



ORANGE WATER AND SEWER AUTHORITY

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

AGENDA
MEETING OF THE OWASA BOARD OF DIRECTORS
THURSDAY, APRIL 24, 2014, 7:00 P.M.
OWASA COMMUNITY ROOM

In compliance with the "Americans with Disabilities Act," interpreter services are available with five days prior notice. If you need this assistance, please contact the Clerk to the Board at 919-537-4217 or aorbich@owasa.org.

The Board of Directors appreciates and invites the public to attend and observe its meetings. Public comment is invited either by petition upon topics not on the Board's agenda, or by comments upon items appearing on the Board's agenda. Speakers are invited to submit more detailed comments via written materials, ideally submitted at least three days in advance of the meeting to the Clerk to the Board via email or US Postal Service (aorbich@owasa.org/400 Jones Ferry Road, Carrboro, NC 27510).

Public speakers are encouraged to organize their remarks for delivery within the three-to-five minute time frame allowed each speaker. Additional time may be allowed at the discretion of the Board of Directors.

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. Update on the April 17, 2014 Meeting between the Chapel Hill Town Council OWASA Committee and Appointees to the OWASA Board
2. Announcements by Board Members
 - A. Update on the April 15, 2014 Human Resources Committee Meeting (Will Raymond)
 - B. Update on the April 24, 2014 Finance Committee Meeting (John Young)
 - C. Natural Resources and Technical Systems Committee Meeting on Wednesday, May 7, 2014 at 5:30 PM in the OWASA Boardroom (Terri Buckner)
3. Announcements by Staff

Petitions and Requests

1. Public
2. Board
3. Staff

CONSENT AGENDA

Action

1. Approval of the Minutes of the March 27, 2014 Meeting of the Board of Directors (Andrea Orbich)
2. Approval of the Minutes of the April 10, 2014 Closed Session of the Board of Directors (Will Raymond)

REGULAR AGENDA

Information and Reports

3. Financial Report for the Nine Month Period Ended March 31, 2014 (Stephen Winters)

Summary of Board Meeting Action Items

4. Executive Director will summarize the key action items from the Board meeting and note significant items for discussion and/or action expected at the next Board meeting

CLOSED SESSION

5. The Board will Convene in a Closed Session for the Purpose of Discussing a Personnel Matter and for the Purpose of Consultation with General Counsel (Will Raymond)

WORK SESSION

6. The Board of Directors will adjourn into a Work Session for the purpose of Discussing a Board Self-Assessment (Alan Rimer)

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

MARCH 27, 2014

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular meeting on Thursday, March 27, 2014, at 7:00 PM in OWASA’s Community Room at 400 Jones Ferry Road, Carrboro.

Board Members present: Alan Rimer, P.E., Chair; John A. Young, Vice Chair; Michael M. Hughes, P.E., Secretary; Terri Buckner; Steve Dear; Heather Payne; Dana Raborn; Will Raymond; and Amy Witsil.

OWASA staff present: Ed Kerwin; Stuart Carson; Mary Darr; Patrick Davis; Greg Feller; Randy Horton; Andrea Orbich; Ruth Rouse; Todd Taylor; Stephen Winters; 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; Chapel Hill residents: Mac Clarke and Esther Miller.

There being a quorum present, Chair Alan Rimer called the meeting to order.

* * * * *

MOTIONS ACTED UPON

1. Will Raymond made a motion to approve the Minutes of the February 27, 2014 Meeting of the Board of Directors; second by Michael Hughes and unanimously approved.

2. Will Raymond made a motion to approve the Minutes of the February 27, 2014 Closed Session of the Board of Directors for the purpose of discussing a personnel matter; second by Michael Hughes and unanimously approved.

3. Will Raymond made a motion to approve the Minutes of the March 13, 2014 Closed Session of the Board of Directors for the purpose of discussing a personnel matter; second by Michael Hughes and unanimously approved.

4. Will Raymond made a motion to approve the Charter for the Long-Range Water Supply Plan update; second by Steve Dear and unanimously approved.

* * * * *

ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Alan Rimer 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.

HUMAN RESOURCES (HR) COMMITTEE

Will Raymond said the HR Committee met on March 25, 2014 to discussed OWASA's deferred compensation plan for employees and retirement health insurance benefits for new hires. He said the Committee supported the importance of maintaining a competitive deferred compensation plan. Mr. Raymond noted that additional information was requested regarding OWASA's competitiveness in the local market with respect to total retirement contributions. Interest was expressed about considering the possibility of adding a 401(k) plan with matching employee contributions. Regarding retirement health insurance for new hires, the Committee recommended deferring this topic for one year. The next HR Committee meeting will be on Tuesday, April 15, 2014 at 5:30 PM to review the current employee performance evaluation system and how it is linked to compensation as well as linking performance goals to OWASA's Strategic Plan. Mr. Raymond encouraged the full Board to attend this meeting.

FINANCE COMMITTEE

John Young said that the Finance Committee met prior to tonight's Board meeting and the main focus was the proposed Fiscal Year (FY) 2015 rates and rate structure. After discussion, the Finance Committee unanimously agreed to recommend no increase in rates for FY 2015 and no changes to the rate structure. Mr. Young noted that the Committee also reviewed the Draft FY 2015 operating and capital improvement budgets and recommended no changes. He said the Committee supports an item for discussion and action at the Board's April 10, 2014 meeting authorizing staff to publicize the proposed draft FY 2015 operating and capital improvement budgets and proposed draft rates, fees and charges.

