

Orange Water and Sewer Authority
Public Hearings and Meeting of the Board of Directors
May 24, 2018

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held public hearings and a regular meeting on Thursday, May 24, 2018, at 7:00 p.m. in Chapel Hill Town Hall Council Chamber.

Board Members present: Robert Morgan (Chair), Heather Payne (Vice Chair), Yinka Ayankoya (Secretary), Jeff Danner, Ray DuBose, Barbara Foushee, John N. Morris and Ruchir Vora. Board Members absent: John A. Young.

OWASA staff present: Denise Battle, Mary Darr, Robert Epting Esq. (Epting and Hackney), Kate Fialko (OWASA intern), Vishnu Gangadharan, Robin Jacobs (Epting and Hackney), Ed Kerwin, Andrea Orbich, Kelly Satterfield, Todd Taylor, Mary Tiger and Stephen Winters.

Others present: Terry Battle and Margaret Holton (University of North Carolina Water Resources Manager).

Motions

1. Heather Payne made a motion to close the Concurrent Public Hearings on the Preliminary Annual Operating and Capital Improvements Budgets and Proposed Rates, Fees and Charges for Fiscal Year 2019 that begins on July 1, 2018; the motion was seconded by Yinka Ayankoya and unanimously approved.
2. BE IT RESOLVED THAT the Board of Directors adopts the Resolution of Orange Water and Sewer Authority Amending the Fiscal Year 2018 Annual Budget for Capital Improvements Program Expenditures. (Motion by Yinka Ayankoya, second by Barbara Foushee and unanimously approved.)
3. Yinka Ayankoya made a motion to approve the Minutes April 26, 2018 Meeting of the Board of Directors; second by Barbara Foushee and unanimously approved.

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Announcements

Chair Robert Morgan asked that if any Board Member knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight to please disclose the same at this time; none were disclosed.

Mr. Morgan announced that the OWASA Board will convene for a Diversity and Inclusion Session with VISIONS, Inc. on Wednesday, May 30, 2018 at 6:00 p.m. in the OWASA Boardroom.

Mr. Morgan announced that on May 23, 2018, the Chapel Hill Town Council reappointed Jeff Danner to the OWASA Board of Directors and appointed Bruce Boehm to fulfill Heather Payne's remaining term beginning July 1, 2018 and ending June 30, 2019.

Barbara Foushee announced that on April 12, 2018, the Board agreed that the Nominating Committee will consist of the full Board and to continue the practice of limiting Board Members successive terms as Chair, Vice Chair and Secretary to one one-year term for each office beginning July 1, 2018. On May 10, 2018, the OWASA Board reviewed these procedures and determined that the Board Members eligible as nominees for this year's election are: Nominees for Chair of the Board are Yinka Ayankoya, Jeff Danner and Ray DuBose; Nominees for Vice Chair are Yinka Ayankoya, Jeff Danner and Ray DuBose; and Nominees for Secretary to the Board are Ray DuBose and John Young. Ms. Foushee said that the annual election for officers will be conducted this year at the June 14, 2018 Board meeting. Ms. Foushee said that five (5) votes are necessary to elect an Officer and those Board Members absent from the June 14th meeting may vote by written proxy ballot.

Ed Kerwin announced that Linda Low, OWASA's new Communications and Community Relations Officer, will begin work with OWASA on May 29, 2018.

Jeff Danner said that he attended the New Jersey Water Environmental Association meeting and received information that he will share with staff regarding water treatment processes.

Item One: Concurrent Public Hearings on the Proposed Annual Operating and Capital Improvements Budget and Proposed Rates, Fees and Charges

Robert Morgan opened the concurrent Public Hearings on the Proposed Annual Operating and Capital Improvements Budget and the proposed Schedule of Rates, Fees and Charges for Fiscal Year (FY) 2019.

Todd Taylor, General Manager of Operations, said OWASA is a public, non-profit agency providing water, sewer and reclaimed water services to the community. The organization's revenue comes solely from customer fees; OWASA is required to charge customers the full cost of providing water and wastewater services. Mr. Taylor said that it is OWASA's responsibility to operate at the lowest rates possible while providing high quality, reliable and sustainable services.

Mary Darr, Director of Engineering and Planning, said that the proposed Capital Improvements Program (CIP) budget is used to rehabilitate/replace the infrastructure that is used to maintain the day-to-day high-quality services OWASA provides. Staff uses an asset management program to prioritize CIP projects that are planned years in advance. The CIP investment for FY 2019 is \$22.6 million and over the next five years, total CIP spending is expected to be about \$97.7 million. About 85% of the 5-year CIP will be spent on infrastructure rehabilitation and

replacement, about 3% on expanding system capacity, and approximately 12% for system enhancement. Ms. Darr provided information on a few recent CIP projects including: Sedimentation Basin Rehabilitation Project at the Jones Ferry Road Water Treatment Plant; Heating Ventilation and Air Conditioning Improvement Project at the Jones Ferry Road Administration Building; Brandywine Water Line Replacement which is funded by a low-interest loan from the State; and the Rogerson Drive Force Main Rehabilitation Project.

