

ANNUAL BUDGET

Fiscal Year 2013

Orange Water and Sewer Authority

Carrboro - Chapel Hill, North Carolina



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



ORANGE WATER AND SEWER AUTHORITY

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Orange Water & Sewer Authority
North Carolina**

For the Fiscal Year Beginning

July 1, 2011

Linda C. Danson Jeffrey R. Egan

President

Executive Director

BUDGET MESSAGE

**To the
Board of Directors**

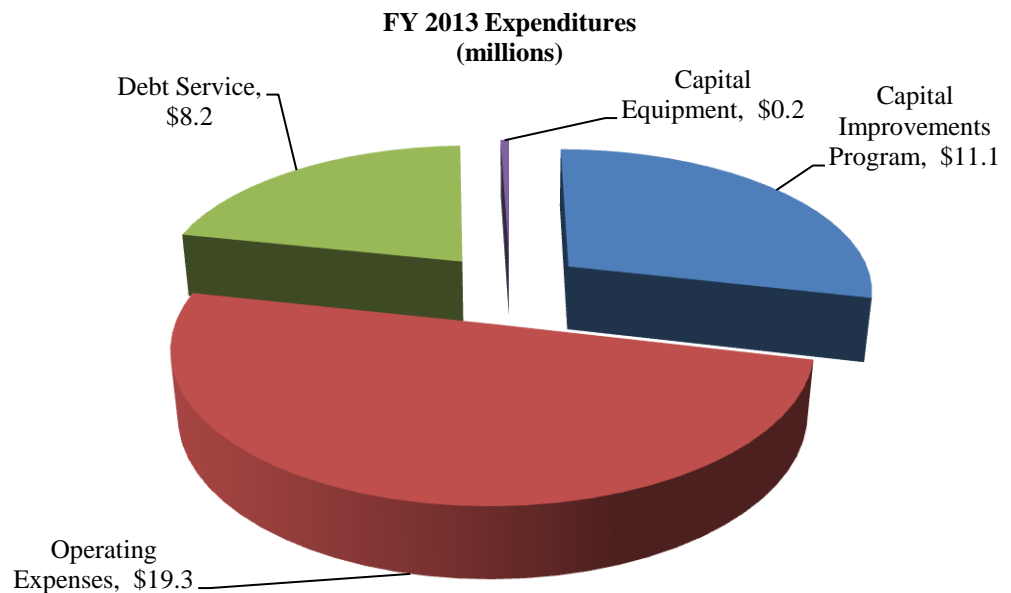
The Annual Budget for the fiscal year beginning July 1, 2012 and ending June 30, 2013 has been prepared in accordance with OWASA's *Financial Management Policy*, our *Amended and Restated Bond Order* adopted on September 13, 2001, and *The Local Government Budget and Fiscal Control Act*.

The primary drivers of this budget include the capital improvements project needs identified in OWASA's five-year Capital Improvements Program (CIP); projected potable and reclaimed water demands; operating costs required to sustain service levels; debt obligations; and reserve funding.

Projected operating revenues reflect no increase in monthly rates. This was made possible by prior year rate increases, the stabilization of water sales, cost reduction efforts and reserve levels.

The operating expense budget is about one percent greater than the Fiscal Year (FY) 2012 budget. Consistent with our strategic objectives, the FY 2013 operating budget meets the needs and priorities of the organization. However, it has few provisions for contingencies.

The budget consists of projected revenues and other receipts of \$38 million, capital project costs of \$11.1 million, operating expenses of \$19.3 million, debt service payments of \$8.2 million, and capital equipment purchases of \$225,000.



**Highlights of the
Budget**

Key elements of this budget include:

- No increases in monthly water and sewer rates.
- Continuation of the seasonal water conservation rate structure for all customers other than individually-metered residential and irrigation-only customers. Under the seasonal water conservation rates, the water commodity charge will remain \$7.91 per thousand gallons of water consumed during the warmer peak water demand months of May through September 2013. The water commodity charge for the cooler, lower demand months of October, 2012 through April, 2013 will remain \$4.16 per thousand gallons.
- Continuation of the five-tiered increasing block water rate structure for individually-metered residential customers. The block rate structure is designed under cost-of-service principles to promote water conservation by lessening the cost recovery burden on low

volume water users and allocating a portion of cost recovery to high volume customers.

	<u>Volume of Use In Gallons</u>	<u>Rate per 1,000 Gallons</u>
Block 1	1,000 to 2,000	\$2.63
Block 2	3,000 to 5,000	\$6.39
Block 3	6,000 to 10,000	\$7.83
Block 4	11,000 to 15,000	\$10.94
Block 5	All use 16,000 and up	\$19.79

For an individually-metered residential customer using 4,000 gallons of water per month, the monthly water and sewer bill remains \$70.66. For 5,000 gallons of water use per month, the bill is \$83.53.

- An annual operating budget of \$19.3 million, reflecting an increase of 1% over the FY 2012 budget. The FY 2013 budget includes funding for 130.5 personnel positions, up from 127.5 in FY 2012. The three additional funded positions include two Utility Mechanics and a Maintenance Coordinator.
- The Board of Directors has not made a decision about possible changes for employee compensation for FY 2013. However, the FY 2013 Budget includes funds for a merit increase of 2.5% of current-year salaries and wages. If approved, merit increases for individual employees will be determined through OWASA’s performance evaluation process. Merit increases typically take effect in November of each year. Additionally, employee salaries and wages may be adjusted based on the results of a Classification and Compensation Study which is in process.
- Capital improvement spending of \$11.1 million for FY 2013, as identified in the five-year CIP. Approximately 75% of capital spending is planned for water and sewer system rehabilitation and replacement projects.
- No new debt will be issued in FY 2013. All capital improvements will be funded through cash.

