

ORANGE WATER AND SEWER AUTHORITY

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

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OWASA BOARD ADOPTS ANNUAL BUDGET, 15-YEAR CAPITAL PROGRAM AND 9.25% INCREASE IN MONTHLY RATES EFFECTIVE IN OCTOBER

On Thursday night, the OWASA Board of Directors approved the budget for the fiscal year from July, 2010 through June, 2011 (FY 2011), the 15-year capital improvement program and rate increases that will go into effect on October 1st.

For a residential customer who receives 5,000 gallons of water and sewer service per month, the rate increase will add \$6.95 to the monthly bill.

The OWASA Board's decisions follow public hearings held on May 27th and budget discussions over the past several months.

Highlights

- The primary reasons for the rate increase are reduced water sales in the coming year, the need to replace and renew aging infrastructure, a substantial decline in revenue from new customer connections, increased workload and cost increases.
- The operating and maintenance budget of \$18.8 million for FY 2011 is a 1.7% increase over the budget for FY 2010. In addition to jobs cut in the current FY 2010 budget, three additional positions will be eliminated in FY 2011. Since 2004, OWASA has reduced positions by almost 15%.
- OWASA is a non-profit, public agency with cost-of-service rates. OWASA is funded with fees and charges for its services. The utility does not receive sales taxes, property taxes, income taxes, etc.

Rate and fee increases

Single-family residential water use by OWASA customers averages about 4,500 gallons per month. However, OWASA's bills are rounded down to the nearest 1,000 gallon increment.

Examples of typical bills for individually-metered residences, for which increasing block water rates apply:

Water and sewer use per month	Current bill	Bill with October, 2010 rates	Increase
2,000 gallons	\$40.30	\$44.04	\$3.74
3,000 gallons	\$51.84	\$56.65	\$4.81
4,000 gallons	\$63.38	\$69.26	\$5.88
5,000 gallons	\$74.92	\$81.87	\$6.95
6,000 gallons	\$87.76	\$95.90	\$8.14
7,000 gallons	\$100.60	\$109.93	\$9.33

Residential customers who wish to compare their monthly bills at current and October, 2010 rates are invited to use the bill calculator on the OWASA website at <http://www.owasa.org/CustCare/BillCalculator.aspx> or to contact OWASA Public Affairs at 537-4267 or webmaster@owasa.org. (Using the on-line bill calculator involves entering an expected or assumed amount of water use for each month of the year.)

Monthly rates would also increase about 9.25% for businesses, master-metered multi-family developments and institutional customers (including the University and UNC Hospitals), who pay “seasonal” water rates; and for irrigation-only customers. Non-residential customers who wish to compare their monthly bills at current and October, 2010 rates are invited to contact OWASA Public Affairs at 537-4267 or webmaster@owasa.org.

The one-time “service availability” or capacity fees for initial connections to the OWASA system will increase about 3.8% on October 1st. This increase reflects the 5-year average increase in the construction cost index.

Reduced water sales

Due to factors discussed below, drinking water use in FY 2011 is projected to be 6.1 MGD, which approximates the demand in the Chapel Hill-Carrboro community in 1991.

Since 2001, OWASA customers have reduced their drinking water demand by 25%.

“The impressive conservation achievement in our community came about because of the smart decisions and investments by OWASA customers in all sectors, including the University and UNC Hospitals,” said Stephen Winters, Director of Finance and Customer Service.

In April, 2009 the University began using reclaimed water (highly treated wastewater) for non-drinking purposes such as the operation of chiller plants to cool campus buildings. In FY 2011, the University is expected to increase its use of reclaimed water to about 0.74 million gallons per day (MGD) from an expected 0.34 MGD in FY 2010. (Under a contract with OWASA, the University pays all operating, capital and administrative costs of reclaimed water service it receives.)

The use of reclaimed water frees up water supply and treatment capacity to meet other needs, and the University’s reclaimed water use is a significant component of community-wide conservation.

Infrastructure investments/capital improvements

One of OWASA’s highest priorities is renewing, replacing and improving the community’s “infrastructure” of pipelines, treatment facilities, equipment, etc. to ensure reliable, quality service to current and future customers. Cash funding of new capital projects and debt payments for previously completed projects account for about 45% of OWASA’s monthly bill.

The capital budget of \$9.8 million for FY 2011 includes:

- \$2.3 million to replace the sewer along Umstead Drive/Bolin Creek from Martin Luther King Jr. Boulevard to Estes Drive in Chapel Hill to increase capacity to carry wastewater from the northwestern part of OWASA’s service area and thus reduce the potential for wastewater overflows from manholes.
- \$2.7 million to renew and replace various water mains to maintain service quality and reliability.
- \$1.2 million to renew and replace various sewer mains to reduce the risk of sewage overflows.

- About \$1 million for work at the Jones Ferry Road Water Treatment Plant to rehabilitate/replace equipment, improve the control system, etc.
- About \$730,000 at the Mason Farm Wastewater Treatment Plant to rehabilitate and replace equipment, enhance the treatment processes, reduce energy use and costs, etc.
- \$525,000 for repairs to the Cane Creek Reservoir Dam.

The Capital Improvements Budget for FY 2011-15 totals \$56.2 million, of which 77% is for renewal and replacement of water and sewer mains, treatment plant equipment/structures, etc. The Capital Improvements Program for FY 2011-25 totals \$277 million.

Reduced connection fees

Due to the slowdown in the economy, new development in OWASA's service area has slowed considerably. Connection fee revenues budgeted for FY 2011 are about half of the projected total fees for FY 2010.

More work, steadily rising operating costs

While drinking water demand has declined substantially in recent years, workload and costs of many essential functions have increased significantly since 2001.

- OWASA serves 14% more customers.
- The size of the water and sewer pipe systems OWASA maintains has increased by 68 miles (10%).
- OWASA operates and maintains about 1,000 more pieces of equipment at the water and wastewater treatment plants.

Operating budget for FY 2011

The operations and maintenance budget of \$18.8 million includes:

- 129 employee positions, a reduction of 3 from the FY 2010 budget and down from 148 positions in FY 2004. Personnel costs are the largest single cost in OWASA's operating budget, and are therefore an area of focus in cost control/cutting.
- Resuming the use of chemicals to help curtail the growth of tree and shrub roots inside sewer pipes and therefore help prevent wastewater overflows. (This program was suspended in FY 2010 to help limit costs.)
- Resuming testing of large water meters to ensure they are accurate. (This program was suspended in FY 2010 to help limit costs.)
- No significant changes in other services such as operation of treatment plants, laboratory testing of water quality, maintenance of the water and sewer pipe systems, lake recreation, etc.
- A 7% increase in the cost of health insurance for employees.
- An increase in the State-required retirement system contribution from 4.89% to 6.42% of employee compensation.
- An employee merit pay increase funded at 2.5% of payroll.

Debt payments on bonds issued to help pay for capital projects

The FY 2011 budget includes \$9.7 million of debt payments on bonds issued since 2001 to help pay for capital projects completed in past years. OWASA funds its capital improvements with a combination of long-term bonds, which are paid off over time; and net revenues available in a given year.

For more information:

For more detailed information on the OWASA budget and October, 2010 rates and fees, please see the Rates/Budget section of the OWASA website, www.owasa.org.

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