacity evaluation to produce a prioritized list of collection system replacement and rehabilitation projects. Flow monitoring in support of this hydraulic capacity evaluation is ongoing. The final report is expected to be complete by December 2010.

CDM also is providing design and inspection of CIPP sewer pipe lining projects which will be undertaken in various locations within the collection system through FY 2011.

Public Communication: No public communication is anticipated for any of the study tasks. A communication plan will be developed once any required CIPP lining projects are initiated.

8. Mason Farm Wastewater Treatment Plant Phase 3 Odor Elimination – Aeration Basins (part of CIP# 278-13, Page 142)

Background: This multi-year project is part of the overall WWTP odor elimination program and includes the design and installation of aluminum covers and activated carbon odor treatment units for identified priority odor sources the aeration basins. The project was identified by a FY 2007 odor study.

Design: Brown & Caldwell
 Construction: TBD
 Inspection: Brown & Caldwell

Project Schedule and Budget:

| | Status | Start | Finish | Project Budget | Cost To Date |
|--------------------|----------|----------|----------|----------------|--------------|
| Planning and Study | | | | | |
| Design/Land/ROW | Complete | Apr 2008 | Jan 2011 | \$ 130,168 | \$ 102,162 |
| Construction | Pending | Feb 2011 | Oct 2011 | \$ 2,653,000 | \$ 0 |
| Construction Admin | Pending | Feb 2011 | Nov 2011 | \$ 38,000 | \$ 0 |
| Inspections | Pending | Feb 2011 | Nov 2011 | \$ 38,000 | \$ 0 |
| Equipment | | | | | |
| Contingencies | | Feb 2011 | Oct 2011 | \$ 276,000 | \$ 0 |

| | Status | Start | Finish | Project Budget | Cost To Date |
|--------------|--------|-------|--------|---------------------|-------------------|
| Total | | | | \$ 3,135,168 | \$ 102,162 |

Project Update: Design for Phase 3 was completed in January. However, operational changes and capital improvement work being recommended by the ongoing WWTP Capacity Study (CIP 278-19, see below) will affect the scope of the Phase 3 project due to expected changes in the odor “footprint” at the aeration basins. Additional evaluation will be undertaken this summer to determine the impact of the study’s recommended changes on this project, and the draft FY’11-’25 CIP includes funds in FY 2013 and 2014 for re-design and construction.

Public Communication: Communication with the public regarding this project has been occurring as a part of our ongoing public communications regarding the overall odor elimination program. Emails were sent to nearby residents and stakeholders periodically throughout the design phase. The project update was included in the annual odor elimination report sent to the Town of Chapel Hill in January 2010. Staff sent an email to nearby residents and stakeholders in March 2010 about the potential for the capacity study’s recommendations to affect the scope and schedule of the Phase 3 project.

Construction updates will be provided prior to and periodically throughout the construction period. No customer survey will be distributed since all construction work occurs on the WWTP site.

9. Mason Farm Wastewater Treatment Plant Hydraulic and Treatment Capacity Study (CIP# 278-19, Page 143)

Background: This engineering study assessing the hydraulic and treatment capacity of the WWTP, accounting for the recent improvements from the 14.5 MGD plant expansion, the addition of the biosolids dewatering process, changes in influent sewage characteristics, updated influent flow projections, and operational considerations. The study also assesses the need and the optimal scope, timing, and cost of any capital or operational improvements required to meet the future permit limits for total nitrogen and total phosphorus as outlined in the Jordan Lake Water Supply Nutrient Rules.

Study: Hazen and Sawyer

Project Schedule and Budget:

| | Status | Start | Finish | Project Budget | Cost To Date |
|--------------------|--------|----------|----------|-------------------|-------------------|
| Planning and Study | Active | Jul 2009 | Sep 2010 | \$ 255,000 | \$ 173,726 |
| Design/Land/ROW | | | | | |
| Construction | | | | | |
| Construction Admin | | | | | |
| Inspections | | | | | |
| Equipment | | | | | |
| Contingencies | | | | \$ 25,000 | \$ 0 |
| Total | | | | \$ 280,000 | \$ 173,726 |

Project Update: Hazen and Sawyer was given Notice to Proceed in July 2009 and has completed a hydraulic evaluation of the WWTP and an evaluation of flow and load projections to be used in the

study. Historical operational data and other sampling results were used to develop and calibrate various process models used for the study. Preliminary findings and recommendations from the March 2010 draft report were overall very positive for OWASA, including a determination that the next major WWTP expansion would not be needed until sometime after 2030. Over the next several months, OWASA staff and Hazen & Sawyer will field validate several critical assumptions and predictions from the process modeling, and assess the impacts of the recommended changes on odor generation at the aeration basins. Staff updated the OWASA Board of Directors at their March 25, 2010 meeting with a Power Point presentation. The final report will incorporate results from this ongoing field work and is expected to be complete by the end of this summer.

