



# ORANGE WATER AND SEWER AUTHORITY

*Quality Service Since 1977*

**AGENDA**  
**MEETING OF THE OWASA BOARD OF DIRECTORS**  
**THURSDAY, APRIL 23, 2009, 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](mailto: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.
  - B. Reclaimed Water System Dedication on Monday, May 11, 2009, 10:00 A.M., at the Gary R. Tomkins Chilled Water Operations Center – Guest speakers include U.S. Representative David Price and Philip Baddour, NC Clean Water Management Trust Fund
  - C. William R. Stott, III was reappointed to the OWASA Board of Directors by the Carrboro Board of Aldermen
2. Announcements by Board Members
  - A. Verbal Update on the April 14, 2009 Human Resources Committee meeting (Braxton Foushee)
  - B. Verbal Update on the April 23, 2009 Community Outreach Committee meeting (Gene Pease)
3. Announcements by Staff

**Petitions and Requests**

1. Public
2. Board
3. Staff

7:05 PM

**CONSENT AGENDA**

**Action**

1. Resolution Awarding Audit Contract to Cherry, Bekaert & Holland, LLP and Authorizing Chair of the Board of Directors and the Finance Officer to Execute said Contract (Kevin Ray)
2. Resolution Authorizing the Executive Director to Execute a Contract with Blue Cross Blue Shield of North Carolina (BCBS) for Health and Dental Insurance (Gwen Burston)
3. Approval of the Minutes of the March 12, 2009 Meeting of the Board of Directors (Andrea Orbich)

**REGULAR AGENDA**

7:10 PM

**Discussion and Action**

4. Presentation of Fiscal Year (FY) 2010 Budgets and Rate Recommendations by the Finance Committee (Gordon Merklein)
  - a. Resolution Adopting Preliminary Budget for FY 2010 (Kevin Ray)
  - b. Resolution Setting Date of May 28, 2009 for a Public Hearing on the Proposed OWASA Budget for FY 2010 and on the Capital Improvements Program for FY 2010-2024 Including a Five-Year Capital Improvements Budget for FY 2010-2014 (Kevin Ray)
  - c. Resolution Setting the Date of May 28, 2009 for a Public Hearing on Proposed Revisions of Water and Sewer Rates, Fees and Charges (Kevin Ray)

**AGENDA ITEM**

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

**BACKGROUND**

- General Statutes of the State of North Carolina and OWASA's Bond Order require that Orange Water and Sewer Authority have its financial records audited annually by an independent Certified Public Accountant.
- In February of 2008, OWASA solicited audit proposals based upon the established criteria recommended by the North Carolina Local Government Commission, with an emphasis placed on contacting firms within Orange and surrounding counties.
- A staff panel reviewed and evaluated the proposals received based on qualifications and cost, in that order. After interviewing the eligible respondents, Cherry, Bekaert & Holland, LLP was identified as presenting the best proposal and providing the greater resources.
- In keeping with their proposed renewal option from 2008, Cherry, Bekaert & Holland, LLP has proposed to conduct the audit for Fiscal Year (FY) 2009 for a fee of \$33,850, including the basic audit and the required single audits of state and federal grant monies received and expended.
- Cherry, Bekaert & Holland, LLP also offers an option to renew in FY 2010 for an increase of 6.9% over the current year quote.
- The Executive Director discussed this contract renewal option with the Chairs of the Finance and Human Resources Committees and all agreed that efficiency will be achieved in remaining with Cherry, Bekaert & Holland for the FY 2009 audit. The engagement will be rebid in FY2010 to ensure minority firms are solicited.

**RECOMMENDATION**

- Approve the FY 2009 audit contract with Cherry, Bekaert & Holland, LLP for total base fees not to exceed \$33,850.

**ACTION NEEDED**

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

April 23, 2009




# ORANGE WATER AND SEWER AUTHORITY

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## MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin 

FROM: Kevin M. Ray

DATE: April 15, 2009

SUBJECT: Approval of Annual Audit Contract

### **Background**

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

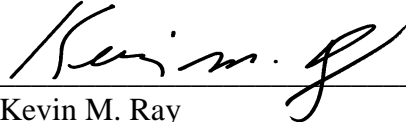
In February of 2008, OWASA solicited audit proposals based upon the established criteria recommended by the North Carolina Local Government Commission, with an emphasis placed on contacting firms within Orange and surrounding counties. The auditing firm of Cherry, Bekaert & Holland, LLP presented the best proposal and offered the greater resources of the two qualified respondents, and was approved by the Board of Directors to conduct the audit for FY 2008.

Cherry, Bekaert & Holland's 2008 proposal included renewal options for two succeeding years in which the annual contract price would be capped under the original proposal. The 2009 renewal contract from Cherry, Bekaert & Holland reflects the original renewal quote of \$33,850.

In deference to the Human Resources Committee Chair's stated desire to encourage greater minority participation in OWASA's contracting opportunities, the Executive Director discussed the audit contract renewal with the Chairs of the Finance and Human Resources Committees. These discussions led to an agreement that efficiencies are achieved in audit pricing and performance through continuity of auditors from year to year. It was also agreed, however, the engagement would be rebid in 2010 in accordance with our minority business outreach plan.

**Recommendation**

Based on the qualifications process completed in 2008, and to take advantage of price efficiencies afforded through the renewal option and performance efficiencies arising from the continuity of the audit team, staff recommends that the Board engage Cherry, Bekaert & Holland, LLP for auditing services for the fiscal year ending June 30, 2009. The attached resolution appoints Cherry, Bekaert & Holland, LLP to perform the audit for a base fee not to exceed \$33,850.



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Kevin M. Ray

Director of Finance and Customer Service

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

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

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

WHEREAS, Cherry, Bekaert & Holland, LLP provided satisfactory service related to the Fiscal Year 2008 financial audit;

NOW, THEREFORE, BE IT RESOLVED:

1. That the contract between Orange Water and Sewer Authority and Cherry, Bekaert & Holland, LLP, Raleigh, N.C., for financial audit of the Fiscal Year Ending June 30, 2009, for base charges not to exceed \$33,850 is hereby approved subject to approval by the North Carolina Local Government Commission.

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

Adopted this 23rd day of April, 2009.

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Randy Kabrick, P.E., Chair

ATTEST:

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Braxton Foushee, Secretary

**AGENDA ITEM**

- ◆ RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT WITH BLUE CROSS BLUE SHIELD OF NORTH CAROLINA (BCBS) FOR HEALTH AND DENTAL INSURANCE

**PURPOSE**

- ◆ To provide the Board with information and a recommendation for award of a contract to BCBS for health and dental insurance.

