

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

MARCH 26, 2009

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, March 26, 2009, at 7:00 P.M. at the Chapel Hill Town Hall.

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

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Jan Bryant-Berry; Stuart Carson; Patrick Davis; Greg Feller; Alexandra Jones; Andrea Orbich; and Robert Epting, Esq., Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina at Chapel Hill and Heather Payne, Chapel Hill resident.

There being a quorum present, Vice Chair Gordon Merklein called the meeting to order.

MOTIONS ACTED UPON

1. Gene Pease made a motion that the Board deny Amanda Greechan's petition and that staff provide an update to the Board on the effectiveness of the Policy for Adjustment of Customer Accounts for Emergency Situations Involving the Loss of Metered Water date April 26, 2007; meter accuracy; and OWASA's procedures regarding investigating leaks. The motion was seconded by William Stott and was unanimously approved; the motion was seconded by William Stott and carried by unanimous vote.

2. Mac Clarke made a motion to approve the Minutes of the February 12, 2009 Board Meeting; the motion was seconded by Gene Pease, and carried by unanimous vote.

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

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Approving Revised Water Conservation standards and requesting the Carrboro Board of Aldermen, Chapel Hill Town Council, and Orange County Board of County Commissioners to Revise their Conservation Ordinances to Incorporate said Standards."

(Resolution so titled attached hereto and made a part of these minutes. Motion by Gene Pease, seconded by Alan Rimer, and carried by unanimous vote.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Adopting Orange Water and Sewer Authority Financial Management Policy." (Resolution so titled attached hereto and made a part of these minutes. Motion by Alan Rimer, seconded by Mac Clarke, and carried by unanimous vote.)

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Authorizing Application for State Grant Assistance for University Lake Pump Station Improvements." (Resolution so titled attached hereto and made a part of these minutes. Motion by Gene Pease, seconded by Alan Rimer, and carried by unanimous vote.)

7. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Authorizing Application for State Grant Assistance for Bolin Creek Interceptor (Phase 3) Replacement." (Resolution so titled attached hereto and made a part of these minutes. Motion by Gene Pease, seconded by Alan Rimer, and carried by unanimous vote.)

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ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Gordon Merklein 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.

ASSEMBLY OF GOVERNMENTS MEETING

Gordon Merklein said that Randy Kabric, OWASA Board Chair, and Ed Holland, OWASA Director of Planning, are attending the Orange County Assembly of Government meeting at Extraordinary Ventures in Chapel Hill to answer any questions that the elected officials may have regarding the consideration of Jordan Lake as a possible shared future water source.

COMMITTEE MEETINGS

Gordon Merklein said the Finance Committee met on March 18, 2009 and heard an update from the consultant conducting an independent review of OWASA'S financial management and reporting systems. The consultant facilitated an OWASA financial self-assessment with Committee members. This work is going well and will be completed as scheduled.

Mr. Merklein announced that the Finance Committee will meet on Monday, March 30, 2009 at 5:00 P.M. in the OWASA Boardroom to review staff's recommendations for rate adjustments for Fiscal Year 2010. He encouraged all Board Members to attend this meeting.

Braxton Foushee said that the Human Resources Committee will meet on Tuesday, April 14, 2009 at 5:30 P.M. in the OWASA Boardroom to discuss OWASA's policies and procedures regarding participation by minority businesses in bidding and contracting; to review bids for health insurance coverage; and to review the Fiscal Year 2010 employee compensation.

Alan Rimer said that the Natural Resources Technical Systems (NRTS) Committee meeting scheduled for Wednesday, March 25, 2009 was rescheduled for Monday, March 30, 2009 at 3:00 P.M. in the OWASA Boardroom to discuss timber management, long-range water supply plan update, and NRTS Committee priorities. Mr. Rimer also said that members of the OWASA Board will meet on Wednesday, April 1, 2009 at 8:30 A.M. in the OWASA Boardroom to tour OWASA property and discuss timber management.

ANNUAL CHLORINE/CHLORAMINES DISINFECTION

John Greene announced that the annual chlorine disinfection of drinking water will end on March 31, 2009 and chloramine disinfection will resume.

RECREATION AT THE LAKES

John Greene announced that the reservoirs reopened for recreation on Saturday, March 21, 2009. University Lake will be open Friday through Monday from 6:30 A.M. until 6:00 P.M. and Cane Creek reservoir will be open on Saturdays only from 6:30 A.M. until 6:00 P.M.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC

The Board received a written petition from Amanda Greechan and Ed Kerwin noted that it is staff's recommendation that the Board deny the petition in keeping with OWASA's Policy for Adjustment of Customer Accounts for Emergency Situations Involving the Loss of Metered Water dated April 26, 2007.

The Board agreed with staff's recommendation, however, Board Members asked for additional information regarding the effectiveness of the policy since its revision in 2007; whether OWASA checked the accuracy of the customer's meter; and OWASA's procedures regarding investigating leaks.

Gene Pease made a motion that the Board deny Amanda Greechan's petition and that staff provide an update to the Board on the effectiveness of the Policy for Adjustment of Customer Accounts for Emergency Situations Involving the Loss of Metered Water dated April

26, 2007; meter accuracy; and OWASA's procedures regarding investigating leaks. The motion was seconded by William Stott and was unanimously approved. Please see Motion No. 1 above.

ITEM THREE: PETITIONS AND REQUESTS FROM THE BOARD

Gordon Merklein asked for petitions and requests from the Board; there were none.

ITEM FOUR: PETITIONS AND REQUESTS FROM THE STAFF

Gordon Merklein asked for petitions and requests from the staff; there were none.

ITEM FIVE: MINUTES

Mac Clarke made a motion to approve the Minutes of the February 12, 2009 Board Meeting; the motion was seconded by Gene Pease, and carried by unanimous vote. Please see Motion No. 2 above.

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

Mac Clarke made a motion adopt the resolution; the motion was seconded by Gene Pease and unanimously approved. Please see Motion No. 3 above.

ITEM SEVEN: UPDATE ON THE RECLAIMED WATER SYSTEM AND MEETING OF THE WATERS SEWER INTERCEPTOR PROJECTS

Alexandra Jones provided an update on the Reclaimed Water System and the Meeting of the Waters Sewer Interceptor Project.

Gordon Merklein thanked Ms. Jones for her work on this project and announced that there will be an event to celebrate this accomplishment at the Tomkins Chiller Plant on May 11, 2009.

ITEM EIGHT: RESOLUTION APPROVING REVISED WATER CONSERVATION STANDARDS AND REQUESTING THE CARRBORO BOARD OF ALDERMEN, CHAPEL HILL TOWN COUNCIL AND THE ORANGE COUNTY BOARD OF COMMISSIONERS TO REVISE THEIR CONSERVATION ORDINANCES TO INCORPORATE SAID STANDARDS

Heather Payne, Chapel Hill resident, said that she has tried to give her comments to the Board since November 21, 2008 but was unaware of any meetings and only recently became aware of the Board meeting while visiting the OWASA website. She stated that the proposed

requirements are irrational in that all swimming pools can be filled or topped off except during stage three while bird baths cannot be because they are ornamental. Ms. Payne requested that water uses to support wildlife be allowed even during severe drought stages because those water sources are essential to wildlife in our area.