Mary Tiger, Sustainability Manager, said that the affordability of OWASA's services is critical to our community's public health and economic vitality. The Board-approved financial management policy holds the organization to a goal of keeping the cost of the average water and wastewater bill below 1.5% of the community's Median Household Income (MHI). Despite this goal, there are customers whose income falls below the MHI and have difficulty paying their OWASA bill. Ms. Tiger said that the Affordability Outreach Program is designed to empower low-income customers and the agencies that serve them with information and programming to help reduce water use and water and sewer bills. An important resource in providing customers with actionable information is the Agua Vista Metering Initiative. The information that Agua Vista provides will help us save our customers money. With over 25% of meters upgraded so far, staff has already started proactively reaching out to customers to notify them of potential water leaks and help to avoid unexpected high water bills.

Denise Battle, Customer Service Manager, provided information about OWASA's Care to Share Customer Assistance Program and how customers can sign up to help families who have difficulties paying their water and sewer bills.

Stephen Winters presented the proposed Annual Operating, Capital Improvements Budget, and Schedule of Rates Fees and Charges and mentioned that tonight's public hearing is another opportunity for customers and stakeholders to provide input on the proposed budget and rates. He said the Board is scheduled to make a decision on the proposed FY 2019 budget and rates on June 14, 2018.

Mr. Winters noted that OWASA's system development fees have been reduced by 10% to 40% and are in compliance with a new North Carolina Statute; the newly revised system development fees will go into effect on July 1, 2018. Other miscellaneous fees have been adjusted based on the cost of providing the services. The Board is considering a 2% increase in monthly water and sewer rates which will add \$1.41 to a monthly bill for customers using 4,000 gallons of water. The reason for the increase is to provide funding for operating expenses, capital investments, and debt service payments. A 2% increase in FY 2019 will also help avoid the need for larger future rate increases.

Mr. Winters noted that projected total revenue under the proposed FY 2019 Budget is about \$38 million. The proposed Budget includes \$22.5 million for operating expenses and \$7.2 million for debt service payments. The proposed CIP Budget is projected to be \$22.6 million for FY 2019 and about \$97.7 million over the next five years.

Mr. Winters said that long-term planning indicates that OWASA is sustainable and that water resources will meet expected demand for the next 50 years under most circumstances. Current

planning also indicates that water and wastewater treatment plant capacity is expected to meet projected needs through 2030. Staff will continue to work to reduce costs and improve efficiencies without compromising services.

Mr. Morgan then opened the floor of the concurrent Public Hearings for public comments. No person offered any comments at the meeting. The Board received six comments via e-mail in advance of tonight's meeting.

Heather Payne made a motion to close the Concurrent Public Hearings on the Preliminary Annual Operating and Capital Improvements Budgets and Proposed Rates, Fees and Charges for Fiscal Year 2019 that begins on July 1, 2018; the motion was seconded by Yinka Ayankoya and unanimously approved. Please see Motion No. 1 above.

Mr. Morgan opened the discussion for Board comments.

Jeff Danner commented that in proposing a 2% increase in monthly water and sewer rates for FY 2019, the Board considered the financial needs of the organization over the next five years. Mr. Danner stated that it might be helpful to emphasize the Board's long-term focus when communicating information about OWASA's budget and rates.

The Board expressed appreciation to the staff for their hard work to keep customer rates affordable and for a job well done.

Item Two: Petitions and Requests

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

Item Three: 12 Month Board Meeting Schedule

The Board received this as an information item.

Item Four: Budget Amendment for Fiscal Year 2018 Capital Improvements Program

Yinka Ayankoya made a motion to approve the resolution; second by Barbara Foushee and unanimously approved. Please see Motion 2 above.

Item Five: Minutes

Yinka Ayankoya made a motion to approve the Minutes April 26, 2018 Meeting of the Board of Directors; second by Barbara Foushee and unanimously approved. Please see Motion 3 above.

Item Six: Summary of Board Meeting Action Items

Ed Kerwin noted the following items for staff follow-up:

- June 14, 2018 Board Work Session agenda will include:

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- Approve the Fiscal Year 2019 Budget and Rates;
- Review Draft Reliability and Risk Assessment Report for the water and wastewater treatment plants; and
- Election of Officers.

The Board meeting was adjourned at 7:35 p.m.

Respectfully submitted by:



Andrea Orbich
Executive Assistant/Clerk to the Board

Attachment

**RESOLUTION AMENDING THE FISCAL YEAR (FY) 2018 ANNUAL BUDGET FOR
CAPITAL IMPROVEMENTS PROGRAM EXPENDITURES**

WHEREAS, the Board of Directors adopted the FY 2018 Annual Budget of Orange Water and Sewer Authority; and

WHEREAS, North Carolina General Statute 159-15 provides the authority for the Board of Directors to amend the adopted budget; and

WHEREAS, staff has identified a need for capital improvements program (CIP) expenditures that were not included in the FY 2018 Annual Budget; and

WHEREAS, funds exist in reserves sufficient to cover the additional expenditures.

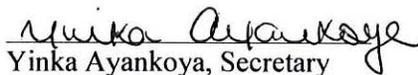
NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina G.S. 159-15, the Official Budget of Orange Water and Sewer Authority for the FY 2018 is amended as set forth in Attachment A.
2. That \$5,000,000 in reserves be transferred to capital improvements program expenditures as set forth in Attachment A.
3. That the Executive Director is authorized and instructed to implement the revised budget as herein set forth.

Adopted this 24th day of May 2018.


Robert Morgan, Chair

ATTEST:


Yinka Ayankoya, Secretary