NATURAL RESOURCES AND TECHNICAL SYSTEMS (NRTS) COMMITTEE

Terri Buckner announced that the NRTS Committee will meet on Wednesday, April 2, 2014 at 5:30 PM in the OWASA Boardroom to receive an update on OWASA's information technology systems, and that a portion of this meeting will be a closed session to discuss confidential security matters.

DANA RABORN

Dana Raborn announced that her last OWASA Board Meeting will be Thursday, April 10, 2014 because her family is relocating out of state. The Board expressed appreciation to Ms. Raborn for her service on the OWASA Board of Directors and wished her well.

ITEM TWO: PETITIONS AND REQUESTS

Ester Miller, Chapel Hill resident, recommended two books for the Board to read (“Acid Rain” by Fred Pearce and “Poisoned Profits” by Philip Shabecoff and Alice Shabecoff) and petitioned the Board to study what is being put into the drinking water and to keep out harmful things.

The Board received Ms. Miller’s petition and took no action. The Board will stay abreast of scientific developments, changes in best management practices, and accepted public health practices and recommendations regarding drinking water.

Alan Rimer asked for petitions and requests from the Board and staff; there were none.

ITEM THREE: MINUTES

Will Raymond made a motion to approve the Minutes of the February 27, 2014 Meeting of the Board of Directors; second by Michael Hughes and unanimously approved. Please see Motion No. 1 above.

Will Raymond made a motion to approve the Minutes of the February 27, 2014 Closed Session of the Board of Directors for the purpose of discussing a personnel matter; second by Michael Hughes and unanimously approved. Please see Motion No. 2 above.

Will Raymond made a motion to approve the Minutes of the March 13, 2014 Closed Session of the Board of Directors for the purpose of discussing a personnel matter; second by Michael Hughes and unanimously approved. Please see Motion No. 3 above.

ITEM FOUR: DISCUSSION AND APPROVAL OF A CHARTER FOR THE LONG-RANGE WATER SUPPLY PLAN UPDATE

Ruth Rouse provided an overview of the process to update the Long-Range Water Supply Plan and the draft Charter for the update.

John Young said the Charter is good and he recommended that the Board be consulted about changes in the Charter regarding the high-level scope/deliverables, exclusions and assumptions sections.

Will Raymond noted that the Assumptions section of the Charter should include considering input from Orange County.

Ms. Rouse will clarify the draft Charter to include Orange County.

Will Raymond made a motion to approve the Charter for the Long-Range Water Supply Plan update; second by Steve Dear and unanimously approved. Please see Motion No. 4 above.

ITEM FIVE: POTENTIAL PILOT PROGRAM TO ENGAGE TARGET GROUPS WITH INFORMATION ABOUT HOW RESIDENTIAL CUSTOMERS CAN REDUCE THEIR WATER AND SEWER BILLS

Steve Dear, Chair of the Community Engagement Committee, and Patrick Davis provided an overview of the potential pilot program to engage target groups on how to reduce their water and sewer bills. The proposed pilot is supported by the Community Engagement Committee.

The Board concurred with the Community Engagement Committee's recommendation that staff proceed with the proposed pilot project in partnership with other agencies to engage the community/target groups.

ITEM SIX: DISCUSSION OF A BOARD SELF-ASSESSMENT OF THE ORANGE WATER AND SEWER AUTHORITY BOARD OF DIRECTORS

Alan Rimer said that the Board agreed to conduct a Board Self-Assessment last fall. After review by the Executive Committee, the self-assessment was distributed to the Board of Directors and seven Board Members completed it. The information was compiled and distributed to the Board. Mr. Rimer suggested that the Board review the compiled information and that the Board discuss it at a future work session or meeting; the Board agreed.

ITEM SEVEN: DISCUSSION OF COMPENSATION OF THE ORANGE WATER AND SEWER AUTHORITY BOARD OF DIRECTORS

Mac Clarke said that he initiated the current compensation at the end of his tenure on the Board of Directors in 2011 and he feels the current compensation is appropriate for Board Members.

After discussion by the Board, the Board took no further action.

ITEM EIGHT: EXECUTIVE DIRECTOR WILL SUMMARIZE THE KEY ACTION ITEMS FROM THE BOARD MEETING AND NOTE SIGNIFICANT ITEMS FOR DISCUSSION AND/OR ACTION EXPECTED AT THE NEXT BOARD MEETING

Ed Kerwin summarized the meeting as follows:

- The April 10, 2014 Board meeting will include:
 - o Discussion and direction to staff on what to advertise regarding OWASA's Draft Fiscal Year 2015 budgets and rates.

DRAFT

There being no further business to come before the Board, the meeting was adjourned at 8:30 PM.

Respectfully submitted,

DRAFT

Andrea Orbich
Executive Assistant/Clerk to the Board

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

APRIL 10, 2014

The Board of Directors of Orange Water and Sewer Authority met in Closed Session on Thursday, April 10, 2014, following the regular Board meeting.