**BACKGROUND**

- ◆ In 2008 OWASA experienced several unusually high dollar health insurance claims resulting in an increase of 31% for our health insurance cost and the need for a modification in staff benefits under the plan.
- ◆ Dental premiums increased by 14.8% last year.
- ◆ Our claims experience has improved significantly this year and BCBS has offered to renew both our health and dental coverage with no increase in premiums for OWASA or our employees and no change in our coverage.
- ◆ Employees have been pleased with the move back to BCBS.

**HUMAN RESOURCES COMMITTEE AND STAFF RECOMMENDATION**

- ◆ Adopt resolutions authorizing the Executive Director to award contracts to BCBS for employee health and dental coverage for 2009-2010.


April 23, 2009



# ORANGE WATER AND SEWER AUTHORITY

*Quality Service Since 1977*

## MEMORANDUM

TO: Board of Directors  
THRU: Ed Kerwin   
FROM: Gwen Burston  
DATE: April 15, 2009  
SUBJECT: Health and Dental Insurance Renewal

In 2008 OWASA experienced several unusually high dollar health insurance claims resulting in an increase of 31% for our health insurance cost and the need for a modification in staff benefits under the plan. Dental premiums increased by 14.8% last year.

Our claims experience has improved significantly this year and Blue Cross Blue Shield (BCBS) has offered to renew both our health and dental coverage with no increase in premiums for OWASA or our employees and no change in our coverage.

Employees have been pleased with the move back to BCBS.

On April 14, 2009 the Human Resources Committee met and discussed this information. The committee recommended that the Board accept the BCBS health proposal.

I look forward to presenting this information for the Board's review and decision on April 23, 2009.



Gwen G. Burston  
Director of Human Resources



**RESOLUTION AUTHORIZING THE RENEWAL OF THE MEDICAL INSURANCE  
CONTRACT WITH BLUE CROSS BLUE SHIELD OF NORTH CAROLINA**

**WHEREAS**, to adequately and appropriately provide health and hospital insurance coverage for Orange Water and Sewer Authority (OWASA) employees, it is desirable to continue with group insurance program as proposed by Blue Cross Blue Shield (BCBS) of North Carolina; and

**WHEREAS**, it is determined that BCBS offers excellent health care; and

**WHEREAS**, BCBS has offered to renew both our health and dental coverage with no increase in premiums for OWASA or our employees and no change in our coverage; and

**WHEREAS**, the existing health insurance contract with BCBS will expire on June 30, 2009.

**NOW, THEREFORE, BE IT RESOLVED:**

1. That the Board of Directors approves continued participation by all full-time employees in the health plan offered through BCBS in accordance with provisions of the plan.
2. That OWASA pay the full employee health premium and 50% of dependent costs.
3. That the Executive Director is hereby authorized and directed to execute the contract with BCBS.
4. That the term of the above insurance coverage shall be for a period of twelve months beginning July 1, 2009.

Adopted this 23rd day of April 2009.

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Randy Kabrick, P.E.  
Chair

ATTEST:

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Braxton Foushee  
Secretary

**RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO  
EXECUTE CONTRACT WITH BLUE CROSS BLUE SHIELD  
OF NORTH CAROLINA FOR DENTAL INSURANCE**

**WHEREAS**, to provide adequate and appropriate dental insurance coverage for Orange Water and Sewer Authority (OWASA) employees, it is desirable to continue with the dental insurance plan offered by Blue Cross Blue Shield (BCBS) of North Carolina; and

**WHEREAS**, it is determined that BCBS offers quality dental care service to OWASA; and

**WHEREAS**, BCBS has offered to renew both our health and dental coverage with no increase in premiums for OWASA or our employees and no change in our coverage; and

**WHEREAS**, the existing dental insurance contract with BCBS expires on June 30, 2009.

**NOW, THEREFORE, BE IT RESOLVED:**

1. That the Board of Directors approves continued participation in the Dental Plan offered through BCBS for all full-time OWASA employees.
2. That OWASA pay the full employee dental premium and 40% of dependent costs.
3. That the Executive Director is hereby authorized and directed to execute the contract with BCBS.
4. That the term of the above insurance coverage shall be for a period of twelve months beginning July 1, 2009.

Adopted this 23<sup>rd</sup> day of April 2009.

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Randy Kabrick, P.E.  
Chair

ATTEST:

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Braxton Foushee  
Secretary

Draft

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

MARCH 12, 2009

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, March 12, 2009, at 7:00 P.M., in OWASA’s Community Room, 400 Jones Ferry Road, Carrboro.

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

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

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

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

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MOTIONS ACTED UPON

1. Alan Rimer made a motion to approve the Minutes of the January 22, 2009 Board Meeting; the motion was seconded by Fred Battle, and carried by unanimous vote.

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled “Resolution Awarding a Contract for Professional Services with Municipal & Financial Services Group to Perform a Financial Management and Reporting System Review” (Resolution so titled attached hereto and made a part of these minutes. Motion by Fred Battle; seconded by William Stott and carried by unanimous vote.)

3. Gordon Merklein made a motion to send a letter to Orange County reaffirming that OWASA’s land is not for sale; the motion was seconded by Alan Rimer and approved with a vote of seven to one, with Fred Battle opposing.

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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.

RECLAIMED WATER SYSTEM DEDICATION

Randy Kabrick said that there will be a Reclaimed Water System Dedication Ceremony on Monday, May 11, 2009, 10:00 A.M., at the Gary R. Tompkins Chilled Water Operations Center and invited the Board to attend. Guest speakers include David Price, U.S. House of Representatives; UNC Chancellor Holden Thorpe; and Philip Baddour, N.C. Clean Water Management Trust Fund.

COMMITTEE MEETINGS

Gordon Merklein said that the Finance Committee met on February 26, 2009 to review the draft operating budget and capital programs as well as budget and rate modeling for the coming fiscal year. He said that two Finance Committee meetings are scheduled for 5:00 P.M. in the OWASA Boardroom. The first meeting is scheduled for Wednesday, March 18, 2009 to meet with the consultant who will conduct an independent review of OWASA's financial management and reporting system. The second meeting is scheduled for Monday, March 30, 2009 to review staff's recommendations regarding rate adjustments in Fiscal Year 2010.

Braxton Foushee said that the Human Resources Committee met on March 10, 2009 to discuss employee compensation and the employee benefit survey. Board members will receive a copy of the survey in the next Board mailing. Mr. Foushee also said that there is currently a placeholder in the budget for health insurance for a 15 percent increase, however it is very likely that the actual number will be less than 10 percent.