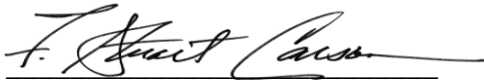
Public Communication: Staff sent an email to nearby residents and stakeholders in March 2010 about the potential for the study's recommendations to affect the scope and schedule of the Phase 3 odor control project.

Upcoming Projects

The following is a list of projects that are being initiated by staff. Consultants have been, or soon will be, retained for them as needed. More details on these projects will be provided in future reports to the Board.

- ✓ Cane Creek Reservoir Dam Repairs (CIP# 270-21)
- ✓ University Lake & Cane Creek Reservoir Raw Water Meters (CIP# 271-07)
- ✓ WTP Controls Improvements (CIP# 272-05)
- ✓ WWTP Digester Heat Exchangers (CIP# 278-38)
- ✓ WWTP Phosphorus Removal (CIP# 278-39)

If you have any questions regarding these projects, please contact me at (919) 537-4247.



F. Stuart Carson, P.E.
Engineering Manager - Capital Improvement Projects

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

APRIL 22, 2010

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular Business Meeting on Thursday, April 22, 2010 at 7:00 P.M., at Chapel Hill Town Hall.

Directors present: Randy Kabrick, P.E., Chair; Braxton Foushee, Secretary; Fred Battle; Michael A. (Mac) Clarke; Joyce C. Preslar; Alan Rimer; and William R. Stott. Board member absent: Gordon Merklein, Vice Chair.

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

Others present: Ben Poulson, Associate Director of Energy Services; and Meg Holton, Water, Wastewater, and Stormwater Manager of the University of North Carolina at Chapel Hill.

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

MOTIONS ACTED UPON

1. William Stott made a motion to approve the Minutes of the March 25, 2010 Board meeting; the motion was seconded by Mac Clarke and carried by unanimous vote.

2. William Stott made a motion to approve the Minutes of the April 8, 2010 Closed Session of the Board; the motion was seconded by Mac Clarke and carried by unanimous vote.

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Awarding an Audit Contract to Cherry, Bekaert & Holland, LLP and Authorizing Chair of the Board of Directors and the Finance Officer to Execute Said Contract." (Resolution so titled attached hereto and made a part of these minutes. Motion by William Stott, second by Mac Clarke, and unanimously approved.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Adopting a Preliminary Annual Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2010 through June 30, 2011." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer, second by Mac Clarke, and unanimously approved.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Setting the Date of May 27, 2010 for a Public Hearing on Proposed Revisions of Water and Sewer Rates, Fees and Charges." (Resolution so titled attached hereto

and made a part of these minutes. Motion by Braxton Foushee, second by Mac Clarke, and unanimously approved.)

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled “Resolution Setting the Date of May 27, 2010 for a Public Hearing on Proposed OWASA Budget for Fiscal Year 2010-2011 and on the Capital Improvements Program for Fiscal Years 2011-2025 Including a Five-Year Capital Improvements Budget for Fiscal Years 2011-2015.” (Resolution so titled attached hereto and made a part of these minutes. Motion by William Stott, second by Joyce Preslar, and unanimously approved.)

* * * * *

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.

CHATHAM/ORANGE COUNTY WORKGROUP MEETING

Ed Holland reported that he attended a meeting of the Chatham/Orange County Workgroup attended by elected officials and staff from Carrboro, Chapel Hill, Orange County, Pittsboro and Chatham County. The agenda included three items: (1) commercial development activities in northern Chatham County; (2) joint courtesy review procedures among the Towns and County in Orange County; and (3) Orange County’s transit planning process. A meeting will be scheduled in August to further focus on transit issues. The Workgroup did not discuss water and sewer utility issues.