Board Members present: Alan Rimer, P.E., Chair; Terri Buckner; Stephen Dear; Heather Payne; Dana Raborn; Will Raymond; and Amy Witsil.

Board Members excused: John A. Young, Vice Chair, and Michael M. Hughes, P.E., Secretary.

Staff present: Ed Kerwin.

ITEM ONE

The Board of Directors met in Closed Session for the purpose of evaluating the annual performance of OWASA's Executive Director.

No official action was taken at the meeting.

DRAFT

Will Raymond, Chair
Human Resources Committee

AGENDA ITEM

- **FINANCIAL REPORT FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2014**

PURPOSE

- To inform the Board of Directors of OWASA's financial performance and fiscal position.

BACKGROUND

- The financial report consists of a Statement of Net Position (Balance Sheet), an Income Statement that includes a budget to actual comparison, graphical presentations of financial performance indicators and a Financial Management Policy Report Card.
- Highlights of the report include:
 - Operating Revenues for the period were about \$650,000 or 2.4% under budget.
 - Operating Expenditures were about \$425,000 or 3% less than budget.
 - Customer Fees (Service Availability Fees) exceeded budget for the period by approximately \$380,000.
 - Net Income less Debt Service was 9% under budget or roughly \$300,000.
 - Capital Improvement Program expenditures were about 5% more than projected for the period.

ACTION NEEDED

- Receive and discuss the Financial Report for the nine month period ended March 31, 2014.


April 24, 2014



ORANGE WATER AND SEWER AUTHORITY

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to the Carrboro-Chapel Hill community.*

MEMORANDUM

TO: Board of Directors
THROUGH: Ed Kerwin 
FROM: Stephen Winters, CPA
DATE: April 17, 2014
SUBJECT: Financial Report for the nine month period ended March 31, 2014

Purpose

The financial report for the nine month period ended March 31, 2014 is presented to inform the Board of Directors of OWASA's financial position and financial performance in relation to budget.

Contents

- Statement of Net Position (Balance Sheet)
- Income Statement
- Graphs of Key Performance Indicators
- Financial Management Policy Report Card

Fiscal Performance

- As shown on page 10 of the financial report, all financial performance measurement targets are being met.
- Potable water sales for the period averaged 6.1 million gallons per day (MGD); 6.2 MGD was projected. Combined potable and reclaimed water sales for the period averaged 6.7 MGD versus a projection of 7.0. More rainfall than normal during the nine month period likely contributed to lower than expected water demand.
- Total Operating Revenue was 2.4% or about \$ 650,000 under budget.
- Revenue from new system connections was over budget by about \$380,000 because the actual per-meter-revenue was greater than the average per-meter-revenue that was used to develop the budget.
- Total operating expenses for the period were approximately \$425,000 or 3% under budget.
- Net Income less Debt Service for the period was approximately \$300,000 or 9% less than budget.

- Capital Improvement Program (CIP) expenditures were about 5% or \$550,000 higher through the third quarter than projected. There were more than 20 CIP projects active during the first three quarters, either in design or construction. We forecast that FY 2014 CIP expenditures will be approximately 3% under budget.

We continuously monitor the status of each of our CIP projects and we project that final year-end expenditures will be within our goal of between 90% and 105% of budget. Additional information, including financial data, on each of our major active CIP projects will be provided to the Board of Directors at the July 24, 2014 meeting as part of the recurring Semi-annual CIP Status Report.