Ms. Payne requested that the Standards be changed so that birdbaths and other water features primarily used for wildlife are treated the same or less restrictive than swimming pools, which are recreational and not lifesaving.

Joy Preslar noted that she read Ms. Payne's letter and discussed this topic with the Board. Ms. Preslar understands that as written, the Standards do allow OWASA water to be used to support wildlife.

Ms. Payne said that she and others do not interpret the Standards that way. She requested the Standards be made clear so that it is understood that wildlife uses are acceptable, the same as swimming pools. Additionally, she also believes that OWASA water should be made available for wildlife even during the severe drought stage because it is lifesaving for wildlife.

William Stott said he agreed that customers should be able to use OWASA water to support wildlife.

Alan Rimer said that he agreed with Ms. Payne's suggestion.

Patrick Davis said that use of water to support wildlife is not considered an ornamental use. To clarify this, Mr. Davis proposed that the Board add wording along the lines of the following to Section V.B.4 and V.C.4 of the standards "...provided, however, that OWASA water may be used to fill and re-fill bird baths and other backyard-scale facilities used to support wildlife."

Gene Pease made a motion to adopt the resolution approving the standards, subject to the inclusion of the revisions to clarify use of water to support wildlife; the motion was seconded by Alan Rimer and unanimously approved. Please see Motion No. 4 above.

The Board and staff apologized to Ms. Payne for not following up with her regarding this matter, but also noted that staff does send news releases and that OWASA Board meetings are held the second and fourth Thursday of every month.

ITEM NINE: RESOLUTION ADOPTING ORANGE WATER AND SEWER AUTHORITY FINANCIAL MANAGEMENT POLICY

Alan Rimer made a motion to adopt the resolution; the motion was seconded by Mac Clarke and unanimously approved. Please see Motion No. 5 above.

ITEM TEN: UPDATE ON OWASA'S EFFORTS TO REALIZE BENEFIT FROM
ECONOMIC STIMULUS FUNDING

Gene Pease made a motion to adopt the Resolution Authorizing Application for State Grant Assistance for University Lake Pump Station Improvement; the motion was seconded by Alan Rimer and unanimously approved. Please see Motion No. 6 above.

Gene Pease made a motion to adopt the Resolution Authorizing Application for State Grant Assistance for Bolin Creek Interceptor (Phase 3) Replacement; the motion was seconded by Alan Rimer and unanimously approved. Please see Motion No. 7 above.

There being no further business to come before the Board, the meeting was adjourned at 8:20 PM

Enclosures

RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO RENEW PUBLIC OFFICIALS AND EMPLOYEES LIABILITY INSURANCE FOR ONE YEAR PERIOD FOR \$2,000,000 OF COVERAGE WITH AMERICAN INTERNATIONAL SPECIALTY

WHEREAS, the policy for Public Officials & Employees Liability Insurance with American International Group, Inc. for the period of April 20, 2008 through April 19, 2009 expires April, 20, 2009; and

WHEREAS, a renewal offer has been received from American International Group, Inc., for \$2,000,000 of coverage, at an annual premium of \$25,699.00; and

WHEREAS, it is to the advantage of the Authority to maintain continuity of coverage:

NOW, THEREFORE, BE IT RESOLVED:

1. That Orange Water and Sewer Authority renew the Public Officials and Employees Liability Insurance policy with American International Group, Inc. for a period of one year, for \$2,000,000 of coverage, at a total premium of \$25,699.00 through George S. Williams, CPCU, Raleigh, North Carolina.

2. That the Executive Director be, and he hereby is, authorized and directed to renew the Public Officials and Employees Liability Insurance Policy.

Adopted this 26th day of March, 2009.

RESOLUTION APPROVING REVISED WATER CONSERVATION STANDARDS AND REQUESTING THE CARRBORO BOARD OF ALDERMEN, CHAPEL HILL TOWN COUNCIL, AND ORANGE COUNTY BOARD OF COMMISSIONERS TO REVISE THEIR CONSERVATION ORDINANCES TO INCORPORATE SAID STANDARDS

WHEREAS, OWASA has established Water Conservation Standards that are applicable to the use of water by OWASA customers throughout the year and during declared droughts and other water shortage conditions; and

WHEREAS, the Carrboro Board of Aldermen, Chapel Hill Town Council, and Orange County Board of Commissioners have adopted local water conservation ordinances that are consistent with OWASA's Water Conservation Standards; and

WHEREAS, following the exceptional drought of 2007-2008, and after receiving and considering comments from the public and local governments, OWASA has developed proposed revisions to the Water Conservation Standards; and

WHEREAS, there has been strong public support for the proposed revisions to OWASA's Water Conservation Standards:

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

1. Approves revised Water Conservation Standards dated March 26, 2009, a copy of which is attached to this Resolution.
2. Respectfully requests that the Carrboro Board of Aldermen, Chapel Hill Town Council, and Orange County Board of Commissioners amend their respective local water conservation ordinances to incorporate the revised Water Conservation Standards.
3. Declares that the revised Water Conservation Standards will become effective on the date on which the last local governing board approves its revised water conservation ordinance incorporating said Standards.

Adopted this the 26th day of March 2009.

Orange Water and Sewer Authority
Water Conservation Standards
(March 26, 2009)

Article I – Purpose and Definitions

I. A. Purpose

These Water Conservation Standards are enacted by the Orange Water and Sewer Authority (OWASA) for the purposes of:

1. Reducing the rate of increase in overall water use through year-round water conservation practices that will help maximize the community's existing and planned water supply sources and help reduce seasonal peak day demands that result in the need for costly expansion of water treatment, storage, and transmission facilities. Such year-round practices shall include:
 - a. Reducing indoor water waste by encouraging the installation and maintenance of ultra-low flow toilets, faucet aerators, low-flow showerheads and similar devices, as well as other creative and commonsense indoor conservation practices.
 - b. Reducing irrigation and irrigation-related water waste without sacrificing landscape quality through the cultivation of lower water use plants; improved landscape design and planting practices; more efficient watering practices; and improved irrigation system design and maintenance.
 - c. Increasing the use of non-potable water, as permitted by appropriate public health regulations, for irrigation and other uses that do not require water of potable quality.
2. Providing an orderly process for reducing community-wide water demands during periods of drought or other naturally occurring causes of water shortages.
3. Providing an orderly process for reducing community-wide water demands during periods of water shortages due to natural disaster (other than drought), major OWASA facilities failure, or other unexpected and sudden loss of water supply, treatment, or distribution capacity that constitutes a water supply emergency.