Strategic Planning

OWASA’s Strategic Plan establishes the key goals and objectives for the next three to five years. It guides the organization’s work and funding priorities. Highlights of the plan and related accomplishments are summarized below.

Goal	Objective	Accomplishments
Secure Financial Stability and Sustainability	Perform functional analyses throughout the organization to improve efficiencies and, where possible, reduce costs	<ul style="list-style-type: none"> • Issued a bond refunding in 2010 which reduced interest costs for FY 2013 by \$220,000 • Accomplished through attrition but facilitated by process improvement, reduced general and administrative staff by four positions for an annual savings of approximately \$200,000. • Improved processes related to billing for miscellaneous services. • Implemented wastewater treatment process modifications resulting in annual savings of approximately \$300,000. • Reduced telecommunication costs by over \$10,000 annually. • Reduced facility security costs

		by changing service providers and performing more of the work in-house saving \$10,000 in FY 2012 and FY 2013 and an additional \$15,000 in FY 2014 and beyond.
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Goal	Objective	Accomplishments
	Improve reporting of key financial data	<ul style="list-style-type: none"> • Eliminated redundancies in processing credit card transactions. • Improved efficiency of customer invoice processing. • Implemented processes that have enhanced quality control of financial information reporting.
	Adopt rate adjustments to ensure financial stability	<ul style="list-style-type: none"> • After implementing significant rate increases from 2007 to 2010, OWASA is in very good financial condition and does not require a rate increase in the coming year.
	Increase customers' understanding of the true cost of OWASA's service and the need for rate adjustments	<ul style="list-style-type: none"> • The Board of Directors' Outreach and Education Committee has established a plan for engaging customers and other stakeholders in a variety of ways. Implementation of the plan is now underway.
Resource Management and Infrastructure Sustainability	Develop a comprehensive asset management plan	<ul style="list-style-type: none"> • OWASA's plans for improving management of vertical assets got underway in the summer of 2011. The implementation plan for the project is expected to be completed in FY 2013.
	Complete engineering studies and use results to improve our ability to identify and priorities capital improvement projects	<ul style="list-style-type: none"> • The results of these studies were used in developing the capital improvement plan for FY 2012 and will be used to inform OWASA's CIP for at least the next five years.
	Secure access to OWASA's Jordan Lake Water Supply allocation	<ul style="list-style-type: none"> • Work will continue on this critically important project throughout FY 2013.
Knowledge Management and Workforce Sustainability	Improve employee compensation and development programs to attract and retain a diverse and high-performing team	<ul style="list-style-type: none"> • Recommendations from a study of OWASA's performance evaluation and compensation programs will be implemented in FY 2013.
	Develop succession plans for key positions	<ul style="list-style-type: none"> • Succession plans for key positions are in place.
	Complete field validation of OWASA infrastructure in the Geographic Information System	<ul style="list-style-type: none"> • Field validation of nearly 80% of the water distribution system in OWASA's service area is complete. • Field validation of the remaining portions of the service area is expected to be

		completed by 2016.
Goal	Objective	Accomplishments
Enhance Customer Satisfaction	Implement improved online billing and account management features	<ul style="list-style-type: none"> • Online billing and account management was launched in October 2010. • About 14% of OWASA's customers are using online (paperless) billing.
	Develop a plan to measure and monitor customer satisfaction	<ul style="list-style-type: none"> • A plan for surveying OWASA customers has been developed and it is expected that the survey will be conducted biannually.

OWASA's Budget Process

The budget for OWASA's operating services and capital projects is developed in accord with:

- OWASA's *Mission Statement*. The Board's adopted *Mission and Values Statement* establishes priorities for serving the community. These priorities focus on service excellence, environmental responsibility, employee development and well-being, fiscal and operational efficiencies, relationships with local governments and sustainable operations. These priorities must be met within the constraints set by various statutory, regulatory and contractual obligations and agreements.
- OWASA's *Strategic Plan* which identifies the organization's high-priority goals and objectives.
- OWASA's *Financial Management Policy*, a guide to strategic financial planning, related policy decisions, and measurements of financial performance.
- A regularly updated water and sewer master plan, which includes reports and analyses of system needs.
- North Carolina General Statute Chapter 159: *The Local Government Budget and Fiscal Control Act*.
- A 15-year financial plan that takes into account economic assumptions, growth trends, operating and capital project costs, desired ratio of net income to debt service, projected water sales, growth in customer accounts, inflation factors, and the cost of borrowing.
- Strategic issues and policies as identified by the Board of Directors and staff.
- The five-year *Capital Improvements Program*.

The annual budget process begins early in each fiscal year and concludes with adoption of an annual budget in June. Throughout the process, OWASA staff works closely with the Board's Finance Committee in developing and refining information to submit to the Board of Directors.

Public hearings on the proposed budget, CIP and the schedule of rates and fees were held at the OWASA Board of Directors' regular meeting on May 24, 2012, and the budgets and rate adjustments were adopted by the Board on June 14, 2012.

In accord with State law, the adopted budget may be amended at any time to reflect changes in services, projects and costs. Such amendments can be made in any form by the Board of Directors' action, but the budget must remain balanced. A budget is considered balanced when the sum of net revenues and appropriated fund balance is equal to appropriations. In the State of North Carolina, the minimum legal budgetary level of control is at the departmental level. In addition to the departmental information presented in this document, compliance at this level is disclosed in OWASA's Comprehensive Annual Financial Report.