Stephen Winters, CPA
Director of Finance and Customer Service

Orange Water and Sewer Authority

**Financial Report
For the Nine Month Period Ended
March 31, 2014**

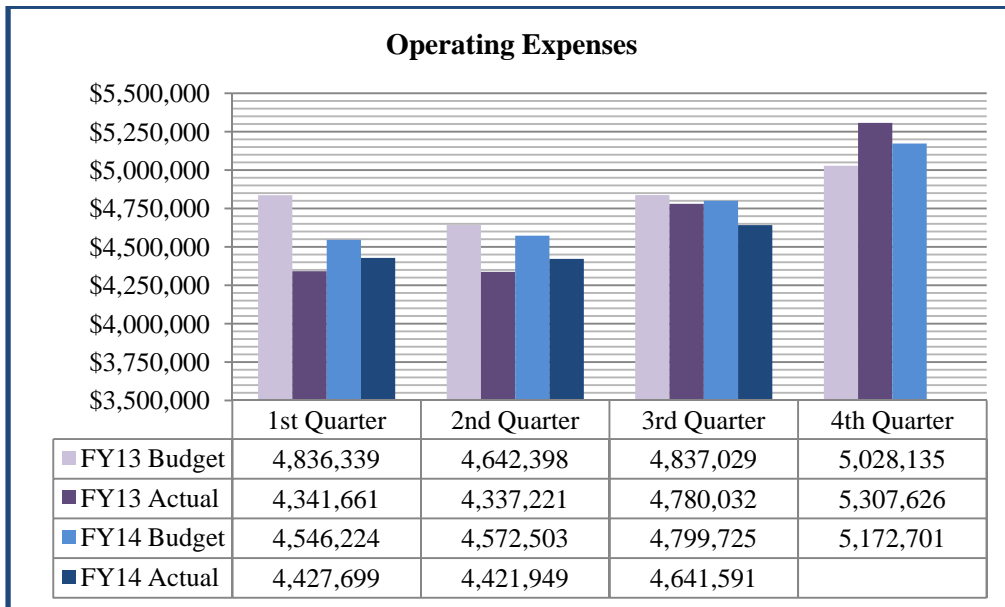
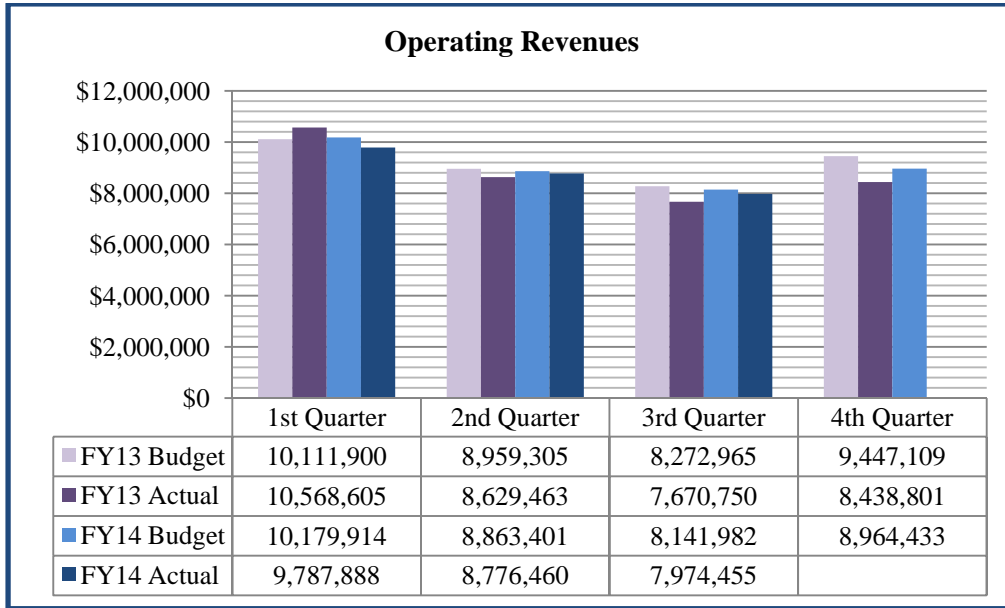
Orange Water and Sewer Authority
Statement of Net Position
March 31, 2014
(unaudited)

Assets	
Current Assets	
Cash	\$18,736,005
Receivables	3,440,810
Inventory	1,077,169
Prepaid expenses	112,795
Restricted cash	4,647,689
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Total current assets	28,014,468
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Noncurrent Assets	
Capital assets (net of depreciation)	272,359,278
Other noncurrent assets	22,783,134
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Total noncurrent assets	295,142,412
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Total Assets	\$323,156,880
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Liabilities and Net Position	
Current liabilities	
Accounts payable and accrued expenses	\$1,319,746
Unearned income	570,558
Customer deposits	883,533
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Total current liabilities	2,773,837
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Noncurrent liabilities	
Bonds payable	78,675,000
Other noncurrent liabilities	4,443,670
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Total noncurrent liabilities	83,118,670
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Net Position	
Contributed capital	113,616,867
Net Position at the beginning of the year	118,762,004
Year-to-date accrual basis net income	4,885,502
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Total Liabilities and Net Position	\$323,156,880
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Net income reconciliation:	
Accrual basis net income	\$4,885,502
Depreciation and interest expense	9,049,085
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Modified accrual basis net income	\$13,934,587
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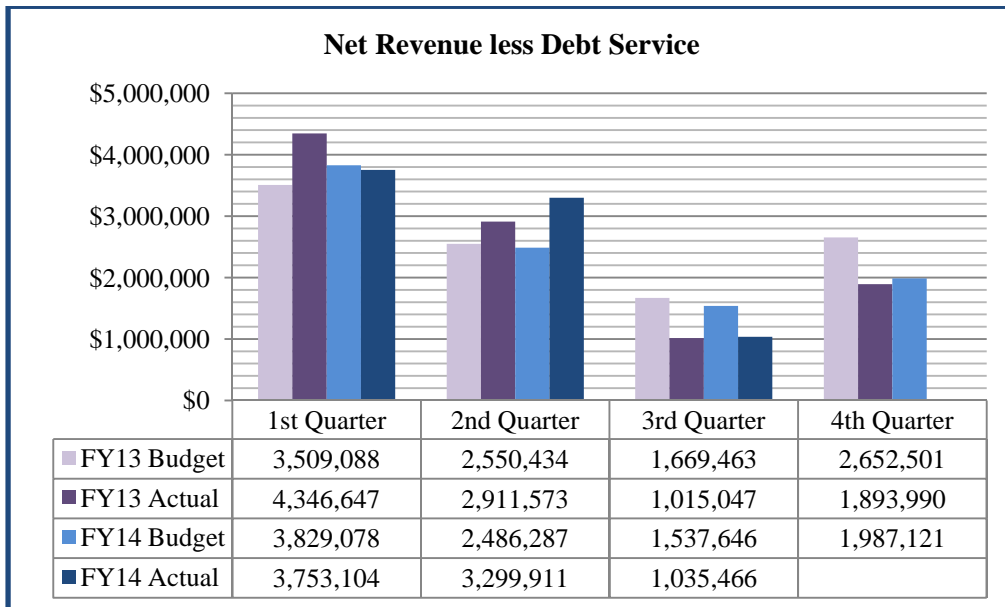
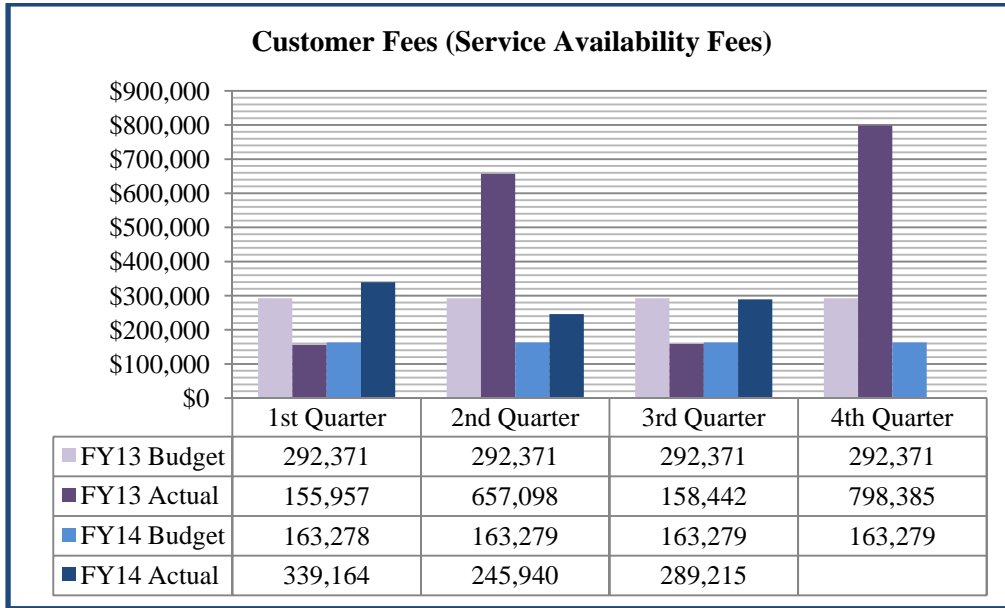
Orange Water and Sewer Authority
Income Statement
For the Nine Month Period Ended March 31, 2014
(unaudited)