Alan Rimer said that a tour will be scheduled in early April to visit OWASA-owned property with staff of the U.S. Forestry Service and N.C. Wildlife Management to discuss management of OWASA's forest properties. Mr. Rimer requested that Board members let staff know if they can attend.

Mr. Rimer stated that the Natural Resources/Technical Systems (NRTS) Committee will meet on Wednesday, March 25, 2009 at 8:00 A.M. to discuss timber management, the Long-Range Water Supply Plan update and NRTS Committee priorities.

Mr. Rimer reported that Ed Kerwin and he attended the Carrboro Board of Aldermen's meeting on Tuesday, March 10<sup>th</sup> to present OWASA's proposed Water Conservation Standards, which were well received by the Board of Aldermen.

ITEM TWO: PETITIONS AND REQUESTS

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

ITEM THREE: PERFORMANCE MEASUREMENT REPORT THROUGH FISCAL YEARS  
2005-2009

Mac Clarke reminded staff that he did request that the performance measurement report be referred to a committee for further review to decide what items are useful and necessary as well as to evaluation of the standards.

Ed Kerwin said he was aware of Mr. Clarke's request but was uncertain if that was the consensus of the Board. Staff believes the information in the report is useful and important for the Board to know, however if the Board would like to assign this report to a committee, staff will assist.

ITEM FOUR: QUARTERLY REPORT ON ATTENDANCE AT BOARD OF DIRECTORS'  
MEETINGS

The Board received this report as an information item.

ITEM FIVE: 2008 ANNUAL RECREATION REPORT FOR UNIVERSITY LAKE AND  
CANE CREEK RESERVOIR

Braxton Foushee said he received a call from a citizen who requested that Cane Creek be open for additional days during the week, even if it means hiring additional part-time help to keep the lake open.

John Greene said that the current budget does not allow hiring additional part-time help at either reservoir. Also, most visitors for Cane Creek are out-of-county users.

William Stott said that he was contacted by citizens who live near University Lake and these people are interested in access to walking trails around University Lake and are concerned as naturalist about the prohibition on using the trails.

Ed Kerwin said that it is OWASA's practice and policy that there is no access along the shores of the lake. However, if the Board would like to review that policy, staff is happy to do so.

Robert Epting said that the University leases the lake to OWASA and OWASA does not own the lake.

ITEM SIX: QUARTERLY FINANCIAL REPORT FOR QUARTER ENDED DECEMBER 31, 2008

Mac Clarke said that Quarterly Financial Report is an important document and should always be on the regular agenda with a summarized report from staff. Mr. Clarke requested that staff add a separate line for water volume on the report. Staff agreed.

Alan Rimer asked that staff establish a short list of useable information at an executive level for the Board.

Ed Kerwin said that one of the important functions of the consultant who will be doing the review of our financial reporting will be to perform a needs assessment of the type of information that the Board desires.

Randy Kabrick commented that one of requirements of the financial review will be to generate a “dash board” or one-page list of all the financial information the Board needs. Secondly, in the spirit of strategic planning, the Board can focus its meetings on strategic issues whereas tonight’s consent agenda is information that was previously reviewed by the Finance Committee. He said that he had decided that this report should be moved to the consent agenda. Mr. Kabrick further said that staff should keep this report on the consent agenda until the consultant provides his report.

ITEM SEVEN: MINUTES

Alan Rimer made a motion to approve the Minutes of the January 22, 2009 Board Meeting; the motion was seconded by Fred Battle, and carried by unanimous vote. Please see Motion No. 1 above.

ITEM EIGHT: RESOLUTION AWARDING A CONTRACT FOR PROFESSIONAL SERVICE WITH MUNICIPAL & FINANCIAL SERVICES GROUP TO PERFORM A FINANCIAL MANAGEMENT AND REPORTING SYSTEM REVIEW

Braxton Foushee asked if staff requested bids from minority businesses, specifically black business owners.

Kevin Ray said that staff solicited bids from firms known to have expertise in this particular financial arena, and posted the request for bids on the listserves for finance and budget officers in North Carolina as well as OWASA’s website.

Gordon Merklein said that the consultant selected to do the work for OWASA is a woman-owned business.

After further discussion, the Board concurred that staff should review the notification of minority- and women-owned businesses when OWASA seeks proposals and bids for any

contractual services. It was further agreed that the minority business recruitment plan be referred to the Human Resources Committee for review.

Fred Battle made a motion to adopt the resolution; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 2 above.

ITEM NINE: DISCUSSION OF INTERLOCAL MEETINGS REGARDING PROPOSED REVISIONS TO OWASA'S WATER CONSERVATION STANDARDS AND NEXT STEPS

The Board received this report as an information item and it will be considered for approval at the March 26, 2009 meeting. The Board also commended the Natural Resources Technical Systems Committee for the completion of the proposed Water Conservation Standards.

Randy Kabrick requested that staff provide a technical rebuttal to Dr. Donald Lauria's comments.

ITEM TEN: FINAL DRAFT FINANCIAL MANAGEMENT POLICY

The Board discussed the proposed new Financial Management Policy with fiscal performance objectives addressing the ratio of net revenue to annual debt payments, desired levels of revenue stability and operating/capital reserves, the extent of cash funding of capital projects, ratio of typical monthly bills to average household income, etc.

Ed Kerwin said that this policy will be staff's marching orders and staff will comply with objectives as directed by the Board.

Following discussion, the Board concurred with staff's recommendation to bring this policy to the Board for approval at the March 26, 2009 meeting.

ITEM ELEVEN: BOARD DISCUSSION ON A QUESTION POSED BY ORANGE COUNTY STAFF: WOULD OWASA CONSIDER A LAND-SWAP WITH ORANGE COUNTY FOR OWASA'S ROUTE 54 PROPERTY?

The Board discussed Orange County's request that OWASA consider the concept of a trade for OWASA land under consideration as a site for a solid waste transfer station north of NC Highway 54 near Orange Grove Road.