I. B. Definitions

For the purpose of these Standards, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

AUTOMATIC CONTROLLER. A mechanical or electronic device capable of operating an irrigation system and its component valve stations according to a pre-determined schedule of irrigation frequency and duration.

CISTERN. A tank or container, typically located underground, for the storage and subsequent reuse of rainwater collected from rooftops or other impervious surfaces that would have otherwise evaporated or drained off the premises.

DRIP IRRIGATION. The application of irrigation water through drip emitter devices at low pressure, volume, and velocity near or at ground level in order to minimize runoff and evaporative losses. Drip irrigation emitters are typically used for irrigating non-turf vegetation and release water in the range of 0.04 to 0.40 gallons per minute.

EVEN-NUMBERED PROPERTIES. Properties with street addresses that end in even-numbered digits, or other properties so designated for the purposes of these Standards through special arrangements with OWASA.

GRAYWATER. Wastewater removed from household wash basins, bathtubs, or showers. Graywater may only be reused in accordance with practices approved by applicable regulatory agencies.

HAND WATERING. The application of water for irrigation purposes through a hand-held hose or watering container.

HARVESTED WATER. Precipitation or irrigation runoff collected, stored and available for reuse for irrigation purposes.

IRRIGATION SYSTEM. Any permanently installed system of pipes, hoses, or other conveyance devices and appurtenances that provides water to living plant material through spray heads or other emission devices located at, above, or below the ground surface. For the purposes of these Standards, a sprinkler, soaker hose, or other device connected to its water source via a moveable above-ground garden hose is not considered to be an irrigation system.

LANDSCAPE AREA. That portion of a parcel that contains turf or non-turf vegetation.

LOW-PRECIPIATION BUBBLER. An irrigation head which typically operates within six inches of ground level and delivers water at a rate of less than 0.45 gallons per minute within a radius of less than two feet of the head. Low-precipitation bubblers are typically used for irrigating non-turf vegetation.

MICRO SPRAY. The application of irrigation water through small, low volume sprayer heads in order to minimize runoff losses. Micro sprays are typically used for irrigating non-turf vegetation. Individual micro spray heads typically operate less than 12 inches above ground level and typically deliver water in the range of 0.10 to 0.50 gallons per minute within a radius of five feet or less of the head.

MULCH. A protective covering of organic material, such as sawdust, wood chips, compost, or other vegetative matter, spread on the ground to reduce evaporation and increase water retention.

ODD-NUMBERED PROPERTIES. Properties with street addresses that end in odd-numbered digits, or other properties so designated for the purposes of these Standards through special arrangements with OWASA.

OVERALL WATER DEMAND. The total water demand for any given month, as projected by OWASA.

OWASA. The Orange Water and Sewer Authority.

POTABLE WATER. Treated water provided by OWASA that is suitable for drinking, cooking, and other domestic use. Water that is collected indoors in containers from indoor faucets or spigots that would otherwise be discharged into drainpipes while a user awaits the warming of the water for dishwashing, other washing, shaving, bathing, or showering is not considered to be potable water for the purposes of these Standards.

PRECIPITATION RATE. The amount of water applied per unit of time, usually expressed in inches per hour.

PUBLIC PURPOSE ATHLETIC OR RECREATIONAL FIELD. An athletic or recreational field owned or leased by a public or not-for-profit entity and which is (a) operated for the use of the public pursuant to general invitation, and (b) not operated for the purpose of profit. For purposes of this definition, a golf course is not considered to be a public purpose athletic field or recreational field.

PUBLIC PURPOSE BOTANICAL SITE. A landscaped area which is owned or leased by a public or not-for-profit entity in which a variety of plants are grown to be categorized and documented for scientific purposes and/or which may also be open to the public for entertainment and educational purposes.

PUBLIC RIGHT-OF-WAY. The area of land owned or maintained by municipal, county, or state government primarily for the use of the public for the movement of people, goods, vehicles, or storm water. For the purposes of these Standards, the public right-of-way shall include curbs, streets, sidewalks, and storm water drainage inlets, but shall not include adjacent landscaped areas that also may be located within the legally delineated public right-of-way.

RAIN BARREL: A tank or container, typically located on the ground beneath a roof drainage system, that captures and stores rainwater for subsequent reuse.

RAW WATER. Water drawn from a reservoir or other water source before treatment.

RECLAIMED WATER. Highly treated effluent from a wastewater treatment plant that can be safely used for non-potable purposes approved by applicable regulatory agencies.

RUNOFF. Water that is not absorbed by the soil or landscape to which it is applied. Runoff occurs when water is applied too quickly (application rate exceeds infiltration rate), particularly if there is a severe slope. These Standards do not apply to stormwater runoff which is created by natural precipitation rather than human-caused or applied water use.

SERVICE AREA. The geographic area in which OWASA provides or is authorized to provide water and/or sewer service.

SHUT-OFF NOZZLE. A device attached to the end of a hose that completely shuts off the flow, even if left unattended.

SOAKER HOSE. A flexible hose designed to emit a trickle of water along its entire length, either through numerous small-diameter (less than 1/32-inch) perforations or through the permeable material of its composition.

SPRAY IRRIGATION. The application of water to landscaping by means of a device, other than a hand-held hose or watering container, that projects water through the air in the form of small particles or droplets.

SPRINKLER HEAD. A device that projects water through the air in the form of small particles or droplets.

UNDERGROUND SYSTEM. An irrigation system with emitters installed beneath the ground surface.

WATER CONSERVATION PLAN (OWASA-APPROVED). A written document submitted by the owner or operator of a public purpose athletic field, recreational field, and/or a public purpose botanical site and approved by OWASA's Executive Director or his/her designee that specifies the conservation measures and irrigation operating modes that will be employed year-round at those public purpose facilities and the specific practices that will be employed to achieve Stage 1, 2, and 3 Water Shortage conservation goals enumerated in these Standards.

WATER WASTE. The non-beneficial use of OWASA potable water. Non-beneficial uses include but are not restricted to:

- a. Landscape water applied in such a manner, rate and/or quantity that it overflows the landscaped area being watered and runs onto adjacent property or public right-of-way; or landscape water applied during periods of rainfall or when soil moisture is already adequate.
- b. The use of water for washing vehicles, equipment, or hard surfaces, such as parking lots, aprons, pads, and driveways in such quantities to flow onto adjacent property or the public right-of-way.

- c. Water applied in sufficient quantity to cause ponding on impervious surfaces.
- d. Water lost through plumbing leaks that can be readily identified and corrected.

WATERING BAG. A container used to hold and slowly dispense water around the base of a tree or shrub. These are commonly called “Gators.”

XERISCAPING. An approach to landscape design and maintenance that uses small amounts of water but sustains a traditional look through the proper conditioning of soil, the selection of appropriate drought-tolerant plants, generous use of mulch, efficient use of water, and other proven techniques.