Priorities and Assumptions

Legal/Regulatory Assumptions

Federal, State, Local and Judicial

- OWASA must prepare and adopt a balanced budget in accord with the North Carolina Budget and Fiscal Control Act.
- Statutes governing purchasing and contracting require the development of and adherence to a Minority and Women-Owned Business Enterprise Program in soliciting and accepting bids for certain construction work.
- OWASA's primary source of income is customer rates and fees. The OWASA Board has sole authority to set and revise rates, fees and other charges for services. Rates, fees and charges are not subject to supervision or regulation by any bureau, board, commission or other agency of the State or by any political subdivision (N.C. General Statute 162A-9). Rates, fees and charges shall be set so that revenues, together with any other available funds, shall be sufficient at all times to pay (1) the cost of maintaining, repairing and operating the water and sewer systems including reserves for such purposes, and (2) all of the principal and interest on bonds (N.C. General Statute 162A-9).
- Fees are applicable throughout the service area, and fees and charges may vary by customer class when discernable cost factors can be attributed to the varying classes.
- The Governmental Accounting Standards Board requires that the cost of post-employment benefits be recognized and recorded in OWASA's annual financial statements.

Intergovernmental Sale and Purchase Agreements

Agreements of Sale and Purchase with the University of North Carolina at Chapel Hill (UNC) and the Towns of Chapel Hill and Carrboro state:

- OWASA shall charge reasonable rates, based on cost of service, to all classes of users, serving all users within each class impartially and without unjust discrimination, with no differential in rates based on the location of a customer.
- OWASA shall operate the water and sewer system at the lowest rates possible consistent with its obligation to provide proper and efficient service.
- OWASA will furnish, for as long as UNC shall desire, potable water, meeting acceptable purity standards, in such quantity as may be required to meet UNC's needs.
- UNC will purchase all its potable water requirements from OWASA unless OWASA is unable to supply sufficient water.
- UNC will be provided, now and hereafter, reliable and adequate sewer services to meet its needs.
- If five-year cumulative rate revisions exceed 20%, UNC may request that a rate study be performed by a qualified consultant and its results shared.
- OWASA agrees to meet the reasonable water and sewer needs of the Towns of Carrboro and Chapel Hill.

Additionally, Chapel Hill, Carrboro and Orange County have adopted local water conservation ordinances as recommended by OWASA. The requirements of those ordinances have short and long-term demand and revenue implications.

Bond Order (Series 2001 as amended and restated)

- Interest earnings on bond proceeds and related accounts are included in the debt service ratio calculation.

- OWASA shall not provide free service, and shall charge all users including public bodies based on established rates, except for water used in fire protection, washing and flushing streets and testing water lines. The cost of these public benefit uses is recovered from all customers.
- The Bond Order requires a minimum debt service coverage ratio of 1.2. OWASA's *Financial Management Policy* sets the desired performance target as 2.0.
- In order to issue new debt, rate adjustments in any fiscal year must be sufficient to provide for debt service payments in the immediately succeeding fiscal year.

Organizational Assumptions

Financial Goals and Objectives

- OWASA's *Financial Management Policy* requires maintaining a Working Capital Reserve balance at least equal to the greater of four months of the annual Operating Expense Budget or 20% of the total estimated cost of capital improvements projects identified for the succeeding three years.
 - Four months of estimated operating costs based on the FY 2013 budget is \$6.4 million.
 - 20% of planned capital improvements for FY 2014 through FY 2016 equals \$8.1 million.
 - The General Fund ending balance for FY 2013 is projected to be \$19.5 million.
- The *Financial Management Policy* calls funding a Capital Improvements Reserve fund and a Rate/Revenue Stabilization Reserve fund. The FY 2013 Budget provides funding of \$650,000 and the projected year-end balances for the Capital Improvements Reserve fund and Rate/Revenue Stabilization Reserve fund are \$1,600,000 and \$1,000,000, respectively.
- The *Financial Management Policy* specifies at least 30% cash funding of capital improvements. The budget reflects 100% cash funding of capital projects during FY 2013; no new debt will be issued during the year.

The debt service coverage ratio for FY 2013 is projected to be 2.26, and OWASA's financial plan indicates the following subsequent annual rate increases may be required in order to meet our financial obligations and maintain our financial measurement goals:

	<u>Projected Rate Increases</u>	
FY 2014	2% Water	2% Sewer
FY 2015	3% Water	3% Sewer

These projected rate adjustments are preliminary and will be further analyzed as part of each subsequent year's budgeting process.

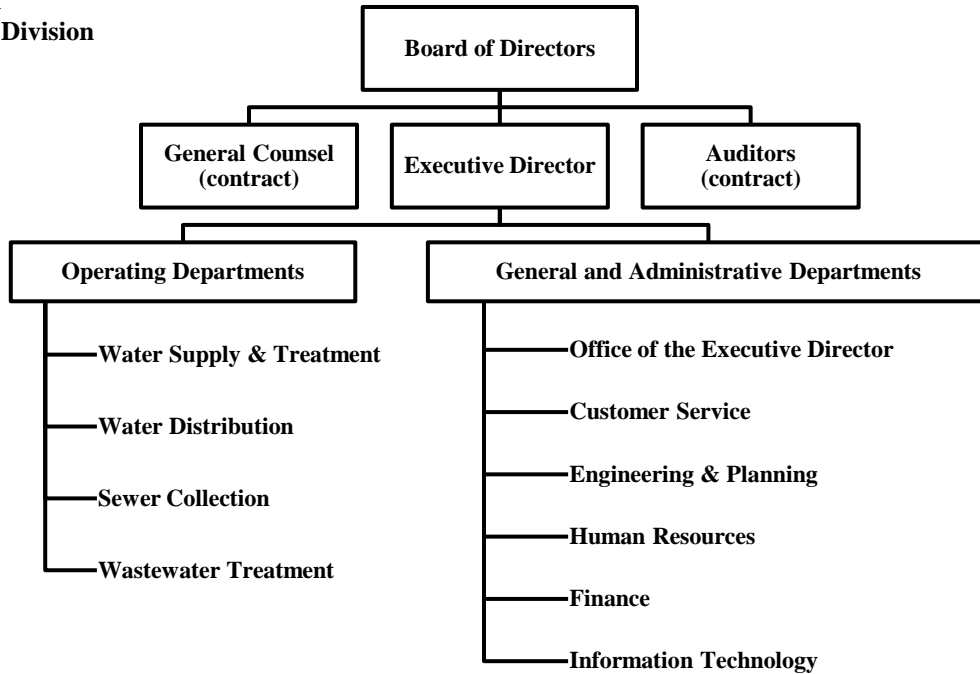
Customer Demand and Service Levels

The following projections are based on historical trends.