WCHL PUBLIC FORUM

Ed Kerwin stated that he attended the WCHL Community Forum earlier today and participated in a one-hour discussion on local initiatives.

ITEM TWO: PUBLIC PETITIONS AND REQUESTS

Dr. Steve Wegner provided a written petition to the Board for a water bill adjustment for an irrigation leak. Dr. Wegner was not in attendance at the Board meeting but requested the Board accept his petition as written.

Stephen Winters stated that in January, 2010 the Board updated OWASA’s Policy for Adjustment of Customer Accounts for Emergency Situations Involving the Loss of Metered Water. The policy does not allow billing adjustments for water loss related to an irrigation system. Dr. Wegner’s petition is for an irrigation leak and the policy states, “No billing adjustment shall be made for water leaks resulting from any portion or component of an

irrigation system.” Therefore, if the Board were to grant Dr. Wegner’s petition, the Board would need to make an exception to the policy or change the policy. Staff did adjust Dr. Wegner’s account for sewer charges related to this leak.

The Board denied Dr. Wegner’s petition for a water bill adjustment for an irrigation leak.

ITEM THREE: BOARD PETITIONS AND REQUESTS

Randy Kabrick asked for petitions and requests from the Board; there were none.

ITEM FOUR: STAFF PETITIONS AND REQUESTS

Randy Kabrick asked for petitions and requests from the staff; there were none.

ITEM FIVE: MINUTES

William Stott made a motion to approve the Minutes of the March 25, 2010 Board meeting; the motion was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 1 above.

William Stott made a motion to approve the Minutes of the April 8, 2010, Closed Session of the Board; the motion was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 2 above.

ITEM SIX: RESOLUTION AWARDED AN AUDIT CONTRACT TO CHERRY, BEKAERT & HOLLAND, LLP AND AUTHORIZING CHAIR OF THE BOARD OF DIRECTORS AND THE FINANCE OFFICER TO EXECUTE SAID CONTRACT

William Stott made a motion to approve the resolution; it was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 3 above.

ITEM SEVEN: PRESENTATION ON THE DEVELOPMENT OF BUDGETS AND RATES FOR FISCAL YEAR 2011

Stephen Winters made a presentation on OWASA’s Draft Fiscal Year 2011 Budget and the recommendation to increase monthly water and sewer charges by 9.25 percent.

Mac Clarke cautioned that customers may feel a 9.25 percent increase is high and more education to customers explaining the reasons for the rate increase is necessary.

Alan Rimer agreed with Mr. Clarke’s recommendation to educate customers and said he spoke with staff about the need to educate customers in a creative way that is easy to understand.

Draft

William Stott stated that he will work with staff to draft an outreach plan to the community and an educational campaign for customers.

Randy Kabrick requested Mr. Stott work with staff to develop a customer/community outreach plan that would be discussed at a future Board meeting.

ITEM EIGHT: RESOLUTION ADOPTING A PRELIMINARY ANNUAL BUDGET FOR ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2010 THROUGH JUNE 30, 2011

Alan Rimer made a motion to approve the resolution; it was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 4 above.

ITEM NINE: RESOLUTION SETTING THE DATE OF MAY 27, 2010 FOR A PUBLIC HEARING ON PROPOSED REVISIONS OF WATER AND SEWER RATES, FEES AND CHARGES

Braxton Foushee made a motion to approve the resolution; it was seconded by Mac Clarke and carried by unanimous vote. Please see Motion No. 5 above.

ITEM TEN: RESOLUTION SETTING THE DATE OF MAY 27, 2010 FOR A PUBLIC HEARING ON PROPOSED OWASA BUDGET FOR FISCAL YEAR 2010-2011 AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS 2011-2025 INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FISCAL YEARS 2011-2015

William Stott made a motion to approve the resolution; it was seconded by Joyce Preslar and carried by unanimous vote. Please see Motion No. 6 above.

ITEM ELEVEN: OWASA QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED MARCH 31, 2010

The Board received this report as an information item.

There being no further business to come before the Board, the meeting was adjourned at 7:45 P.M.

Respectfully submitted,

Draft

Andrea Orbich
Executive Assistant/Clerk to the Board

Enclosures

AGENDA ITEM

- **IMPROVED EFFICIENCIES FOR OWASA’S HUMAN RESOURCES FUNCTIONS**

PURPOSE

- To reduce costs and achieve greater organizational efficiencies, staff recommends that the vacant Human Resources Director position be eliminated and the Safety and Training Administrator position be reclassified to the new position of Human Resources and Safety Manager.