Article II – Water Waste Prohibited, Penalties for Violating Standards

II. A. Water Waste Prohibited

No person, party, or entity shall use, cause, waste, or permit to be wasted any OWASA-supplied potable water in violation of the Standards set out herein.

II. B. Penalties

OWASA may discontinue water service to any customer where, after notice of a prohibited use is delivered to the service address, OWASA-supplied potable water continues to be used or wasted in violation of the Water Conservation Standards set out herein.

Article III – Year-Round Requirements, Policy and Practice

III. A. Exterior Use

1. The following outdoor or exterior use requirements shall apply to all customers using OWASA-supplied potable water:
 - a. Spray irrigation shall not occur more than three days per week. Even-numbered properties may be irrigated with spray systems only on Sundays, Wednesdays, and/or Fridays. Odd-numbered properties may be irrigated with spray systems only on Tuesdays, Thursdays, and/or Saturdays. All spray irrigation shall occur only between the hours of 6:00 p.m. and 10:00 a.m., and shall apply no more than one inch of water in any given week. These restrictions shall not apply to properties using underground, drip irrigation, micro spray, low precipitation bubblers, soaker hoses, hand watering, tree or shrub watering bags, or where watering of containerized plants and commercial plant stock in trade is maintained for resale.

- b. All irrigation systems shall be equipped with automatic controllers that activate the system according to a desired frequency and duration, and shall also be equipped with rain or soil moisture sensors that will prevent irrigation during periods of rainfall or when there is sufficient moisture in the ground for plant health and survival.
 - c. All hoses used for hand watering, vehicle washing, or other allowable outdoor uses shall be equipped with shutoff nozzles.
 - d. No exterior use of OWASA-supplied potable water shall result in the flow of water onto adjacent property or public right-of-way, and all irrigation systems shall be designed and maintained to prevent to the extent practicable water from flowing onto paved or other impervious surfaces.
 - e. Outdoor water leaks on property or facilities of OWASA customers shall be repaired within ten (10) days of discovery by the customer and/or notification by OWASA.
2. Owners of public purpose athletic fields, recreational fields, and/or public purpose botanical sites shall not be subject to the year-round limitations of III.A.1.a-e if those facilities are operated in compliance with an OWASA-approved Water Conservation Plan that specifies the conservation measures and irrigation operating modes to be employed at that facility year-round and during successive stages of a declared water shortage.
 3. Unless superseded by the declaration of a Water Supply Shortage or Emergency, the year-round requirements of III.A.1.a and III.A.1.b above shall not apply to the following:
 - a. Outdoor irrigation necessary for the establishment of newly sodded or seeded lawns and for the establishment of new non-turf plant materials within the first 45 days of planting, provided that such irrigation occurs only between the hours of 6:00 p.m. and 10:00 a.m.
 - b. Irrigation necessary for one day only where treatment with an application of chemicals requires immediate watering to preserve an existing landscape or to establish a new landscape, provided that such irrigation occurs only between the hours of 6:00 p.m. and 10:00 a.m.
 - c. Water used to control dust or to compact soil when alternate methods are not available.
 - d. Visually supervised operation of watering systems for short periods of time to check system condition and effectiveness.
 - e. Water used for construction or maintenance activities where the application of water is the appropriate methodology and where no other practical alternative exists.

- f. Water used for firefighting, firefighter training, fire hose testing, fire pumper testing, and other emergency situation mitigation purposes.
- g. For situations in which there is no practical alternative, OWASA-supplied potable water may be used for other special purposes, such as washing out garbage trucks, cleaning up hazardous or unsanitary materials, etc., or for other purposes necessary to protect public health, safety, and welfare – provided that such water is used in the least quantity needed to accomplish the task.

III. B. Interior Use

- 1. The following indoor or interior use requirements shall apply to all customers using OWASA-supplied potable water:
 - a. Restaurants and dining facilities shall serve water only upon request of the customer.
 - b. Hotels, motels, and other facilities providing sleeping accommodations shall change bed linens only upon request of the customer, or upon customer changeover, or every five days for long-term customers.
 - c. Indoor water leaks on property or facilities of OWASA customers shall be repaired within ten (10) days of discovery by the customer and/or notification by OWASA.
- 2. Unless superseded by the declaration of a Water Supply Shortage or Emergency, the year-round requirements of III.B.1. above shall not apply to the following:
 - a. Visually supervised operation and flushing of plumbing systems for short periods of time to check system condition and effectiveness.
 - b. Water used for construction or maintenance activities where the use of water is the appropriate methodology and where no other practical alternative exists.

III. C. Year-Round Policy and Practice

- 1. It shall be OWASA's policy and practice to publicize periodically water conservation methods, including but not limited to, methods of conserving water both indoors and outdoors; methods of collecting and storing harvested water in appropriate devices, such as rain barrels and cisterns; as well as information about the availability, feasibility and allowable uses of reclaimed water from OWASA. It shall be OWASA's policy to strongly encourage and promote the following voluntary conservation measures year-round, regardless of water supply conditions:

- a. Operate dishwashers and clothes washers only when loaded to their maximum capacity or at water level settings appropriate for the size of the load.
- b. Where not otherwise required, install ultra-low flow toilets, tank dams, flow restrictors (aerators) and low-flow showerheads.
- c. Repair and maintain plumbing systems to prevent water leaks.
- d. Use harvested rainwater and/or reclaimed water for indoor and outdoor purposes where allowable and practical.

Article IV – Determination of a Water Supply Shortage or Emergency

IV. A. Drought Condition Shortage

OWASA's drought response strategy and Water Supply Shortage declarations will be guided primarily by the risk that OWASA's water supplies will decline to 20 percent or less of total storage capacity within the next 12-month period. A Stage One Water Shortage declaration will generally correspond to a two percent (or greater) risk that reservoir levels will decline to 20 percent or less of total storage capacity within the next 12 months; provided, however, that in making such a determination, OWASA will also consider the actual and projected severity of the ongoing drought relative to historical droughts included in OWASA's water supply simulation models; existing and anticipated demand, including expected customer response to water use restrictions; availability of supplemental supplies, including water purchases from neighboring communities; regional water supply conditions, including, but not limited to, the concurrent drought response status of neighboring jurisdictions; guidance or directives from the State of North Carolina; and other elements of reasonable professional judgment and management.

More severe Water Supply Shortage Stages will subsequently be declared if the risk level increases and/or if other factors indicate that further action is needed. Similarly, OWASA will reduce the severity of, or rescind, a Water Supply Shortage declaration as the risk level and related factors improve.