- FY 2013 projections for potable water demand and new connections are affected by several factors including:
 - Potable water and reclaimed water (RCW) sales in FY 2013 are expected to be approximately the same as FY 2012.
 - Estimated RCW use during FY 2013 is 0.83 million gallons per day (MGD).

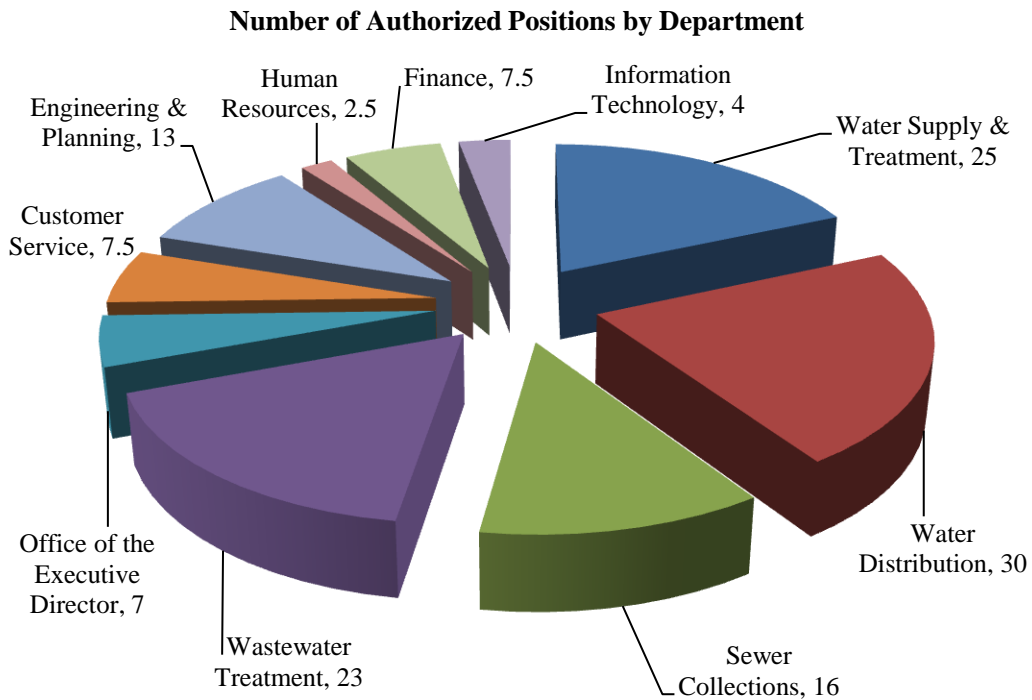
- Average daily potable water demand in FY 2013 is projected to be approximately 6.3 MGD.
- Based on the development plans in OWASA’s service area, we expect to install 240 new meter equivalents for the year.
- A construction cost inflation rate of 5.0% is assumed for FY 2013 and beyond.

Organization Overview by Division



Staffing Summary

The OWASA Board has authorized a total of 135.5 positions; 130.5 are funded for FY 2013. Authorized staffing levels (full-time equivalents) are allocated by department as follows:



Summarized Annual Operating Income and Expenses (Revenue Fund)

Description	Resources	Expenses	Balance
Total Operating Revenue	\$36,791,279		
Operating Expenses			
Net Expenses, General and Administrative		\$5,714,757	
Net Expenses, Operations		<u>13,629,140</u>	
Net Total Operating Expenses		19,343,897	
Net Operating Income			\$17,447,382
Availability Fees		1,169,482	
Total Net Income			18,616,864
Total Debt Service		8,235,375	
Debt Coverage Ratio			2.26

Summarized Annual Capital/Non-operating Income and Expenses (General Fund)

Description	Resources	Expenses	Balance
General Fund Beginning Balance (7/1/12)			\$20,432,187
Transfer From Revenue	\$10,381,489		
Funds Available for Expenditures			30,813,676
Total Estimated Capital Expenditures		(\$11,301,000)	
General Fund Ending Balance (6/30/2013)			<u>\$19,512,676</u>