	Actual through March 31, 2014	Budget through March 31, 2014	Variance	Percent Variance
Operating Revenue:				
Water	\$12,867,972	\$13,468,103	\$(600,131)	(4.5)%
Sewer	12,577,919	12,503,450	74,469	0.6
Reclaimed Water	326,220	337,609	(11,389)	(3.4)
Service Initiation Fees	117,080	113,858	3,222	2.8
Other	837,926	905,356	(67,430)	(7.4)
Refunds and Allowances	(188,314)	(143,079)	(45,235)	(31.6)
	-----	-----	-----	-----
Total Operating Revenue	26,538,803	27,185,297	(646,494)	(2.4)
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Non-operating Income:				
Customer Fees	874,319	489,834	384,485	78.5
Interest	11,038	10,323	715	6.9
Gain (Loss) on Sale of Fixed Assets	1,666	0	1,666	
	-----	-----	-----	-----
Total Non-operating Income	887,023	500,157	386,866	77.3
	-----	-----	-----	-----
Total Income	27,425,826	27,685,454	(259,628)	(0.9)
	-----	-----	-----	-----
Operating Expense:				
General and Administrative	4,087,535	4,410,453	322,918	7.3
Water Supply and Treatment	3,117,962	3,177,141	59,179	1.9
Water Distribution	1,878,327	2,021,063	142,736	7.1
Wastewater Treatment	3,411,007	3,544,915	133,908	3.8
Wastewater Collection	996,408	764,746	(231,662)	(30.3)
	-----	-----	-----	-----
Total Operating Expense	13,491,239	13,918,318	427,079	3.1
	-----	-----	-----	-----
Net Income (modified accrual)	13,934,587	13,767,136	167,451	1.2
Debt Service	5,846,106	5,913,994	67,887	1.1
	-----	-----	-----	-----
Net Income less Debt Service	8,088,481	7,853,142	235,338	3.0
Less: CIP Expenditures	11,627,293	11,086,000	(541,293)	(4.9)
Capital Equipment				
Expenditures	245,158	245,158	0	0.0
	-----	-----	-----	-----
Net Change in Fund Balance	\$(3,783,970)	\$(3,478,016)	\$(305,955)	(8.8)
	=====	=====	=====	=====