IV. B. Water Treatment, Storage, or Distribution Capacity Shortage

In addition to conditions caused by drought, OWASA may declare a Water Supply Shortage or Emergency whenever customer demand – as averaged over three consecutive days – exceeds 85 percent of OWASA's capability of treating and delivering water. The stage and duration of such a Water Supply Shortage or Emergency shall be guided by the degree to which customer demands approach or exceed OWASA's capacity to meet those demands, and by the degree to which conservation efforts successfully reduce short-term demands.

IV. C. Disasters and Catastrophic Equipment or Plant Failure Shortage

Any other circumstances, including service losses caused by equipment or facility failure, human error, deliberate act, weather, or other natural disaster, which constrain OWASA's water supply, treatment, or distribution capacity to less than that reasonably needed by its customers, shall constitute a Water Supply Shortage up to and including a Water Supply Emergency, requiring immediate action by OWASA.

Article V – Required Actions Under Water Supply Shortage or Emergency Conditions

In the event of a water supply shortage, OWASA shall, using its best professional judgment, determine which of the following stages is the most appropriate response to the estimated level of risk considering factors in IV.A above.

V. A. Stage One (1) Water Shortage

In the event that OWASA declares a Stage One Water Shortage, OWASA shall advise the Mayors of Carrboro and Chapel Hill and the Chair of the Orange County Board of Commissioners of its declaration and shall request that they issue Proclamations of a Stage One Water Supply Shortage. Upon OWASA's declaration of a Stage One Water Shortage, the following actions shall be taken with the goal of reducing overall water demand by ten (10) percent:

1. Spray irrigation of turf grass using OWASA-supplied potable water shall not occur more than one day per week with a maximum of one-half inch of water applied to plant material in any given week. Odd-numbered properties shall be allowed to spray irrigate only on Tuesdays; even-numbered properties shall be allowed to spray irrigate only on Thursdays. Spray irrigation of turf grass shall occur only between the hours of 6:00 p.m. and 10:00 a.m. Owners of public purpose athletic fields, recreational fields, and/or public purpose botanical sites shall not be subject to the limitations of this subsection V.A.1 if those facilities are operated in compliance with an OWASA-approved Water Conservation Plan.
2. Spray irrigation of non-turf plant materials may occur up to three days per week as provided under the year-round requirements specified in Section III.A.1.a.
3. Irrigation of non-turf plant materials by underground, drip irrigation, micro spray, low precipitation bubblers, soaker hose systems with automatic shutoffs, or by hand held hoses or watering cans may occur at any time or frequency.

Notwithstanding the restrictions specified in Sections V.A.1 through V.A.3, the protection of public health, safety, and welfare may, under special circumstances, require the use of limited amounts of OWASA-supplied potable water for such purposes as washing out garbage trucks, cleaning up hazardous or other materials. Such uses shall be permitted during declared Water

Shortages or Emergencies, provided that other practical alternatives are not available and water is used in the least practical amount.

V. B. Stage Two (2) Water Shortage

In the event that OWASA declares a Stage Two Water Shortage, OWASA shall advise the Mayors of Carrboro and Chapel Hill and the Chair of the Orange County Board of Commissioners of its declaration and shall request that they issue Proclamations of a Stage Two Water Supply Shortage, if not already issued. Upon OWASA's declaration of a Stage Two Water Shortage, the following actions shall be taken with the goal of reducing overall water demand by fifteen (15) percent:

1. Spray irrigation of turf grass with OWASA-supplied potable water shall not be permitted, except at public purpose athletic and recreational fields and public purpose botanical sites operating under OWASA-approved Water Conservation Plans.
2. Spray irrigation of non-turf plant materials shall not occur more than one day per week according to the schedule specified in Section V.A.1 and in quantities of no more than ½ inch per week, except at public purpose botanical sites operating under OWASA-approved Water Conservation Plans.
3. Irrigation of non-turf plant material by underground, drip irrigation, micro spray, low precipitation bubblers, soaker hose systems with automatic shutoffs, tree or shrub watering bags, or by hand held hoses or watering cans may occur at any time or frequency.
4. No OWASA-supplied potable water shall be used to re-fill ornamental fountains, ponds, and like devices.
5. No OWASA-supplied potable water shall be used for washing vehicles, except at commercial or institutional car washes in which at least 50 percent of the water has either been recycled, is from a non- potable source, or is supplied by a well.
6. No OWASA-supplied potable water shall be used for cleaning or washing exterior building surfaces, decks, or paved areas, such as sidewalks, driveways, roadways, and parking lots. This restriction shall not apply to the cleaning of exterior building surfaces or decks prior to painting or re-painting.
7. No OWASA-supplied potable water shall be used for fire department training or equipment testing unless required by State or Federal regulations.

Notwithstanding the restrictions specified in Sections V.B.1 through V.B.7, the protection of public health, safety, and welfare may, under special circumstances, require the use of limited amounts of OWASA-supplied potable water for such purposes as washing out garbage trucks, cleaning up hazardous or other materials. Such uses shall be permitted during declared Water

Shortages or Emergencies, provided that other practical alternatives are not available and water is used in the least practical amount.

V. C. Stage Three (3) Water Shortage

In the event that OWASA declares a Stage Three Water Shortage, OWASA shall advise the Mayors of Carrboro and Chapel Hill and the Chair of the Orange County Board of Commissioners of its declaration and shall request that they issue Proclamations of a Stage Three Water Supply Shortage, if not already issued. Upon OWASA's declaration of a Stage Three Water Shortage, the following actions shall be taken with the goal of reducing overall water demand by twenty (20) percent:

1. The use of OWASA-supplied potable water for heating and/or cooling purposes shall be reduced in all but the most essential facilities to the extent practical in consideration of indoor air quality standards, weather conditions, and health and safety requirements.
2. No OWASA-supplied potable water shall be used for irrigation of turf grass, except for public purpose athletic and/or recreational fields and public purpose botanical sites operating under water conservation plans that have been approved by OWASA's Executive Director or by his/her designee.
3. No OWASA-supplied potable water shall be used for irrigating non-turf plant material unless applied (a) via hand held hoses or watering cans, watering bags, drip irrigation or soaker hoses, or (b) at public purpose botanical sites operating under OWASA-approved Water Conservation Plans.
4. OWASA-supplied potable water may be used to fill, re-fill, or top off swimming pools, but shall not be used for any other outdoor purposes, except for emergency fire suppression or other activities necessary to maintain public health, safety, or welfare.
5. No bulk sale of potable OWASA water shall occur except for the wholesale transmission of potable OWASA water to neighboring communities, or for other purposes necessary to maintain public health, safety, or welfare.
6. No OWASA-supplied potable water may be used for washing any vehicles.
7. No OWASA-supplied potable water may be used for pressure washing building exteriors.
8. No OWASA-supplied potable water may be used for fire department training or equipment testing.

Notwithstanding the restrictions specified in Sections V.C.1 through V.C.8, the protection of public health, safety, and welfare may, under special circumstances, require the use of limited amounts of OWASA-supplied potable water for such purposes as washing out garbage trucks, cleaning up hazardous or other materials. Such uses shall be permitted during declared Water

Shortages or Emergencies, provided that other practical alternatives are not available and water is used in the least practical amount.