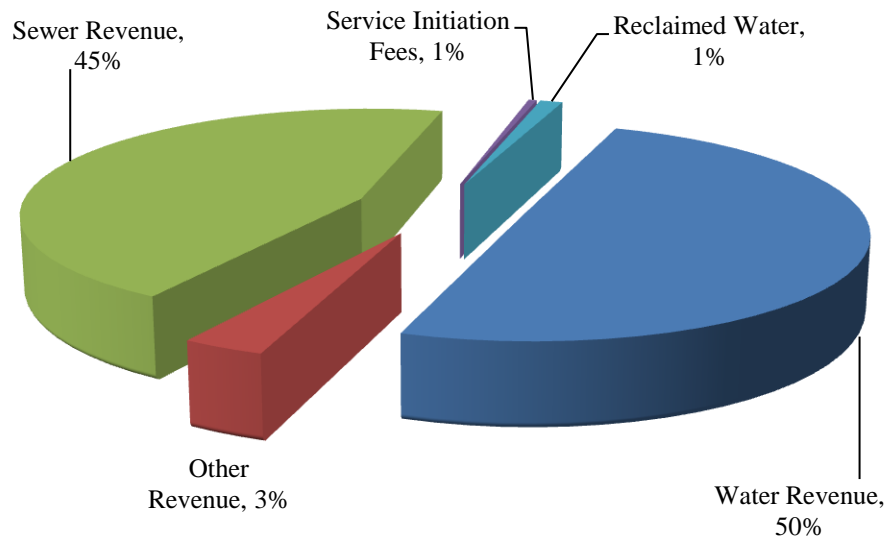
Revenue Summary

In providing essential public water, sewer and reclaimed water services to Carrboro, Chapel Hill and portions of southern Orange County and southwest Durham County, OWASA incurs substantial operating and capital costs. OWASA operates as a nonprofit enterprise fund and has no legislative authority to levy taxes nor does it receive tax revenues from local governments. Ongoing water, sewer and reclaimed water operations and capital improvements are financed almost entirely through customer fees and charges with occasional grants from state or federal governments. OWASA establishes rates sufficient to generate revenue to meet operating costs, pay debt service, and provide at least 30 percent cash funding for the CIP. Rates and fees are periodically adjusted in response to resource needs as determined in OWASA's financial planning process.

OWASA's gross receipts, with minor exception, are restricted by bond indenture. All revenues except grants, reimbursements and assessments must be deposited to the credit of the Revenue Fund. Monies in the Revenue Fund are pledged to the repayment of outstanding debt and must be expended first for current expenses and then debt service. Any funds remaining after current expenses and debt payments may be transferred to the General Fund and may be used for any lawful purpose: generally for capital improvements and reserves.

The majority of OWASA's revenues are generated by the sale of drinking water and the collection and treatment of wastewater, and related services. Fees for water and sewer services include charges for service initiation, line tapping, meter installation, monthly service charges and a commodity charge for each 1,000 gallons of water used or wastewater processed. For accounts other than individually-metered residential customers and irrigation-only customers, a higher water commodity charge applies during the peak consumption season from May through September and a lower commodity rate applies from October through April. This seasonal approach has been successful in reducing customer demand, peak-day demand in particular. As depicted in the following graph, in FY 2013, 50% of total budgeted revenue is anticipated from water services while wastewater services are expected to generate 45%. Service availability (new connection) fees, the sale of reclaimed water, plan review and construction observation fees, grants, assessments, rents, royalty, administrative fees and interest income contribute the remaining 5% of total projected revenues.

FY 2013 Source of Revenue



Commodity fees for individually-metered residential accounts are billed under an increasing block rate structure. The block rate structure is designed to fairly allocate the true cost of service among low volume and high demand water customers, thereby further promoting water conservation.

OWASA collects fees for delivery of reclaimed water services through a reclaimed water utility that became operational in April of 2009. The system initially served only UNC for non-potable purposes such as irrigation and cooling tower make-up water on campus; however, in FY 2010 the OWASA Board of Directors approved rates and policies for RCW use by non-UNC customers.

OWASA's primary revenue-generating fees are summarized below.

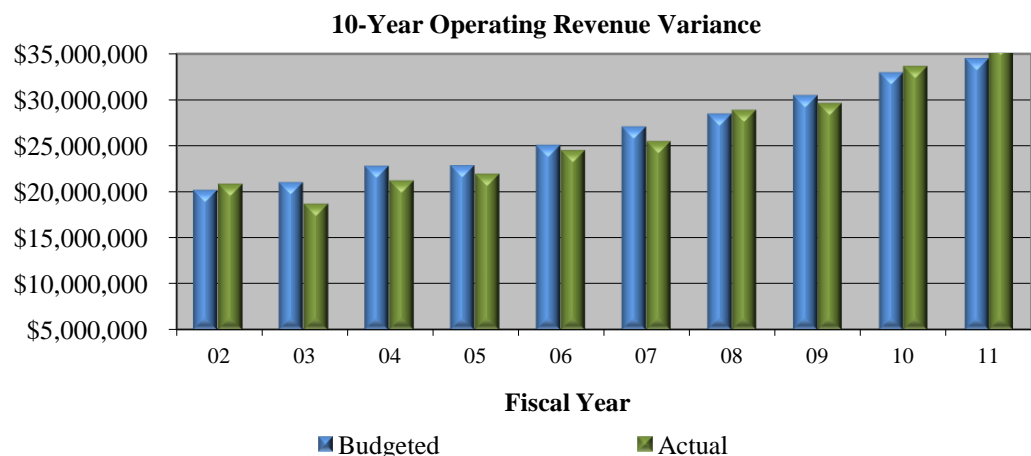
Fixed monthly Charge	Calculated to recover costs related to certain direct and indirect customer service efforts, meter and lateral maintenance, and capital costs associated with supplying potable and reclaimed water to, and collecting sewage from a customer's property. Charges are based on meter size.
Commodity charge	Calculated to recover the remaining direct and indirect costs of water supply and treatment, water distribution, sewage collection and treatment, general administration, and water and sewer capital costs not recovered by the monthly service charge. This charge is applicable to all water, sewer and reclaimed water accounts based on meter readings in thousand gallon increments of water use.
Water and sewer availability fees	Calculated to recover a portion of the capital costs of providing water and sewer system capacity. The availability fee applies to each new connection to a potable or reclaimed water main or sewer main, regardless of who may have paid for the installation of the main to which the connection is to be made. For the purpose of availability fees, customer accounts are divided into four categories: (1) single-family residential, (2) multi-family, individually-metered residential, (3) non-residential (including multi-family master-metered apartment complexes and all commercial, UNC, and institutional accounts) and (4) RCW service to UNC and non-UNC customers. The use of these categories is justified by their distinct patterns of water and sewer consumption.