After extensive discussion, Gordon Merklein made a motion to send the letter in the following form; the motion was seconded by Alan Rimer and approved by a vote of seven to one, with Fred Battle opposing (Please see Motion No. 3 above):

*March 12, 2009*

Draft

*Ms. Laura Blackmon  
Orange County Manager  
Post Office Box 8181  
Hillsborough, NC 27278*

**SUBJECT: CONSIDERATION OF A LAND-SWAP**

*Dear Laura:*

*The OWASA Board of Directors discussed Mr. Gayle Wilson's inquiry last night and voted to inform you that it has no interest in selling its property near NC 54 West and Orange Grove Road. Nor has the Board's position changed with respect to your request for access to its property for tests or surveys.*

*In the absence of any particular proposal for a land-swap, the Board is not interested in discussing the matter further.*

*Regards,*

*Ed Kerwin  
Executive Director*

*c: Ms. Gwen Harvey, Assistant Orange County Manager  
Mr. Gayle Wilson, Orange County Director of Solid Waste  
OWASA Board of Directors  
Robert Epting, OWASA General Counsel*

There being no further business to come before the Board, the meeting was adjourned at 8:40 P.M.

Respectfully submitted,

Draft

Andrea Orbich  
Executive Assistant/Clerk to the Board

Enclosures



**Gordon Merklein, Finance Committee Chair, will make a presentation about the budget challenges, assumptions and recommended rate adjustments for Fiscal Year (FY) 2010.**

**Following Mr. Merklein's presentation and Board discussion, the Board is expected to take action on the following:**

- a. Resolution Adopting Preliminary Budget for FY 2010 (Kevin Ray)
- b. Resolution Setting Date of May 28, 2009 for a Public Hearing on the Proposed OWASA Budget for FY 2010 and on the Draft Capital Improvements Program for FY 2010-2024 Including a Five-Year Capital Improvements Budget for FY 2010-2014 (Kevin Ray)
- c. Resolution Setting the Date of May 28, 2009 for a Public Hearing on Proposed Revisions to Water and Sewer Rates, Fees and Charges (Kevin Ray)

**AGENDA ITEM**

- RESOLUTION ADOPTING A PRELIMINARY ANNUAL BUDGET FOR ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2009 THROUGH JUNE 30, 2010.

**BACKGROUND**

- There is no legal requirement to adopt a preliminary budget. The *Preliminary Annual Budget* is presented in accordance with OWASA's *Financial Management Policy* adopted on March 26, 2009.
- North Carolina statutes require an appropriation be in place on July 1 of each year. If an annual budget has not been adopted by July 1, interim appropriations must be approved by the Board.
- To satisfy the interim appropriation requirement, the *Financial Management Policy* states that "a preliminary budget serves as a "back-up" budget should a final budget not be adopted by July 1 of each year."
- Although preparation of the *Preliminary Annual Budget* generally incorporates many important elements currently planned for inclusion in the final budget, it does not bind the Board of Directors as to content of the final budget.
- The Fiscal Year 2010 *Preliminary Annual Budget* contains estimates of revenues and expenditures for the upcoming fiscal year and reflects discussions of the Finance Committee through March 30, 2009.
- Prior to adoption of a final budget, additional draft budgets will be prepared as necessary and presented to the Board of Directors to reflect ongoing discussions by the Finance Committee and Board.

**STAFF RECOMMENDATION**

- Adoption of the attached Resolution Adopting a Preliminary Annual Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2009 Through June 30, 2010.

April 23, 2009




# ORANGE WATER AND SEWER AUTHORITY

*Quality Service Since 1977*

## MEMORANDUM

**TO:** Board of Directors

**THROUGH:** Ed Kerwin 

**FROM:** Kevin M. Ray

**DATE:** April 16, 2009

**SUBJECT:** Fiscal Year (FY) 2010 *Preliminary Annual Budget*

### **Background**

There is no statutory requirement to adopt a preliminary budget. This preliminary budget is presented for adoption in accordance with organizational requirements identified in OWASA's *Financial Management Policy*. However, North Carolina law requires an appropriation be in place on July 1 of each year. An adopted preliminary budget satisfies statutory requirements for an interim appropriation in the unlikely event that a final budget is not adopted on or before July 1, 2009. A preliminary budget is in no way binding prior to July 1, 2009, nor does it preclude the adoption of a final budget on or after that date.

The average rate adjustment in FY 2009 was 17.0%, and a 9.75% rate adjustment for FY 2010 is reflected in this preliminary budget. It is important to understand that reduced water consumption, whether drought or price induced, continues to be the single-most pervasive factor in the budgeting process; resulting in the need for continued reductions in operational (O&M) spending and capital improvements (CIP) investment in spite of significant rate adjustments. Demand forecasts for FY 2009 were reduced by approximately 13.0% from the prior year, and that assumption is proving to be reasonably realistic. The projected revenues in the proposed preliminary budget reflect a potable water demand assumption of 6.71 million gallons per day (MGD) during FY 2010; representing a 5.4% decrease in potable demand from FY 2009 projections as nearly 700,000 gallons of potable demand is expected to shift to the reclaimed water system. A decline from 300 to 172 anticipated new connections during FY 2010 further exacerbates our revenue recovery difficulties. Finance Committee deliberations and the preliminary budget development were conducted under these constraints.

### **Development and Highlights of the Preliminary Budget**

The preliminary budget reflects the discussion and guidance of the Finance Committee. The Finance Committee has met numerous times during the previous six months to discuss capital and operating budget, spending levels and rate adjustments necessary to support them. Significant discussion was dedicated to reductions in operational spending, further reductions in infrastructure

development and maintenance, and minimizing rate adjustments while simultaneously ensuring OWASA's fiscal strength and financial sustainability. Several Board members not on the Committee attended these meetings and the Finance Committee Chair provided reports on Committee deliberations to the Board on a regular basis. The Human Resources Committee provided input in terms of employee compensation and benefits.

Key elements of the preliminary budget include:

- A 9.75% average rate increase to recover the cost of a bare-bones O&M budget and a further reduced capital budget while strengthening OWASA's financial position.
- Total operating revenue projections of \$33.6 million.
  - ✓ \$31.9 million in water and sewer revenues.
  - ✓ \$470,000 from reclaimed water services.
  - ✓ \$1.4 million in other operating fees and charges.
- Nonoperating revenues of \$1.2 million; reflecting a 41% reduction from FY 2009 in expectations for service availability fees related to the slowdown in new development under current economic conditions. This follows on the heels of a 39% reduction in FY 2009.
- Operating expense of \$18.7 million, before construction credits.
  - ✓ Funding only essential services and programs.
  - ✓ 1.7% increase over current-year budget.
  - ✓ 58.1% increase in chemical costs.
  - ✓ 5.7% aggregate decrease in all other categories.
  - ✓ No increase in health care costs.
  - ✓ 2.0% merit pool placeholder.
  - ✓ Permanent elimination of nine positions and nine additional positions remain unfunded in FY 2010.
  - ✓ Continued deferral of root control efforts, WWTP odor control chemicals, and meter change-out and testing (to be reintroduced in FY 2011).
  - ✓ No funding of future post-employment benefits (funding projected to begin in FY 2011).
- Capital improvements spending in FY2010 of \$6.8 million.
  - ✓ Further reduction to 80% of previously identified needs.
  - ✓ Phase 3 Odor Improvement Project deferred one year.
  - ✓ No new debt or significant grant reimbursements; entirely cash funded.
- Principal and interest payments of \$9.7 million with a debt service coverage ratio of 1.67.
- New reserve funding.
  - ✓ Working Capital Reserve of 4 months.
  - ✓ \$250,000 funding for the Rate Revenue Stabilization Reserve Fund.
  - ✓ \$400,000 funding for the Capital Improvements Reserve Fund.

