



ORANGE WATER AND SEWER AUTHORITY

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

NEWS RELEASE May 14, 2010

OWASA INVITES CUSTOMERS TO COMMENT IN PUBLIC HEARINGS ON MAY 27TH ON THE PROPOSED FY 2011 BUDGET, 15-YEAR CAPITAL PROGRAM AND RATE INCREASE

The OWASA Board of Directors invites customers to participate in public hearings on Thursday night, May 27th regarding:

- proposed rate and fee increases,
- the draft budget for Fiscal Year (FY) 2011, and
- the draft FY 2011-25 Capital Improvements Program (CIP) including the Capital Improvements Budget for FY 2011-15.

The public hearings will be part of an OWASA Board meeting at 7:00 PM in the Chapel Hill Town Hall, 405 Martin Luther King Jr. Boulevard. The meeting will be televised live on local cable channel 18. All customers are invited to attend and speak at the public hearings and to provide comments for the OWASA Board by e-mail to webmaster@owasa.org, by letter to 400 Jones Ferry Road, Carrboro, NC 27510 or by fax to (919) 968-4464.

Highlights

- OWASA is a non-profit, community-owned agency with cost-of-service rates.
- The proposed 9.25% increase in monthly rates would add about \$7 to a typical residential bill for 5,000 gallons of water and sewer service.
- The primary reasons for the proposed rate increase are lower water sales, reduced connection fee revenues from new development due to the slow economy, and the need to renew and replace aging infrastructure.
- The proposed operating budget of \$18.8 million for FY 2011 reflects a 1.7% increase from FY 2010. In addition to jobs cut in the current FY 2010 budget, three additional positions are proposed to be eliminated in FY 2011.

Proposed rate and fee increases

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

Examples of typical bills for individually-metered residences:

Water and sewer use per month	Current bill	Bill with proposed rates	Increase
4,000 gallons	\$63.38	\$69.26	\$5.88
5,000 gallons	\$74.92	\$81.87	\$6.95

Rates would also increase about 9.25% for businesses, master-metered multi-family developments and institutional customers, who pay "seasonal" water rates; and for irrigation-only customers. The one-time "service availability" or capacity fees for initial connections to the OWASA system would

increase about 3.8%, which reflects the 5-year historical average increase in the construction cost index.

As indicated above, the primary reasons for the proposed rate increase are lower drinking water sales, reduced connection fee revenues from new development, and the need to renew and replace aging infrastructure.

Since 2001, OWASA customers have reduced their drinking water demand by 25%. In addition, in April, 2009 the University began using reclaimed water (highly treated wastewater) for non-drinking purposes such as the operation of chiller plants to cool campus buildings. In FY 2011, the University will increase its use of reclaimed water to 0.74 million gallons per day (MGD) from 0.34 MGD in FY 2010. (Under a contractual arrangement with OWASA, the University pays all operating, capital and administrative costs of reclaimed water service it receives.)

“Drinking water use in FY 2011 is projected to be 6.1 MGD, which approximates the demand in our community in the early 1990s. The reduction in demand reflects the conservation ethic of OWASA’s customers; however, it also affects our revenues,” said Stephen Winters, OWASA’s Director of Finance and Customer Service.

Coinciding with the slowdown in the overall economy, new development in our service area has slowed considerably. The new connection fee revenues budgeted for FY 2011 are about half of the projected total fees for FY 2010.

For more detailed information on the proposed rates and fees, please see the homepage of the OWASA website, www.owasa.org.

OWASA is a public, non-profit agency with cost-of-service rates

OWASA’s cost-of-service rates are set to fund operating and maintenance costs; each year’s debt payment obligations; infrastructure replacement, renewal and improvements to maintain reliable, quality service; reserves necessary to be financially sound; and sustainability initiatives and investments.

OWASA has no shareholders. OWASA is owned by the community in the same sense that public facilities such as local streets and parks are owned by the community.

Proposed operating budget for FY 2011

The operations and maintenance budget, \$18.8 million, includes

- 129 employee positions, a reduction of 3 from the FY 2010 budget and down from 148 positions in FY 2004. Personnel costs are the largest single cost in OWASA’s operating budget, and are therefore an area of focus in cost control/cutting.

- Resuming the use of chemicals to help curtail the growth of tree and shrub roots inside sewer pipes and therefore help prevent wastewater overflows. (This program was suspended in FY 2010 to help limit costs.)
- Resuming testing of large water meters to ensure they are accurate. (This program was suspended in FY 2010 to help limit costs.)
- No significant changes in other services such as operation of treatment plants, laboratory testing of water quality, maintenance of the water and sewer pipe systems, lake recreation, etc.
- An 8% increase in the cost of health insurance for employees.
- An increase in the required retirement system contribution from 4.89% to 6.42% of employee compensation.
- Although a final decision has not yet been made, provision for an employee merit pay increase funded at 2.5% of payroll is included in the proposed budget.

More work, steady/rising operation costs

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

OWASA serves about 2,500 more customers than it did in 2001 – about a 14% increase.

The size of the water and sewer pipe systems OWASA maintains has increased by 68 miles or 10% since 2001.

Infrastructure investments/capital improvements

One of OWASA's highest priorities is renewing, replacing and improving our "infrastructure" of pipelines, treatment facilities, etc. to ensure reliable, quality service to current and future customers. Cash funding of new capital projects and debt payments for previously completed projects account for about 44% of OWASA's monthly bill.

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

- \$2.3 million to replace the sewer along Umstead Drive/Bolin Creek from Martin Luther King Jr. Boulevard to Estes Drive in Chapel Hill to increase capacity to carry wastewater from the northwestern part of OWASA's service area and thus reduce the potential for wastewater overflows from manholes.
- \$2.7 million to renew and replace various water mains to maintain service quality and reliability.
- \$1.2 million to renew and replace various sewer mains.
- About \$1 million for work at the Jones Ferry Road Water Treatment Plant to rehabilitate/replace equipment, improve the control system, etc.
- About \$730,000 at the Mason Farm Wastewater Treatment Plant to rehabilitate and replace equipment, enhance the treatment processes, etc.
- \$525,000 for repairs to the Cane Creek Reservoir Dam.

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

Debt payments on bonds issued to help pay for capital projects

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

Financial sustainability

In accord with the financial management policies adopted by the Board of Directors, the proposed budget and rates for FY 2011 were developed to meet objectives for financial sustainability, including the organization's reserves and the ratio of net income to debt service. These are among the key performance measures on which OWASA's creditworthiness is based. Continuation of OWASA's strong credit ratings translates into lower interest rates on bonds, which mean lower costs to OWASA customers.

Budget process

The OWASA Board could take final action on the budget, CIP and proposed rate increases as soon as the Board's June 12th meeting.

FY 2011 will begin on July 1, 2010 and end on June 30, 2011.

The normal effective date for changes in OWASA's rates is October 1st following public hearings in May and adoption of the annual budget in June.

For more information:

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