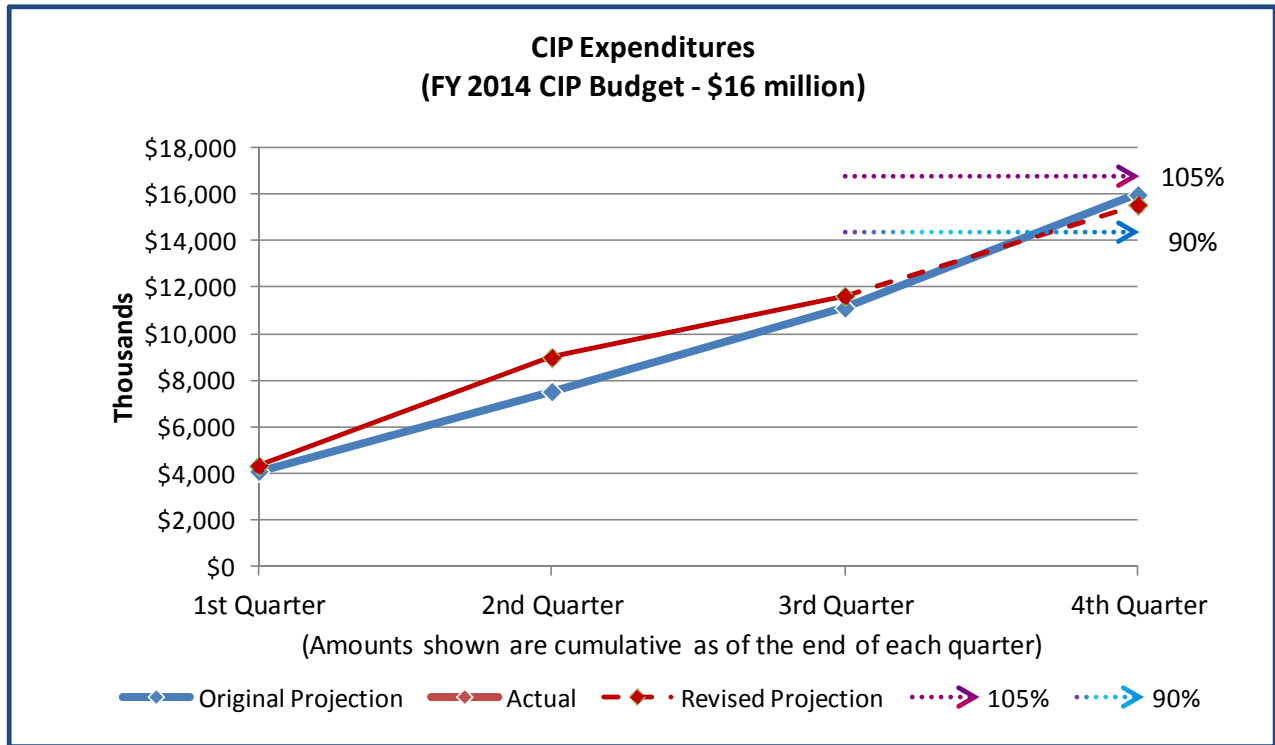
**Orange Water and Sewer Authority
Select Financial Data
For the Nine Month Period Ended March 31, 2014**



**Orange Water and Sewer Authority
Select Financial Data
For the Nine Month Period Ended March 31, 2014**



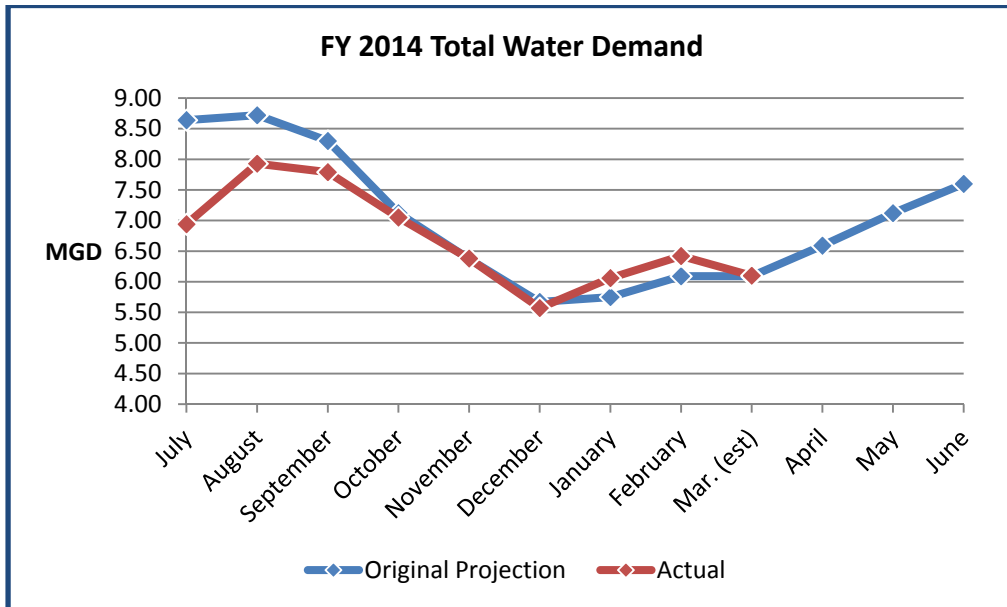
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 For the Nine Month Period Ended March 31, 2014**