Organizational line item and departmental summary information is presented in Attachment #1.

## **SUMMARY**

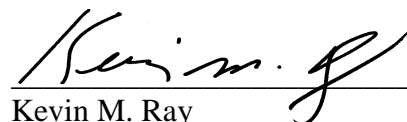
The proposed preliminary budget reflects lengthy discussion and deliberation by the Finance Committee. The Committee Members have demonstrated a broad understanding of the issues and challenges facing the organization, and this preliminary budget represents the first year of a multi-year plan designed to ensure OWASA's fiscal integrity and sustainability. The Committee will continue its deliberations on rate adjustments prior to the Board adopting a final budget.

The recommended schedule to conclude the FY 2010 budgeting process includes the following dates:

- April 23, 2009 – adoption of the *Preliminary Annual Budget* and setting dates for rate and budget public hearings.
- April 28, 2009 – Finance Committee meeting to discuss rate recommendations and the impact of conservation efforts on customer demand patterns.
- May 14, 2009 – Board of Director discussion of draft final budget.
- May 28, 2009 – Public Hearings on the proposed FY 2010 budgets and rates, fees and charges.
- June 11, 2009 – Adoption of the FY 2010 *Annual Budget, Capital Improvements Plan* for FY 2010-24 including a *Capital Improvements Budget* for FY 2010-14, and the *Schedule of Rates, Fees and Charges* to become effective October 1, 2009.

The Board is not bound to the preliminary budget and further Committee and Board guidance may require changes in the revenues and expenditures presented in the final budget (construction credits are not finalized, for example). Staff will present additional draft annual budgets as needed to facilitate further Board deliberation.

Staff looks forward to working with the Board during this challenging time for our utility as we move forward toward adopting a sound financial plan for FY2010 and beyond.



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Kevin M. Ray  
Director of Finance and Customer Service

Attachment

**Orange Water and Sewer Authority  
Preliminary O&M Request by Category  
Fiscal Year 2010**

<b>Category</b>	<b>FY 08 Actual</b>	<b>FY 09 Budget</b>	<b>FY 10 Preliminary Recom.</b>	<b>FY 10 Recom. to FY 09 Budget %</b>	<b>FY 10 Recom. to FY 09 Budget \$</b>	<b>FY 10 Budget to FY 08 Actual %</b>
Salaries & Wages	\$6,988,170	\$7,228,132	\$6,826,496	-5.6%	(\$401,637)	-2.3%
Fringe Benefits	\$2,532,049	\$2,740,668	\$2,550,278	-6.9%	(\$190,391)	0.7%
Materials & Supplies	\$517,210	\$611,214	\$588,226	-3.8%	(\$22,988)	13.7%
Water Purchases	\$0	\$0	\$0	0.0%	\$0	0.0%
Chemicals	\$1,718,032	\$2,127,006	\$3,363,789	58.1%	\$1,236,783	95.8%
Utilities	\$1,774,811	\$1,881,611	\$1,924,225	2.3%	\$42,614	8.4%
Maintenance	\$1,995,448	\$2,207,394	\$2,053,219	-7.0%	(\$154,175)	2.9%
Professional Services	\$754,557	\$783,340	\$615,950	-21.4%	(\$167,390)	-18.4%
Insurance	\$226,406	\$214,113	\$214,113	0.0%	\$0	-5.4%
Communication	\$182,166	\$198,977	\$188,830	-5.1%	(\$10,147)	3.7%
Printing & Reproduction	\$9,050	\$15,825	\$13,025	-17.7%	(\$2,800)	43.9%
Education and Development	\$83,375	\$118,670	\$118,670	0.0%	\$0	42.3%
Other	<u>\$257,837</u>	<u>\$280,999</u>	<u>\$234,926</u>	-16.4%	<u>(\$46,073)</u>	-8.9%
<b>Totals</b>	<b><u>\$17,039,110</u></b>	<b><u>\$18,407,950</u></b>	<b><u>\$18,691,746</u></b>	1.5%	<b><u>\$283,797</u></b>	9.7%
Construction Credit	(\$398,911)	(\$165,532)	(\$393,880)	137.9%	<u>(\$228,348)</u>	-1.3%
<b>Net Expense</b>	<b>\$16,640,199</b>	<b>\$18,242,418</b>	<b>\$18,297,866</b>	0.3%	<b><u>\$55,449</u></b>	10.0%