V. D. Water Supply Emergency

In the event that OWASA declares a Water Supply Emergency, OWASA shall so advise the Mayors of Carrboro and Chapel Hill and the Chair of the Orange County Board of Commissioners and shall request the issuance of a Proclamation of a Water Supply Emergency. In addition to those applicable measures listed above for a Stage Three Water Shortage, the following actions shall be taken upon OWASA's declaration of a Water Supply Emergency:

1. No OWASA-supplied potable water may be used for any outdoor purposes other than emergency fire suppression or other activities necessary to maintain public health, safety, or welfare.
2. No OWASA-supplied potable water shall be used to fill, refill or top off the water level in any private or public purpose swimming pool.
3. No OWASA-supplied potable water shall be used for the flushing or pressure testing of new distribution lines unless that water is returned to the OWASA water supply system through methods approved by OWASA. This restriction shall not apply to the testing of in-building fire control sprinkler systems
4. The use of OWASA-supplied potable water for heating and/or cooling purposes shall be reduced in all but the most essential facilities to the extent practical in consideration of indoor air quality standards, weather conditions, and health and safety requirements.
5. Water service may be discontinued or reduced to designated users or in designated portions of the OWASA service area in order to preserve the availability of water for essential public health and safety requirements, such as fire protection, hospitals, clinics, and other critical community needs.

**RESOLUTION ADOPTING ORANGE WATER AND SEWER AUTHORITY
FINANCIAL MANAGEMENT POLICY**

WHEREAS, Orange Water and Sewer Authority recognizes the importance of sound business practices and strong financial policy to support the utility's long-term fiscal sustainability; and

WHEREAS, Orange Water and Sewer Authority's *Strategic Financial Management and Planning Document* has guided financial policy since 1996; and

WHEREAS, staff and the Board of Directors' Finance Committee have developed a revised financial management policy; and

WHEREAS, the revised Orange Water and Sewer Authority *Financial Management Policy* reflects sound financial policy and provides guidance for financial practices and procedures;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Orange Water and Sewer Authority *Financial Management Policy* is hereby adopted.
2. That Orange Water and Sewer Authority's *Strategic Financial Management and Planning Document* adopted September 14, 2006 is hereby rescinded.

Adopted this 26th day of March, 2009

**ORANGE WATER AND SEWER AUTHORITY
FINANCIAL MANAGEMENT POLICY
MARCH 26, 2009**

SUMMARY

The purpose of this document is to describe a comprehensive and systematic approach to strategic financial planning, related policy decisions, and measurements of financial performance that collectively guide Orange Water and Sewer Authority (OWASA) in its ongoing efforts to provide its customers with high quality water, wastewater and reclaimed water services through responsible, sustainable and creative stewardship of the resources and assets it manages.

The following excerpt from OWASA's *Mission Statement* provides the framework for development of this approach and related policies.

- *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.*

FINANCIAL PERFORMANCE OBJECTIVES		
Measurement	Objective	Section
Working Capital Reserves	The greater of 4 months of O&M budget or 20% of the succeeding 3 years of CIP budget	A.1
Capital Improvements Reserve Fund	Minimum fund balance target of 2% of annual depreciated capital costs	B.1
Debt Service Coverage Ratio	≥ 2.0	D.1
Debt Burden to Asset Value	≤ 50%	D.2
Sufficiency of Revenues Above Debt Requirements	Annual Debt service shall not exceed 35% of annual gross revenues	D.3
Credit Ratings	Aa2 – Moody's; AA+ – Standard & Poor's; AA+ – Fitch	D.4
Cash Financing of Capital	Annual revenues and cash reserves shall provide not less than 30% of CIP funding	E.1
Rate/Revenue Stabilization Fund	Minimum fund balance target of 5% of projected water and sewer revenue	E.2
Service Affordability	Average annual residential bill divided by real median household income shall be ≤ 1.5%.	F.2

In recognition of the dynamic environment in which OWASA operates, the desired results of policy decisions identified in the Financial Management Policy may not always be achievable within short-term operating cycles. These policy decisions should be viewed as guidance for long-term sustainable fiscal performance, with success measured against the entire planning horizon rather than to individual reporting periods.

Although not necessarily explicitly expressed in this document, the Financial Management Policy recognizes OWASA's major legal requirements and obligations arising from State laws and regulations, contractual agreements with bondholders and other stakeholders and OWASA's Sale and Purchase Agreements under which the organization was formed. If not specifically addressed herein, adherence to such requirements is mandated elsewhere.

This document categorizes policy considerations for sound, sustainable financial policies into the categories of general financial; asset management; investment management; debt management; rates, fees and charges; customer care; and annual budgeting process.

SECTION A. GENERAL FINANCIAL POLICIES

- A.1. ***Working Capital Reserves:*** OWASA shall maintain a fund balance at a level to sufficiently provide cash flow for daily financial needs in addition to adequate reserves to counter revenue instability and unanticipated expenses. The budgeted minimum reserve balance shall be equal to the larger of the following: a) 33% (four months) of the Operations & Maintenance (O&M) Budget, or b) 20% of the total estimated cost of the Capital Improvements Program (CIP) identified for the succeeding three years.
- A.2. OWASA shall make conservative, but reasonable estimates of revenues and costs.
- A.3. To the extent practical, the cost of system expansion shall be recovered from parties responsible for the expansion ("growth should pay for growth").
- A.4. If the Executive Director deems it necessary at any time to submit any Budget or other proposal to the Board that does not comply with the parameters set forth in this document, he/she shall seek specific approval from the Board for such a proposal.

SECTION B. ASSET MANAGEMENT POLICIES

- B.1. ***Capital Improvements Reserve Fund:*** OWASA shall maintain a Capital Improvements Reserve Fund with a minimum fund balance target of 2% of the annual depreciated capital costs. The Capital Improvements Reserve Fund shall be an unrestricted reserve that is a component of the General Fund balance. The purpose of this reserve fund is to: ensure more sustainable funding for rehabilitation and replacement of the water and sewer systems and capital equipment; cover major unplanned increases in capital project costs; pay for previously unplanned capital needs; and provide funding flexibility needed in the Annual Budget to adjust for CIP costs carry-over adjustments.

- B.2. The annual budget shall provide 100% funding for maintenance activities required to ensure the operational integrity and safety of facilities and facility components.
- B.3. OWASA shall use a comprehensive approach to properly maintain all capital facilities, equipment, vehicles, etc.
- B.4. An amortization schedule shall be established for each physical asset to reflect the reasonable useful life of the asset.
- B.5. The costs of this comprehensive maintenance and rehabilitation program shall be reflected in OWASA's annual budget and five-year CIP budget.