PURPOSE

- Following the resignation of OWASA’s former Human Resources Director, staff carefully evaluated the needs and available resources consistent with our ongoing practice of exploring options for reducing costs and improving efficiencies. Based on this review, staff proposes to eliminate the vacant Human Resources Director position and reclassify the existing Safety and Training Administrator position to the new position of Human Resources and Safety Manager.

RECOMMENDATION

- The HR Committee and staff recommend adoption of the Resolution of Orange Water and Sewer Authority to Eliminate the Human Resources Director Position and to Reclassify the Safety and Training Administrator Position to the new position of Human Resources and Safety Manager.

May 27, 2010



ORANGE WATER AND SEWER AUTHORITY

*A public, non-profit agency providing water, sewer and reclaimed water services
to the Carrboro-Chapel Hill community.*

MEMORANDUM

TO: Board of Directors

FROM: Ed Kerwin

DATE: May 21, 2010

**SUBJECT: IMPROVED EFFICIENCIES FOR OWASA'S HUMAN RESOURCES
FUNCTIONS**

To reduce costs and achieve greater organizational efficiencies, staff recommends that the vacant Human Resources Director position be eliminated and the Safety and Training Administrator position be reclassified to the new position of Human Resources and Safety Manager. Any position reclassification must be approved by the Board of Directors.

After our former Human Resources Director (Ms. Gwen Burston) left OWASA to take another position, staff carefully evaluated our needs and available resources. This is consistent with our ongoing practice of exploring options for reducing costs and improving efficiencies. Based on our review, we recommend the following:

1. Eliminate the vacant Human Resources Director position (Grade 33; \$74,292 - \$107,723).
2. Reclassify the existing Safety and Training Administrator position held by Ms. Stephanie Glasgow (Grade 22; \$49,353 - \$71,562) to the new position of Human Resources and Safety Manager (Grade 28; \$59,326 - \$86,023). Ms. Glasgow has nearly 20 years of human resources experience at OWASA and is well qualified for this new position.
3. Reorganize the human resources functions from the Office of the Executive Director to the Finance and Customer Service Department (proposed organizational chart attachment #1). The new Human Resources and Safety Manager (Stephanie Glasgow) would report to the Director of Finance and Customer Service (Stephen Winters, CPA). This reorganization will provide efficiencies by combining similar functions and responsibilities while providing greater flexibility for meeting the needs of the organization.

If approved, these changes will reduce the number of staff to support human resources functions from 3.5 to 2.5 positions (with a net 12 month savings of about \$80,000). We will ensure no reduction of essential human resources and safety services for our employees as a result of these changes.

The Human Resources (HR) Committee met on May 19, 2010, to review these recommendations. The HR Committee supports the approval of the Resolution of Orange Water and Sewer Authority to eliminate the Human Resources Director position and to reclassify the Safety and Training Administrator position to the new position of Human Resources and Safety Manager (attachment #2). The HR Committee and staff further agreed to have additional discussions about the proposed reorganization before this change would be made.