**Orange Water and Sewer Authority  
Preliminary O&M Request - General & Administrative  
Fiscal Year 2010**

<b>Category</b>	<b>FY 08 Actual</b>	<b>FY 09 Budget</b>	<b>FY 10 Preliminary Recom.</b>	<b>FY 10 Recom. to FY 09 Budget %</b>	<b>FY 10 Recom. to FY 09 Budget \$</b>	<b>FY 10 Budget to FY 08 Actual %</b>
<b>Executive Director</b>						
Personnel Costs	\$874,788	\$877,287	\$731,087	-16.7%	(\$146,200)	-16.4%
Operating Expenditures	<u>\$425,189</u>	<u>\$401,835</u>	<u>\$386,235</u>	-3.9%	<u>(\$15,600)</u>	-9.2%
Total Expenditures	\$1,299,977	\$1,279,122	\$1,117,322	-12.6%	(\$161,800)	-14.1%
<b>Customer Service</b>						
Personnel Costs	\$404,219	\$390,753	\$377,462	-3.4%	(\$13,291)	-6.6%
Operating Expenditures	<u>\$267,928</u>	<u>\$267,000</u>	<u>\$243,005</u>	-9.0%	<u>(\$23,995)</u>	-9.3%
Total Expenditures	\$672,147	\$657,753	\$620,467	-5.7%	(\$37,286)	-7.7%
<b>Engineering</b>						
Personnel Costs	\$1,213,844	\$1,283,672	\$1,164,588	-9.3%	(\$119,083)	-4.1%
Operating Expenditures	<u>\$52,248</u>	<u>\$191,199</u>	<u>\$72,180</u>	-62.2%	(\$119,019)	38.1%
Total Expenditures	\$1,266,092	\$1,474,871	\$1,236,768	-16.1%	(\$238,102)	-2.3%
<b>Human Resources</b>						
Personnel Costs	\$482,831	\$440,801	\$381,581	-13.4%	(\$59,221)	-21.0%
Operating Expenditures	<u>\$100,616</u>	<u>\$127,567</u>	<u>\$99,368</u>	-22.1%	(\$28,199)	-1.2%
Total Expenditures	\$583,447	\$568,368	\$480,949	-15.4%	(\$87,420)	-17.6%
<b>Finance</b>						
Personnel Costs	\$436,966	\$441,688	\$521,512	18.1%	\$79,825	19.3%
Operating Expenditures	<u>\$217,818</u>	<u>\$187,600</u>	<u>\$195,415</u>	4.2%	\$7,815	-10.3%
Total Expenditures	\$654,785	\$629,288	\$716,927	13.9%	\$87,640	9.5%
<b>Purchasing</b>						
Personnel Costs	\$108,581	\$121,371	\$85,674	-29.4%	(\$35,698)	-21.1%
Operating Expenditures	<u>\$17,538</u>	<u>\$21,700</u>	<u>\$20,280</u>	-6.5%	(\$1,420)	15.6%
Total Expenditures	\$126,119	\$143,071	\$105,954	-25.9%	(\$37,118)	-16.0%
<b>Information Technology</b>						
Personnel Costs	\$299,846	\$322,132	\$329,311	2.2%	\$7,178	9.8%
Operating Expenditures	<u>\$394,206</u>	<u>\$426,690</u>	<u>\$422,090</u>	-1.1%	(\$4,600)	7.1%
Total Expenditures	\$694,051	\$748,822	\$751,401	0.3%	\$2,578	8.3%
<b>Total G&amp;A</b>	<u>\$5,296,618</u>	<u>\$5,501,296</u>	<u>\$5,029,789</u>	-8.6%	<u>(\$471,507)</u>	<u>-5.0%</u>
Construction Credit	(\$159,798)	(\$71,702)	(\$169,368)			
<b>Net Expense</b>	<u>\$5,136,820</u>	<u>\$5,429,594</u>	<u>\$4,860,421</u>	-10.5%		

**Orange Water and Sewer Authority  
Preliminary O&M Request - Operating Departments  
Fiscal Year 2010**

<b>Category</b>	<b>FY 08 Actual</b>	<b>FY 09 Budget</b>	<b>FY 10 Preliminary Recom.</b>	<b>FY 10 Recom. to FY 09 Budget %</b>	<b>FY 10 Recom. to FY 09 Budget \$</b>	<b>FY 10 Budget to FY 08 Actual %</b>
<b>Water Supply &amp; Treatment</b>						
Personnel Costs	\$878,326	\$884,435	\$902,510	2.0%	\$18,074	2.8%
Operating Expenditures	<u>\$1,562,701</u>	<u>\$1,666,181</u>	<u>\$2,104,810</u>	26.3%	\$438,629	34.7%
Total Expenditures	\$2,441,027	\$2,550,616	\$3,007,320	17.9%	\$456,703	23.2%
<b>Water Distribution</b>						
Personnel Costs	\$1,561,444	\$1,725,808	\$1,643,759	-4.8%	(\$82,050)	5.3%
Operating Expenditures	<u>\$872,923</u>	<u>\$931,286</u>	<u>\$803,205</u>	-13.8%	(\$128,081)	-8.0%
Total Expenditures	\$2,434,368	\$2,657,094	\$2,446,964	-7.9%	(\$210,131)	0.5%
<b>Plants Maintenance</b>						
Personnel Costs	\$869,759	\$971,692	\$929,697	-4.3%	(\$41,995)	6.9%
Operating Expenditures	<u>\$1,011,636</u>	<u>\$1,048,852</u>	<u>\$1,093,382</u>	4.2%	\$44,530	8.1%
Total Expenditures	\$1,881,395	\$2,020,544	\$2,023,079	0.1%	\$2,536	7.5%
<b>Laboratory</b>						
Personnel Costs	\$554,899	\$585,120	\$556,277	-4.9%	(\$28,843)	0.2%
Operating Expenditures	<u>\$233,728</u>	<u>\$327,450</u>	<u>\$309,940</u>	-5.3%	(\$17,510)	32.6%
Total Expenditures	\$788,627	\$912,570	\$866,217	-5.1%	(\$46,353)	9.8%
<b>Wastewater Treatment</b>						
Personnel Costs	\$1,046,276	\$1,057,021	\$1,015,349	-3.9%	(\$41,672)	-3.0%
Operating Expenditures	<u>\$1,935,615</u>	<u>\$2,053,857</u>	<u>\$3,014,281</u>	46.8%	\$960,424	55.7%
Total Expenditures	\$2,981,891	\$3,110,878	\$4,029,630	29.5%	\$918,752	35.1%
<b>Sewer Collection</b>						
Personnel Costs	\$788,439	\$867,020	\$737,967	-14.9%	(\$129,053)	-6.4%
Operating Expenditures	<u>\$426,746</u>	<u>\$787,932</u>	<u>\$550,782</u>	-30.1%	(\$237,150)	29.1%
Total Expenditures	\$1,215,185	\$1,654,952	\$1,288,749	-22.1%	(\$366,203)	6.1%
<b>Total Operating Departments</b>						
	<u>\$11,742,492</u>	<u>\$12,906,654</u>	<u>\$13,661,958</u>	5.9%	<u>\$755,304</u>	<u>16.3%</u>
Construction Credit	(\$239,113)	(\$93,830)	(\$224,512)			
<b>Net Expense</b>	<u>\$11,503,379</u>	<u>\$12,812,824</u>	<u>\$13,437,446</u>	4.9%		



RESOLUTION ADOPTING A PRELIMINARY BUDGET FOR ORANGE WATER  
AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2009 THROUGH  
JUNE 30, 2010

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

WHEREAS, in the event that adoption of an Annual Budget is delayed until after July 1, 2009, the *Preliminary Annual Budget* fully satisfies the interim appropriation requirements of North Carolina General Statutes 159-16; and

WHEREAS, the *Preliminary Annual Budget* includes estimates of revenues of the water and sewer system, current operating and maintenance expenditures, estimated interest income and debt service costs, and disbursements from the General Fund for capital improvements and equipment purchases;

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina General Statutes 159-13, the two attached pages be, and they hereby are, adopted as the *Preliminary Annual Budget* of Orange Water and Sewer Authority for Fiscal Year July 1, 2009 through June 30, 2010
2. That the appropriations for divisions, functions, and projects as shown in the attached budget for the respective purposes and in the respective amounts therein specified are hereby made unless and until the Annual Budget is adopted.