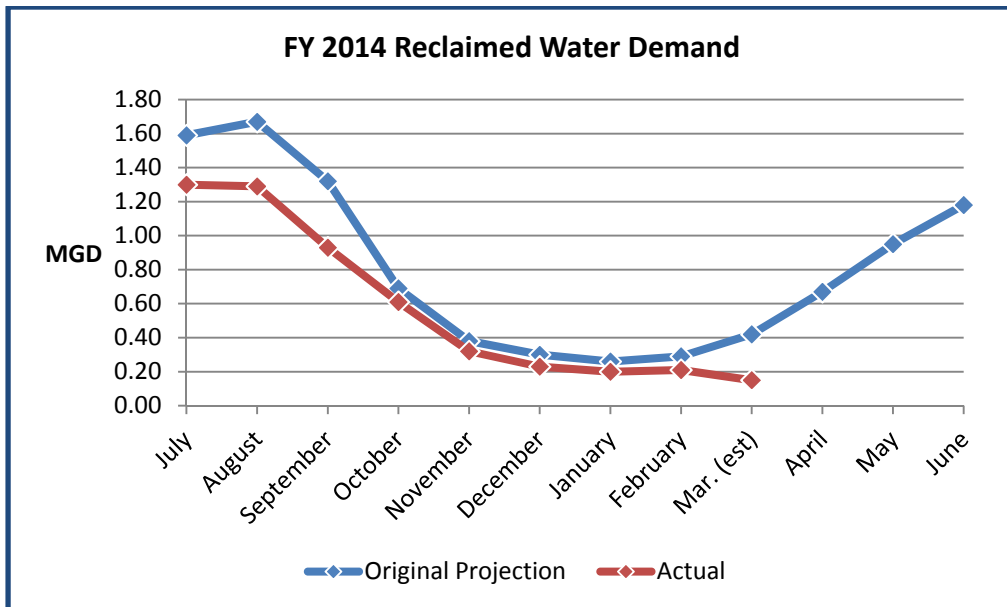
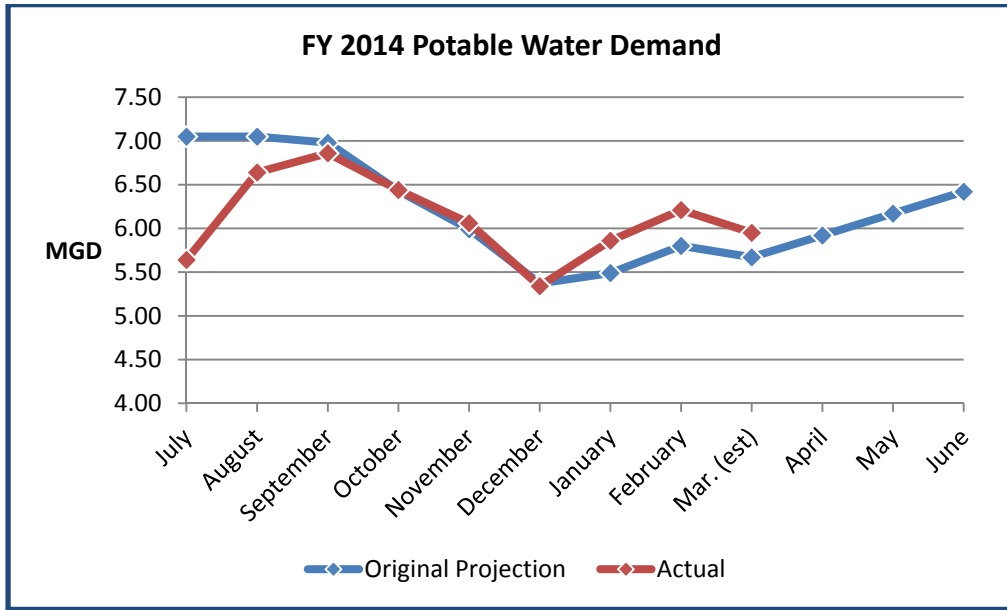
**Orange Water and Sewer Authority
Select Financial Data
For the Nine Month Period Ended March 31, 2014**

FY 2014 Water Sales Projection (Average Day)						
	Original FY 2014 Sales Projections		Actual FY 2014 Water Sales		Revised FY 2014 Sales Projections	
	PW	RCW	PW	RCW	PW	RCW
July	7.05	1.59	5.64	1.30	5.64	1.30
August	7.05	1.67	6.64	1.29	6.64	1.29
September	6.98	1.32	6.86	0.93	6.86	0.93
October	6.43	0.69	6.44	0.61	6.44	0.61
November	5.99	0.38	6.06	0.32	6.06	0.32
December	5.37	0.30	5.34	0.23	5.34	0.23
January	5.49	0.26	5.86	0.20	5.86	0.20
February	5.80	0.29	6.21	0.21	6.21	0.21
March	5.67	0.42	5.95	0.15	5.67	0.42
April	5.92	0.67			5.92	0.67
May	6.17	0.95			6.17	0.95
June	6.42	1.18			6.42	1.18
Average	6.20	0.81	6.11	0.58	6.10	0.69