Service initiation fees	The purpose of this charge is to defray the labor and administrative costs associated with establishing a water, sewer or reclaimed water account. This includes establishing service and account records for billing. The fee is applicable to all accounts requiring work to set a meter, reconnect service or read a meter.
Tapping fees	This charge is for making a tap into a water main and/or a sewer main or manhole. The charge recovers the cost for time and equipment plus an allowance for overhead.
Service installation	This charge is to recover costs of installing a service connection from a water or reclaimed water main to the curb or property line and setting a meter.
Plan review and construction observation fees	This charge is to recover the cost of reviewing plans for the extension of water and sewer facilities, and for field observation of the installation of these facilities. The plan review and construction observation fees apply to all extensions of the public water and/or sewer system regardless of the party which undertakes the improvements. The fees apply separately to water and sewer main extensions.

A key assumption in developing the budget is the amount of expected growth. Revenue projections are calculated combining this assumption with the number of customer accounts, and applying the various rates to the assumed demand levels. The growth projection for FY 2013 is approximately 240 “meter equivalent” residential units. Empirical data indicate little change in proportionate demand between our customer classes. However, over the last decade, weather patterns including two droughts, conservation block rate pricing, and UNC’s use of reclaimed water led to a dramatic decrease in demand by all classes.

Operating revenue In addition to recovering the cost of operations, rates and fees must be set at a level sufficient to fund future capital improvement costs and debt. Debt is issued to spread capital costs to future customers who will benefit from infrastructure improvements that have long useful lives.

The following graph summarizes the historical trend of OWASA’s primary revenue stream compared to our budget for those revenues.

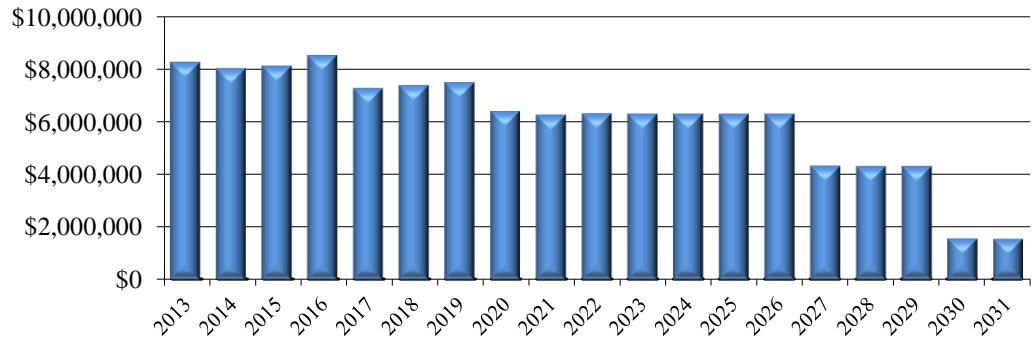


Debt and Debt Policy

Revenue Bonds have been used to finance a significant portion of OWASA's capital improvements. The remainder has been funded with annual revenues, grants and fund balance.

Outstanding debt is \$89.2 million as of June 30, 2012. The debt outstanding for each bond issue is: Series 2001 - \$1.7 million, Series 2003 refunding issue - \$4.9 million, Series 2004A and 2004B - \$24 million, Series 2005 refunding bonds - \$17.1 million, and Series 2006 - \$19.9 million, and Series 2010 refunding bonds - \$21.6. Principal and interest payments will be approximately \$8.2 million in FY 2012. The graph of debt service payments below reflects future annual debt service for these outstanding issues. Because OWASA issues revenue bonds, there is no statutory limit on the amount of debt.

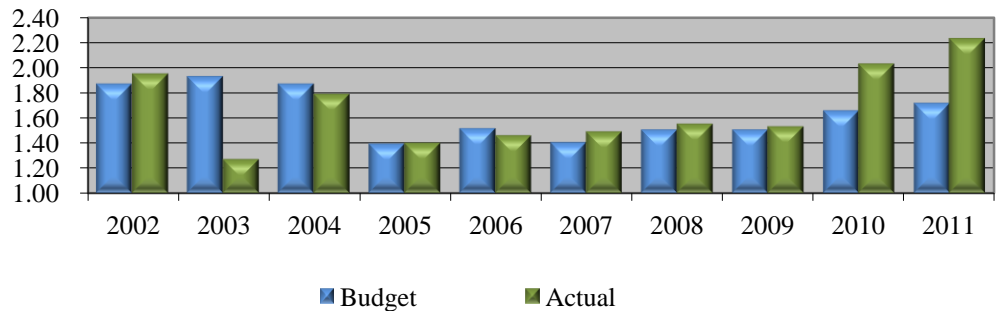
Annual Debt Service (Existing Debt) FY 2013-2031



The ratio of net income to debt payments is an important measure of OWASA's financial performance. OWASA's Bond Order sets the minimum required debt coverage ratio at 1.2. The OWASA Board of Directors has set a goal of 2.0.

No new debt will be issued in FY 2013.