SECTION C. INVESTMENT MANAGEMENT POLICIES

- C.1. Cash management and treasury activities shall be managed in a manner that reflects efficient use of interest rates and maximizes fund performance balanced against investment risk and cash flow needs.
- C.2. OWASA shall attempt to reduce investment risk and maximize return on investments by participating in a variety of authorized investment instruments and financial institutions.
- C.3. Investment of OWASA funds shall not expose the assets to undue or unreasonable risk.

SECTION D. DEBT MANAGEMENT POLICIES

- D.1. ***Debt Service Coverage Ratio:*** OWASA's Bond Order requires a minimum annual required Debt Service Coverage Ratio of 1.2. The minimum annual debt service coverage ratio shall be 2.0; provided, however, that the minimum coverage ratio for any single year when severe weather anomalies or other unforeseen circumstances occur which negatively impact revenues and/or expenses shall not be less than 1.5 during the Fiscal Year.
- D.2. ***Debt Burden to Asset Value:*** The comparison of outstanding debt to infrastructure value is a reasonable indicator of debt capacity. OWASA's debt to plant ratio (outstanding debt divided by the book value of fixed assets) shall not exceed 0.5 (50%).
- D.3. ***Sufficiency of Revenues above Debt Requirements:*** OWASA shall maintain debt service as a percent of revenue at or below 35% of revenues.
- D.4. ***Credit Ratings:*** OWASA shall maintain Credit Ratings of at least Aa2, AA+ and AA+ from Moody's, Standard & Poor's and Fitch, respectively.
- D.5. Debt issuance shall be limited to financing the costs of capital asset project planning and design, land acquisition, buildings, permanent structures, attached fixtures and

equipment, and the cost of debt issuance and capital reserves as may be required by creditors.

- D.6. The repayment of debt shall be structured in such a manner that the repayment period does not exceed the expected useful life of the assets acquired with the debt proceeds.

SECTION E. RATES, FEES AND CHARGES POLICIES

- E.1. ***Cash Financing of Capital:*** Annual revenues and cash reserves shall provide not less than 30% of the funds required for OWASA's CIP.
- E.2. ***Rate/Revenue Stabilization Fund:*** OWASA shall maintain a Rate/Revenue Stabilization Fund with a minimum fund balance target of 5% of the projected water and sewer revenue for the applicable year. The Rate/Revenue Stabilization Fund shall be an unrestricted reserve that is a component of the General Fund balance. The purpose of this reserve fund is to provide sufficient funding for the cost of maintaining, repairing and operating the water, wastewater and reclaimed water systems during extended periods when expenditures are higher and/or revenues are lower than budgeted while offsetting the need for rate increases and spending changes during the fiscal year.
- E.3. OWASA shall maintain a system of rates, fees and charges that effectively recovers allocated costs to customers and customer classes in reasonable proportion to their differing service requirements and their responsibility for the costs incurred by the utility. Adherence to the cost-of-service principle (benefiting party pays) as mandated by the Sale and Purchase Agreements and Bond Order shall be a primary guiding philosophy.
- E.4. OWASA's rates, fees, and charges shall be reviewed on an annual basis, and adjusted as necessary, to ensure that rate and revenue levels are adequately funding OWASA's financial, capital and operational goals, objectives and requirements.
- E.5. Rates shall be sufficient to generate income necessary to meet OWASA's revenue requirements. Revenue recovery from rates shall ensure financial stability as measured by adequate fund balance, operating reserves, debt service ratio, specified reserves and other measures established by OWASA.
- E.6. Rates should provide incentives for cost-effective use of facilities, conservation of water and efficient use and reuse of water resources, including rate surcharges during periods of water shortage.
- E.7. When OWASA determines that a rate increase is required, OWASA will strive to have such an increase be no higher than the general rate of inflation. However, OWASA shall set rates so that revenues will be sufficient at all times to provide for the cost of maintaining, repairing and operating the water, wastewater and reclaimed water systems, to pay the principal and interest on all issued or assumed debt, and to ensure the organization remains fiscally sound and financially sustainable.

- E.8. Although at times, operational or fiscal constraints may necessitate more aggressive or accelerated rate adjustments, rate levels and structures should be implemented through gradual programmed implementation of rate adjustments if possible.
- E.9. OWASA shall consider using the services of a qualified independent consultant to conduct a comprehensive rate study at approximately five year intervals.

SECTION F. CUSTOMER CARE

- F.1. OWASA shall operate the water and sewer system at the lowest rates consistent with its obligation to provide proper and efficient services, now and in the future.
- F.2. *Service Affordability* is an important consideration for OWASA. The target for average annual residential water and sewer bill divided by real median household income is $\leq 1.5\%$.
- F.3. When setting rates and evaluating rate structures, OWASA will carefully consider the impact such rates and rate structures will have on low income customers, while ensuring that cost-of-service principles are met.
- F.4. OWASA endorses and will promote the Taste of Hope customer assistance program whereby OWASA customers can voluntarily have their bill rounded to the nearest whole dollar, etc. The money donated by OWASA customers shall be provided to the Inter-Faith Council to help customers in need to pay their OWASA bill.
- F.5. Customers, citizens, and elected officials shall be provided timely, clear and understandable information and opportunities for constructive citizen participation in OWASA's rate decisions.

SECTION G. ANNUAL BUDGETING PROCESS

The preparation of the following documents on an annual basis is a key component of OWASA's annual budgeting and rate setting process. Those documents followed by an asterisk (*) shall be presented for Board of Directors adoption.

Budget Calendar: The budget calendar shall include the proposed dates of all Board meetings and work sessions at which budget matters are to be discussed, and shall list the dates by which major budget tasks have been or are to be completed by staff.

Statement of Strategic Issues and Policies (SIP): The SIP shall identify the major issues, policies, and concerns that should be addressed in the upcoming annual budget and capital improvements deliberations.

Financial Planning Assumptions and Background Information Document: This document lists the major assumptions upon which the financial plans and budgets are to be based.

15-Year CIP including a 5-year CIP Budget*: The CIP provides for the orderly repair and replacement of existing facilities, helps identify lead time for project planning, regulatory approvals, land acquisition, design, and construction, and provides a framework for strategically analyzing a wider range of acceptable alternatives, and for identifying, ranking, and executing projects.

Preliminary Annual Budget*: A preliminary budget serves as a “back-up” budget should a final budget not be adopted by July 1 of each year.

15-Year Financial Planning Model Report: The planning model report provides a long-term perspective for assessing the adequacy of rates and fees and the timing and amount of anticipated debt financing. It also provides a means of evaluating the economic feasibility of implementing the long range CIP.

Annual Budget*: The annual budget provides the appropriation necessary to operate during the ensuing fiscal year.

The specific process and timeline for completing key components of OWASA’s annual budgeting and rate setting process will vary from year-to-year; however, the following table sets forth guidelines to which OWASA should generally adhere.