Adopted this 23rd day of April, 2009.

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Randy Kabrick, P.E., Chair

ATTEST:

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Braxton Foushee, Secretary

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

**FY 2010  
Annual Budget**

**Operating Revenue**

Water	\$16,758,137
Sewer	15,103,428
Reclaimed Water	471,112
Service Initiation Fee	148,952
Other	1,272,484
Refunds and Adjustments	<u>(113,396)</u>

**Total Operating Revenue** **33,640,717**

**Operating Expense**

General and Administrative	5,029,789
Operations	<u>13,661,958</u>

**Total Operating Expense** **18,691,746**

**Net Operating Income** **14,948,971**

**Non-operating Revenue**

Customer Fees	1,163,650
Interest	<u>72,407</u>

**Total Net Income** **16,185,027**

**Debt Service**

Existing	9,678,113
New	<u>0</u>

**Total Debt Service** **9,678,113**

**Net Income Less Debt Service** **\$6,506,914**

**Debt Coverage Ratio** **1.67**

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

**FY 2010  
Annual Budget**

**General Fund**

Resources			
Transfer From Revenue	\$6,506,914		
Assessments	3,000		
Grants and Contributions	<u>250,000</u>		
<b>Annual Income Available for Capital</b>			<b>6,759,914</b>
Transfer from Construction Fund (Bond Proceeds)			<b>0</b>
<b>Total Available for Capital</b>			<b>6,759,914</b>
Capital Expenditures			
Project ordinances			
General Fund Contribution	6,780,000		
Funded by Bond Proceeds	<u>0</u>		
Total Project Resolutions			<b>6,780,000</b>
Capital Equipment			<b>46,700</b>
<b>Total Capital Outlay</b>			<b>6,826,700</b>
<b>Annual General Fund Balance</b>			<b>(66,786)</b>
<b>General Fund Beginning Balance</b>			<b>9,630,000</b>
<b>General Fund Ending Balance</b>			<b><u>\$9,563,214</u></b>
Project Funding			
Under Contract	2,133,200		
Future Years	611,737		
Reserves			
Rate Stabilization	250,000		
CIP	400,000		
Operating Balance	<u>6,168,276</u>		<b><u>\$9,563,213</u></b>
<b>Unallocated General Fund Balance</b>			<b>\$0</b>

**AGENDA ITEM**

- RESOLUTION SETTING THE DATE OF MAY 28, 2009 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR 2010 AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS 2010-2024 INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FISCAL YEARS 2010-2014

**BACKGROUND**

- General Statutes (G.S.) of North Carolina require that before adopting the annual budget, the Board shall hold a public hearing at which time any persons who wish to be heard on the budget may comment.
- Notice of the time and place of the public hearing shall be advertised prior to the date of the public hearing, and a copy of the budget is to be provided to all news media in the county.
- Notice is to be mailed to the University, the Towns of Chapel Hill and Carrboro and to Orange County.
- Presentment of a Preliminary Budget for adoption on April 23, 2009 is an internal OWASA requirement, and therefore, is not subject to these public notice requirements.
- In order to satisfy public notice requirements and to allow for budget adoption tentatively scheduled for June 11, 2009, the attached resolution sets May 28, 2009 as the date of the public hearing on OWASA's proposed budgets.

**RECOMMENDATION**

- Set May 28, 2009 as the date of the public hearing on OWASA's Fiscal Year (FY) 2010 operating budget and FY2010 – 2024 capital improvements budgets.

**ACTION NEEDED**

- Adopt the Resolution Setting the Date of May 28, 2009 for a Public Hearing on the Proposed OWASA Budget for Fiscal Year 2010 and on the Capital Improvements Program for Fiscal Years 2010-2024 Including a Five-year Capital Improvements Budget for Fiscal Years 2010-2014.

April 23, 2009




# ORANGE WATER AND SEWER AUTHORITY

*Quality Service Since 1977*

## MEMORANDUM

**TO:** Board of Directors

**FROM:** Kevin M. Ray

**THROUGH** Ed Kerwin 

**DATE:** April 15, 2009

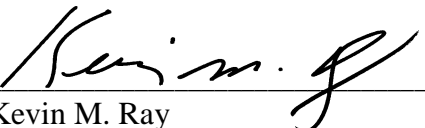
**SUBJECT:** Setting Public Hearing for the Proposed FY 2010 Annual Budget

Section 159-12 of the General Statutes (G.S.) of North Carolina requires that before adopting the annual budget, the Board shall hold a public hearing at which time any persons who wish to be heard on the budget may comment. Historically, the OWASA Board of Directors has conducted the public hearing during the second meeting in May. Statutes also require that the proposed budget be filed with the Clerk to the Board where it shall remain available for public inspection until the budget ordinance is adopted.

Notice of the time and place of the public hearing shall be advertised prior to the date of the public hearing, and a copy of the budget is to be provided to all news media in the county. Additionally, the notice is to be mailed to The University, the Towns of Chapel Hill and Carrboro and to Orange County.

Staff will present to the Board of Directors a preliminary budget for adoption on April 23, 2009. Adoption of a preliminary budget is an internal OWASA requirement, and therefore, is not subject to these public notice requirements.

The attached resolution sets May 28, 2009 as the date of the public hearing on OWASA's proposed Annual Budget and the Capital Improvements Program including a five-year Capital Improvements Budget. Adoption of the final Annual Budget is tentatively scheduled for June 11, 2008.