10 Year Debt Service Coverage Ratio - Budget to Actual

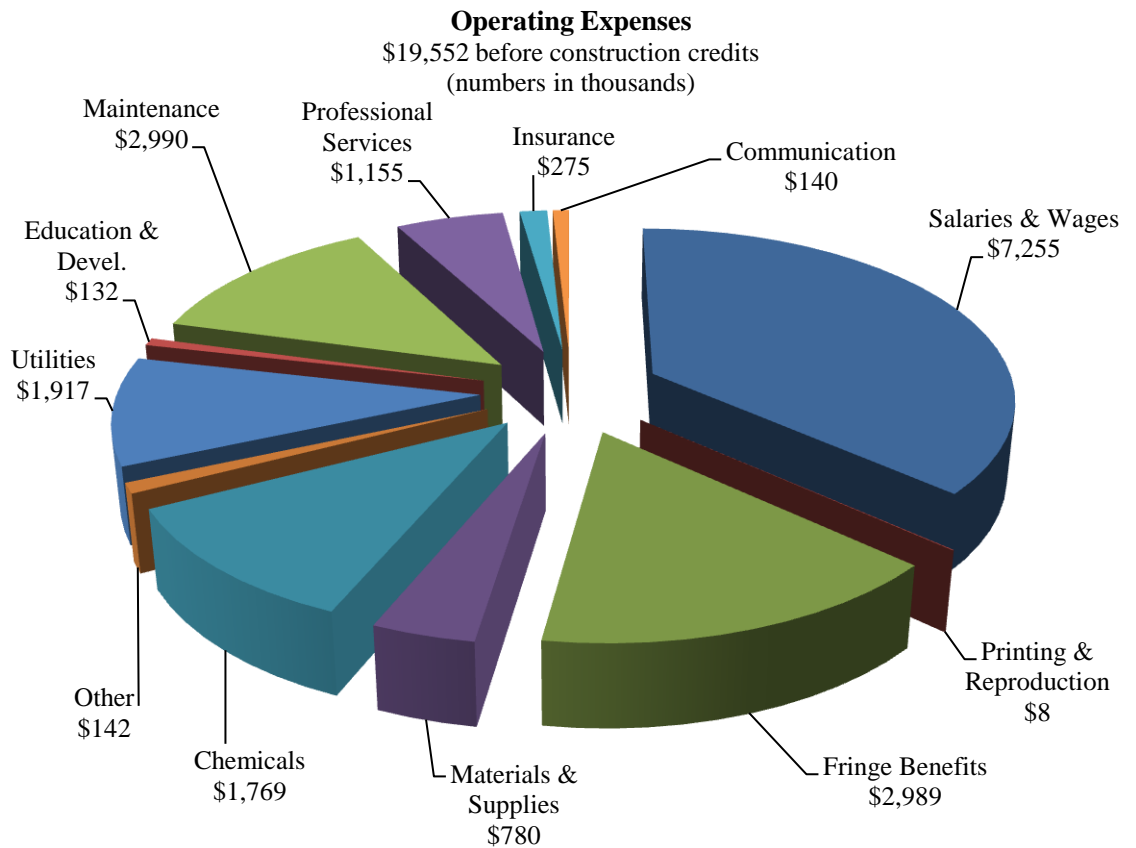


**Planned
Operating
Expenses
Summary**

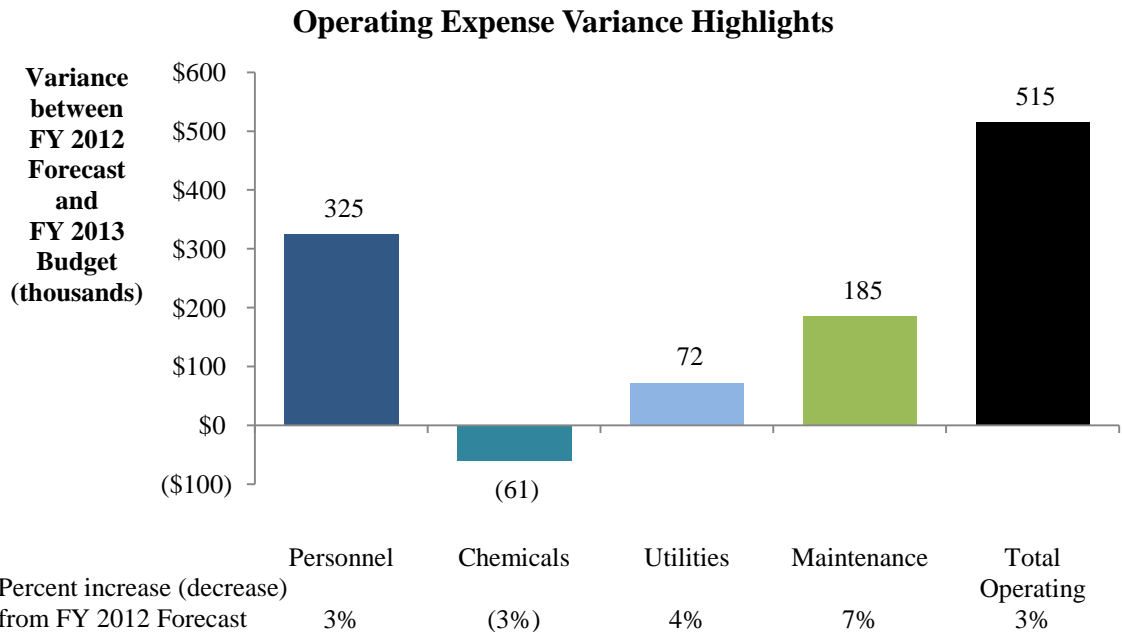
The chart below shows the planned operating expenses for FY 2013. The graph illustrates the relative proportions of the total costs by each category of expense.