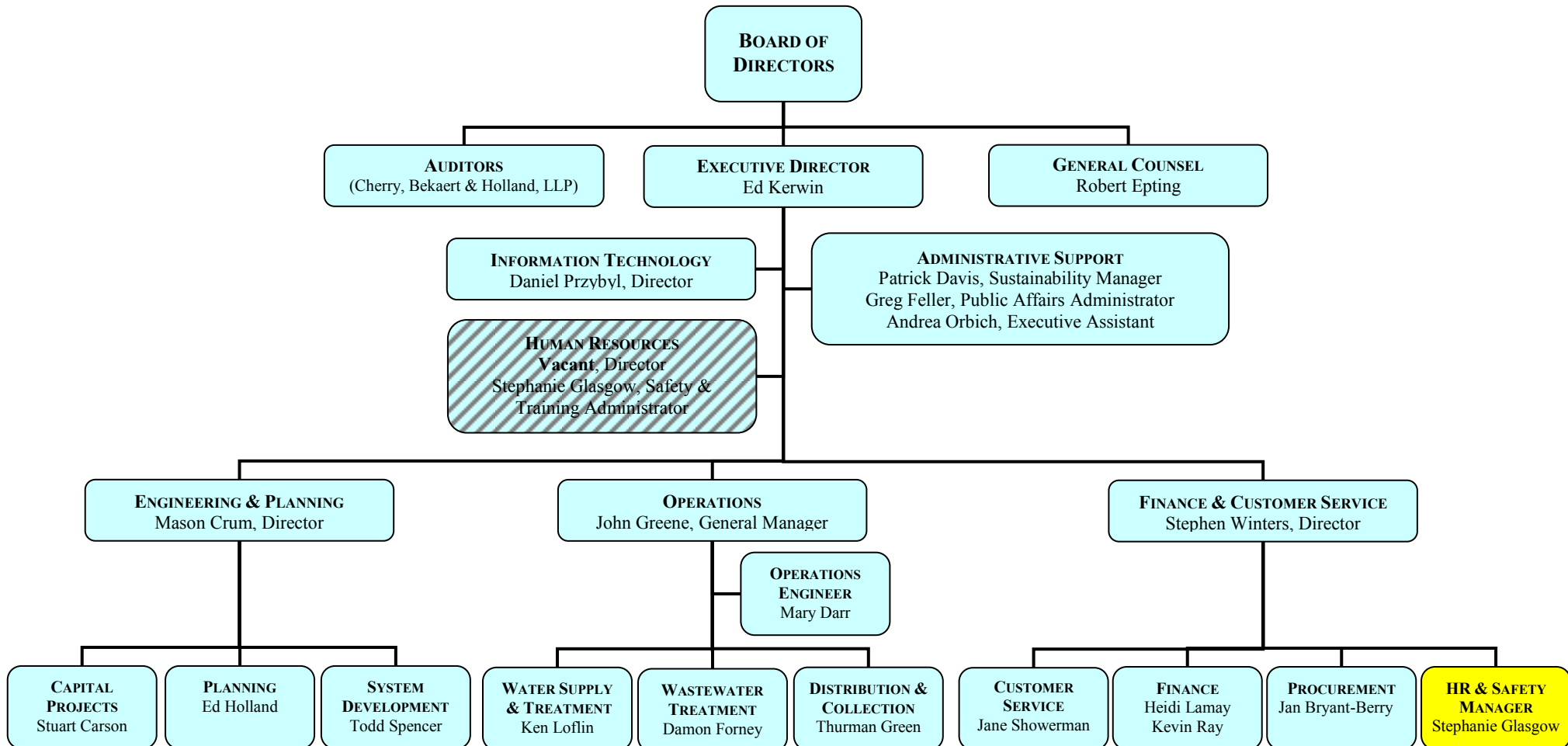
Thank you.



Ed Kerwin
Executive Director

Attachments

Orange Water and Sewer Authority (Proposed)



May 21, 2010

**RESOLUTION OF ORANGE WATER AND SEWER AUTHORITY TO
ELIMINATE THE HUMAN RESOURCES DIRECTOR POSITION
AND TO RECLASSIFY THE SAFETY AND TRAINING
ADMINISTRATOR POSITION**

WHEREAS, the Executive Director has reviewed the staffing requirements to support the organization's human resources functions; and

WHEREAS, the Executive Director has determined and the Human Resources Committee concurs that efficiencies can be achieved by eliminating the vacant Human Resources Director position and reclassifying the Safety and Training Administrator position to the new position of Human Resources and Safety Manager; and

WHEREAS, the Executive Director and staff will ensure there is no reduction of essential human resources and safety services for OWASA's employees:

**NOW THEREFORE, BE IT RESOLVED, THAT THE BOARD OF
DIRECTORS OF ORANGE WATER AND SEWER AUTHORITY:**

1. Eliminate the vacant Human Resources Director position (Grade 33; \$74,292 - \$107,723).
2. Reclassify the existing Safety and Training Administrator position (Grade 22; \$49,353 - \$71,562) to the new position of Human Resources and Safety Manager (Grade 28; \$59,326 - \$86,023).
3. That the Schedule of Employee Classification and Authorized Compensation be amended as above effective May 31, 2010.

Adopted this the 27th day of May, 2010.

Randy Kabrick, P.E., Chair

ATTESTED:

Braxton Foushee, Secretary