  
\_\_\_\_\_  
Kevin M. Ray  
Director of Finance and Customer Service

RESOLUTION SETTING THE DATE OF MAY 28, 2009 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR 2010 AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS 2010-2024 INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FISCAL YEARS 2010-2014

WHEREAS, Section 159-12 of the General Statutes of North Carolina requires a Public Hearing on the budget for the ensuing fiscal year; and

WHEREAS, in accordance with Section 7.05 of the Bond Order, and Section 159-13 of the General Statutes of North Carolina, the Board of Directors of Orange Water and Sewer Authority shall adopt an Annual Budget for the Fiscal Year 2010 on or before the first day of July, 2009; and

WHEREAS, said proposed Budget will be placed with the Clerk to the Board and will be available for public inspection;

NOW, THEREFORE, BE IT RESOLVED:

1. That a Public Hearing is hereby set for Thursday, May 28, 2009, at 7:00 P.M., in the Chapel Hill Town Hall, for the purpose of receiving public comment on the proposed operating budget for Fiscal Year 2010, and on the Capital Improvements Program for Fiscal Years 2010-2024, including a five-year Capital Improvements Budget for Fiscal Years 2010-2014.

2. That any interested persons may appear in person, or by agent or attorney, and present any comments they may have regarding the proposed budget.

3. That notice of the time and place of the Public Hearing shall be advertised and mailed at least ten days prior to the date fixed above for the Public Hearing to The University of North Carolina at Chapel Hill, and to the Towns of Chapel Hill and Carrboro and to Orange County.

Adopted this 23rd day of April, 2009.

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Randy Kabrick, P.E., Chair

ATTEST:

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Braxton Foushee, Secretary

**AGENDA ITEM**

- RESOLUTION SETTING THE DATE OF MAY 28, 2009 FOR A PUBLIC HEARING ON PROPOSED REVISIONS OF WATER AND SEWER RATES, FEES AND CHARGES

**BACKGROUND**

- OWASA's Finance Committee meeting on March 30, 2009 to review modeling scenarios of the 15-year financial planning model resulted in a preliminary recommendation of a 9.75% combined water and sewer rate revenue adjustment for Fiscal Year (FY) 2010.
- The Finance Committee Chair will update the Board of Directors on Committee rate adjustment discussions during its regular business meeting on April 23, 2009.
- The Finance Committee will meet again on April 28, 2009 to discuss proposed revisions to the Schedule of Rates, Fees and Charges for FY 2010.
- Although there is no statutory requirement for a water and sewer authority to hold a public hearing on proposed revisions to rates, OWASA historically holds such a public hearing in conjunction with the public hearing on the annual budget during its second meeting in May.
- The Agreement of Sale and Purchase with The University of North Carolina at Chapel Hill requires that The University be provided a 90-day notice prior to implementation of changes in water and sewer rates, fees and charges.
- The attached resolution sets May 28, 2009, as the date for a public hearing on revisions to rates, fees and charges for FY 2010.

**RECOMMENDATION**

- Set May 28, 2009 as the date of the public hearing on proposed changes to OWASA's rates, fees and other charges.

**ACTION NEEDED**

- Adopt the Resolution Setting the Date of May 28, 2009 for a Public Hearing on Proposed Revisions of Water and Sewer Rates, Fees and Charges.

April 23, 2009




# ORANGE WATER AND SEWER AUTHORITY

*Quality Service Since 1977*

## MEMORANDUM

**TO:** Board of Directors

**FROM:** Kevin M. Ray

**THROUGH** Ed Kerwin 

**DATE:** April 15, 2009

**SUBJECT:** Setting May 28, 2009 as the Date for a Public Hearing on Proposed Revisions to Rates, Fees and Charges

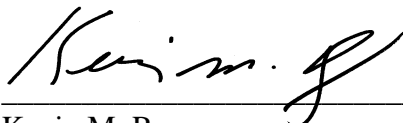
Financial planning model work indicates that a combined water and sewer rate revenue increase of 9.75% in Fiscal Year (FY) 2010 will adequately recover the costs of service operations, pay for a reduced level of existing and planned capital improvements, cover debt payments and provide sufficient financial resources to ensure sustainable fiscal strength and stability.

OWASA's Finance Committee met on March 30, 2009 to review the modeling results, and will meet again on April 28, 2009 to discuss proposed revisions to the Schedule of Rates, Fees and Charges for FY 2010. The Finance Committee Chair will update the Board of Directors on Committee discussions on rate adjustment during its regular business meeting on April 23, 2009.

Although there is no statutory requirement for a water and sewer authority to hold a public hearing on proposed revisions to rates, OWASA historically holds such a public hearing in conjunction with the public hearing on the annual budget during the Board's second meeting in May. In recent years, information on the annual budget and revisions to rates provided by staff during the public hearings has been combined into a single presentation.

As in past years, any proposed adjustment to rates, fees and other charges will be recommended to become effective October 1<sup>st</sup> of the new fiscal year. The Agreement of Sale and Purchase with The University of North Carolina at Chapel Hill requires that The University be provided a 90-day notice prior to implementation of changes in water and sewer rates, fees and charges.

The attached resolution sets May 28, 2009, as the date for a public hearing on revisions to rates, fees and charges for FY 2010. Receiving public comment on May 28, 2009 should provide sufficient time for consideration of public input, and enable adoption of a revised schedule of rates, fees and other charges before June 30, 2009, and will enable us to meet the notification requirements for The University before the new rates go into effect.



Kevin M. Ray  
Director of Finance and Customer Service



RESOLUTION SETTING MAY 28, 2009 AS THE DATE FOR A PUBLIC HEARING ON PROPOSED REVISIONS OF WATER AND SEWER RATES, FEES AND CHARGES

WHEREAS, current-year fiscal performance and demand projections indicate the need for additional revenue in Fiscal Year 2010 to provide sufficient financial resources to recover the cost of ongoing operations, pay for capital improvements, and provide sufficient financial resources to ensure sustainable fiscal strength and stability; and

WHEREAS, Section 162A-6 of the General Statutes of North Carolina and Section 7.04 of the Amended and Restated Bond Order adopted September 13, 2001, provide for the revision of such rates, fees and charges;

NOW, THEREFORE, BE IT RESOLVED:

1. That a Public Hearing is hereby set for Thursday, May 28, 2009 at 7:00 P.M., at the Chapel Hill Town Hall, for the purpose of receiving public comment on the proposed adjustments to Orange Water and Sewer Authority's rates, fees and charges.

2. That any interested persons may appear in person, or by agent or attorney, to present comments on the proposed modifications to the current schedule of rates, fees and charges.

3. That notice of the time and place of the Public Hearing shall be advertised and shall be mailed at least ten days prior to the date fixed above for the Public Hearing to The University of North Carolina at Chapel Hill, Town of Carrboro, Town of Chapel Hill, and Orange County.

Adopted this 23th day of April, 2009.

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Randy Kabrick, P.E., Chair

ATTEST:

---

Braxton Foushee, Secretary