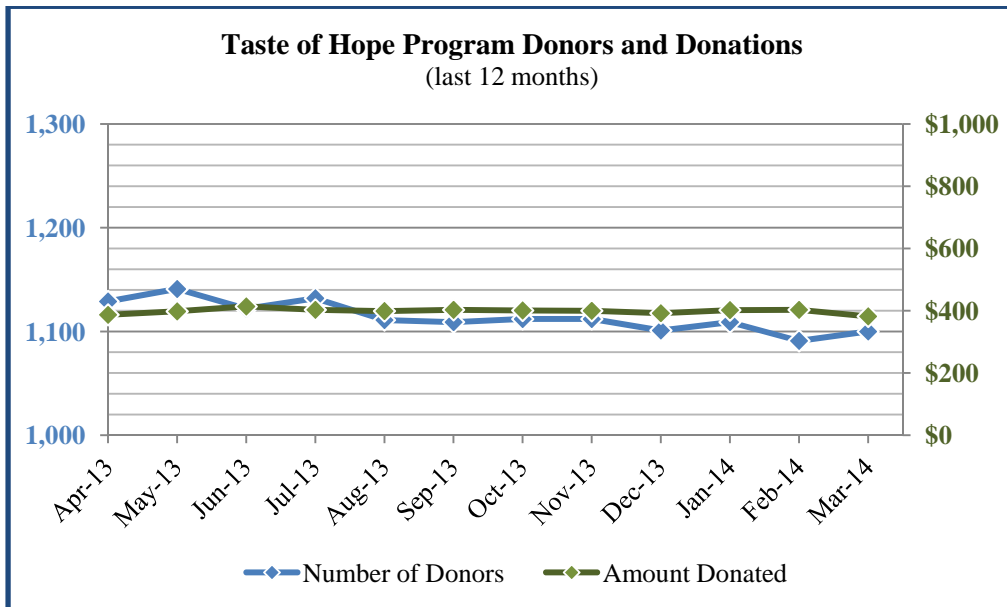
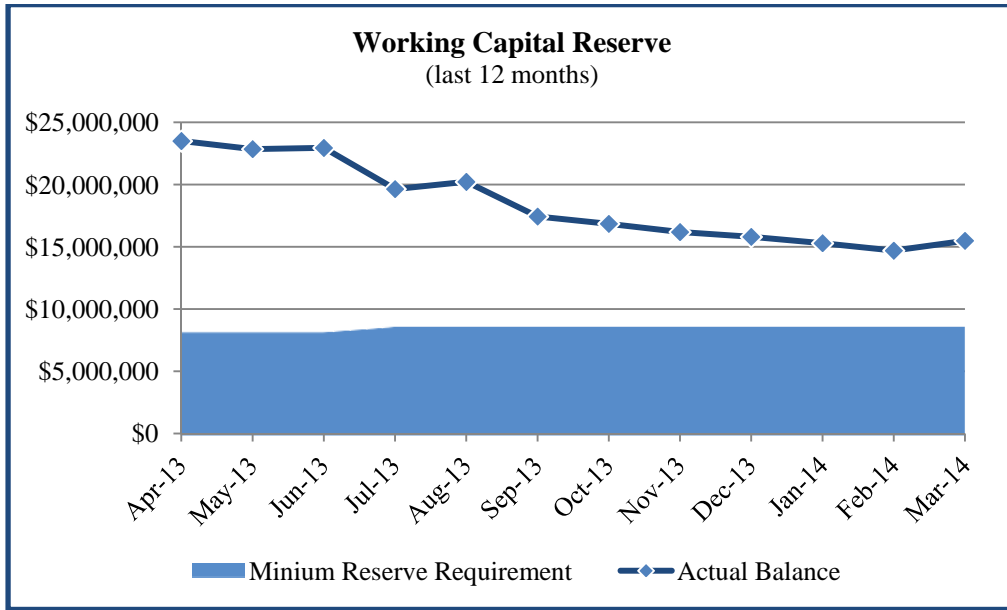
Estimates shown in red



**Orange Water and Sewer Authority
 Select Financial Data
 For the Nine Month Period Ended March 31, 2014**



**Orange Water and Sewer Authority
Select Financial Data
For the Nine Month Period Ended March 31, 2014**



**Orange Water and Sewer Authority
Financial Management Policy Report Card
For the Nine Month Period Ended March 31, 2014**

Measurement	Objective	FY13 Results	FY14 Goal	FY14 YTD Results
Working Capital Reserves	Greater of four months Operating expenses or 20% of succeeding three years CIP	\$23M	\$8.5M	\$15.5M
Capital Improvements Reserve	2% of Net Capital Assets (Funding \$400,000 per year until reach goal of approximately \$6M)	\$1.6M	\$2M	\$2M
Rate / Revenue Stabilization Reserve	5% of annual Water and Sewer Revenue (Funding \$250,000 per year until reach goal of approximately \$2M)	\$1M	\$1.25M	\$1.25M
Debt Burden to Asset Value	Total Debt not more than 50% of Total Assets	29%	≤ 50%	27%
Sufficiency of Revenues above Debt Requirements	Annual Debt Service no more than 35% of Gross Revenue	22%	≤ 35%	22%
Cash Financing of Capital	Annual revenues and reserves provide at least 30% of CIP funding	100%	≥ 30%	100%
Debt Service Coverage Ratio	Annual Net Income not less than two times Annual Debt Service	2.2	2.0	2.3 ²
Service Affordability Ratio ¹	Average annual OWASA bill not more than 1.5% of area median household income	1.68%	1.5%	1.48%

M = million

¹ Calculation based on median household income of \$59,793 (per 2012 U.S. Census Bureau, the most recent information available) and average monthly household water use of 4,250 gallons

² Calculation based on the FY 2014 Annual Budget until full-year results are available.