Task	Time Frame	Rationale
Review strategic issues, policies and economic assumptions	November/December	Staff, the Finance Committee and Board shall review strategic issues, policies, and economic assumptions that are expected to impact and the preparation of budgets (O&M and CIP) and rates. The identification of these key issues will help shape the annual budgeting process.
Cost containment and efficiency review	January/February	Staff will present for the Finance Committee’s review cost containment and/or efficiency opportunities that may impact the O&M or CIP budgets.
Capital Improvements Plan Review	February/March	The CIP provides for the orderly repair and replacement of existing facilities, lead time for project planning, regulatory approvals, land acquisition, design and construction, a framework for strategically analyzing a wider range of acceptable alternatives, and a

Task	Time Frame	Rationale
		framework for identifying, ranking, and executing projects. The Finance Committee and Board will review and comment on the draft CIP.
Operations and Maintenance Budget Review	March/April	The O&M budget provides funding for properly operating and maintaining OWASA’s services and programs. The Finance Committee and Board will review the draft O&M budget.
Financial Modeling and Rate Review	April	Upon completion of CIP and O&M budgets, this information and other planning assumptions shall be entered into the 15-year financial planning model. The model shall be used to interactively generate various scenarios to find an appropriate balance between spending, debt, rate adjustments and fund balance. The effectiveness of each scenario shall be measured by various targets and ratio analyses.
Adopt Preliminary Budget	April	A preliminary budget represents budgeting work in progress and shall serve as a “back-up” budget should a final budget not be adopted by July 1 st of each year.
Conduct Public Hearings	May	The OWASA Board shall hold public hearings on the draft O&M budget; CIP budget; and proposed rates, fees and charges for the coming year.
Adopt Budgets and Rates	June	The OWASA Board shall adopt the O&M budget, CIP budget and rate schedule for the coming year.

**RESOLUTION AUTHORIZING APPLICATION FOR STATE GRANT ASSISTANCE FOR
UNIVERSITY LAKE PUMP STATION IMPROVEMENTS**

WHEREAS, the Federal Clean Water Act Amendments of 1987 and Safe Drinking Water Act Amendments of 1996 and the North Carolina Water Infrastructure Act of 2005 (NCGS 159G) have authorized the making of loans and grants to aid eligible units of government in financing the cost of construction of wastewater or drinking water system improvements, and

WHEREAS, Orange Water & Sewer Authority (OWASA) has need for and intends to construct a drinking water system project described as the installation of a variable frequency drive raw water pump at the existing University Lake Raw Water Pump Station to provide a low flow pumping capability in the range of 1 to 3 million gallons per day. This project will enable OWASA to optimize the pumping and use of water from its reservoir system which will reduce energy, chemical, and water usage, and

WHEREAS, OWASA intends to request State loan/grant assistance for the project.

NOW THEREFORE BE IT RESOLVED, BY THE OWASA BOARD OF DIRECTORS:

1. That OWASA, the **Applicant**, will fund all remaining costs of the project, if approved for a State loan/grant award.
2. That the **Applicant** will adopt and place into effect on or before completion of the project a schedule of fees and charges and other available funds which will provide adequate funds for proper operation, maintenance, and administration of the system and the repayment of all principal and interest on the debt.
3. That the governing body of the **Applicant** agrees to include in the loan/grant agreement a provision authorizing the State Treasurer, upon failure of OWASA to make scheduled repayment of the loan, to withhold from OWASA any State funds that would otherwise be distributed to OWASA in an amount sufficient to pay all sums then due and payable to the State as a repayment of the loan.
4. That the **Applicant** will provide for efficient operation and maintenance of the project on completion of construction thereof.
5. That Ed Kerwin, Executive Director, the **Authorized Official**, and successors so titled, is hereby authorized to execute and file an application on behalf of the **Applicant** with the State of North Carolina for a loan/grant to aid in the construction of the project described above.
6. That the **Authorized Official**, and successors so titled, is hereby authorized and directed to furnish such information as the appropriate State agency may request in connection with such application or the project: to make the assurances as contained above; and to execute such other documents as may be required in connection with the application.
7. That the **Applicant** has substantially complied or will substantially comply with all Federal, State, and local laws, rules, regulations, and ordinances applicable to the project and to Federal and State grants and loans pertaining thereto.

Adopted this the 26th day of March, 2009

**RESOLUTION AUTHORIZING APPLICATION FOR STATE GRANT ASSISTANCE FOR
BOLIN CREEK INTERCEPTOR (PHASE 3) REPLACEMENT**

WHEREAS, the Federal Clean Water Act Amendments of 1987 and Safe Drinking Water Act Amendments of 1996 and the North Carolina Water Infrastructure Act of 2005 (NCGS 159G) have authorized the making of loans and grants to aid eligible units of government in financing the cost of construction of wastewater or drinking water system improvements, and

WHEREAS, Orange Water & Sewer Authority (OWASA) has need for and intends to construct a wastewater system project described as the replacement of approximately 6,100 LF of existing 18-inch and 15-inch sewer interceptor with a single 30-inch sewer interceptor from Martin Luther King Jr. Boulevard to Estes Drive Extension. The new interceptor will provide additional capacity and will correct inflow/infiltration and surcharge conditions in the existing sewer main, and

WHEREAS, OWASA intends to request State loan/grant assistance for the project.

NOW THEREFORE BE IT RESOLVED, BY THE OWASA BOARD OF DIRECTORS:

1. That OWASA, the **Applicant**, will fund all remaining costs of the project, if approved for a State loan/grant award.
2. That the **Applicant** will adopt and place into effect on or before completion of the project a schedule of fees and charges and other available funds which will provide adequate funds for proper operation, maintenance, and administration of the system and the repayment of all principal and interest on the debt.
3. That the governing body of the **Applicant** agrees to include in the loan/grant agreement a provision authorizing the State Treasurer, upon failure of OWASA to make scheduled repayment of the loan, to withhold from OWASA any State funds that would otherwise be distributed to OWASA in an amount sufficient to pay all sums then due and payable to the State as a repayment of the loan.
4. That the **Applicant** will provide for efficient operation and maintenance of the project on completion of construction thereof.
5. That Ed Kerwin, Executive Director, the **Authorized Official**, and successors so titled, is hereby authorized to execute and file an application on behalf of the **Applicant** with the State of North Carolina for a loan/grant to aid in the construction of the project described above.
6. That the **Authorized Official**, and successors so titled, is hereby authorized and directed to furnish such information as the appropriate State agency may request in connection with such application or the project: to make the assurances as contained above; and to execute such other documents as may be required in connection with the application.
7. That the **Applicant** has substantially complied or will substantially comply with all Federal, State, and local laws, rules, regulations, and ordinances applicable to the project and to Federal and State grants and loans pertaining thereto.

Adopted this the 26th day of March, 2009