**Orange Water and Sewer Authority
Expenditure by Division/by Category
Fiscal Year 2013**

	General and Administrative	Operating Departments	Total FY 2013 Budget
Salaries & Wages	\$2,945,345	\$4,309,311	\$7,254,656
Fringe Benefits	1,152,376	1,835,801	2,988,177
Materials & Supplies	200,670	579,782	780,452
Chemicals	-	1,769,266	1,769,266
Utilities	162,920	1,753,389	1,916,309
Maintenance	248,100	2,741,971	2,990,071
Professional Services	759,317	396,000	1,155,317
Insurance	40,000	235,000	275,000
Communication	125,940	14,400	140,340
Printing & Reproduction	6,675	1,800	8,475
Education & Development	79,495	52,220	131,715
Other	85,488	56,700	142,188
Total	<u>\$5,806,326</u>	<u>\$13,745,640</u>	<u>\$19,551,966</u>
Construction Credits	(91,569)	(116,500)	(208,069)
Total After Construction Credits	<u>\$5,714,757</u>	<u>\$13,629,140</u>	<u>\$19,343,897</u>



The chart below highlights Operating Expenses that represent some of the more significant variances from the FY 2012 forecast.



Personnel

The budget for Personnel costs, which includes fringes, taxes, etc, is approximately 3% higher than the amount forecasted for FY 2012. The FY 2013 budget includes funding for three positions that were not funded in the prior year. Additionally, FY 2012 expenses were lower than expected due to extended vacancies in several positions.

Chemicals

The FY 2013 budget includes a decrease in the cost for chemicals of 3%. The decrease is due to a reduction in the price of certain chemicals used in our processes.

Utilities

We are expecting a price increase in energy costs of 4%.

Maintenance

The FY 2013 budget is 7% higher than the forecast for FY 2012 and is based on an analysis of prior year costs and expected maintenance and repair needs for FY 2013.

Total Operating Expenses

The budget for total Operating Expenses is approximately 3% greater than the FY 2012 forecast and 1% greater than the FY 2012 budget.

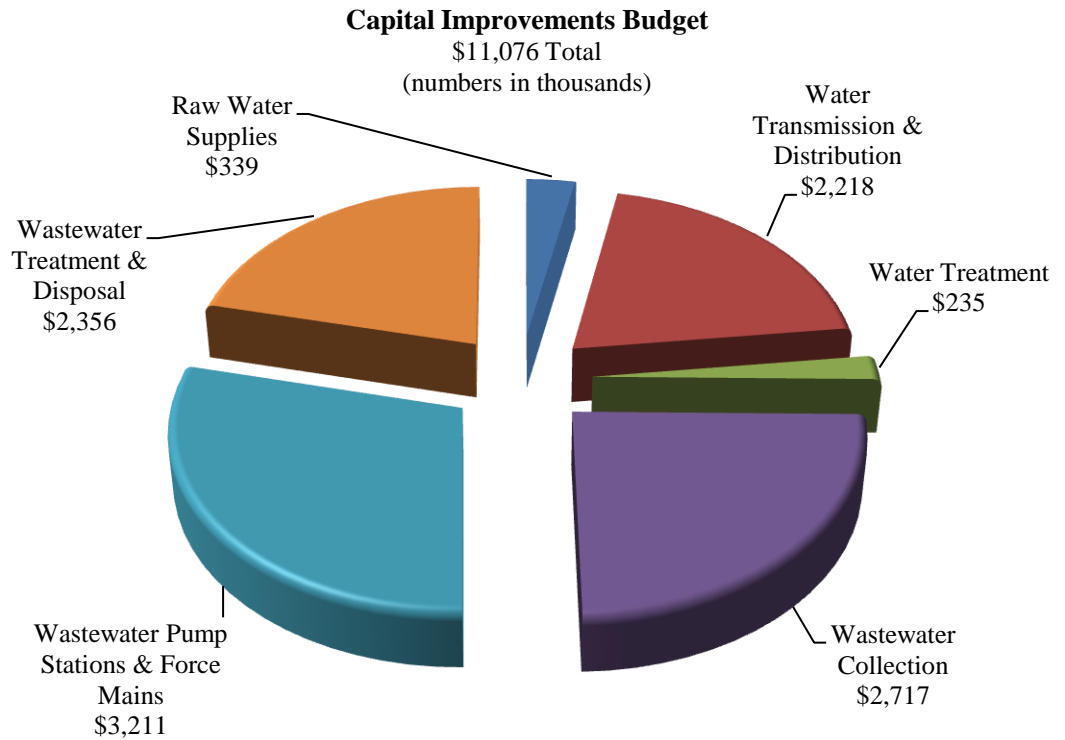
Capital Equipment

Each year OWASA replaces capital equipment items that have exceeded their useful lives and purchases equipment to meet operational needs. Purchases planned for FY 2013 total \$225,000 (see schedule on page 17).

Capital Improvements Program Summary

Capital improvements are necessary to renew, replace and improve infrastructure and to provide safe, reliable, high-quality water, sewer and reclaimed water services to current and future customers. Capital expenditures are recorded as capital assets and are depreciated over the economic useful lives of the assets.

A five-year planning period is used to develop the CIP. Only the first year of the CIP is included in each fiscal year's budget ordinance. For FY 2013, capital improvement projects total \$11.1 million, as shown below.



**Strategic
Issues and
Policies**

OWASA must maintain a budget that continues to ensure high-quality and reliable services to our customers while minimizing rate increases.

Significant budget issues include:

1. Potable water sales in FY 2013 are expected to be 6.3 MGD which is approximately the same as projected for FY 2012. UNC's use of reclaimed water (RCW) to meet certain non-potable needs on the campus is expected to be approximately 0.83 MGD.
2. FY 2012 new construction and system growth was greater than expected. The budget for new connections for FY 2013 is less than FY 2012 but greater than the number of actual new connections we have experienced over the last several years.
3. The existing seasonal and increasing block rate fee structures will remain in place for FY 2013. We have seen a decline in demand of about 14% since the inception of the block rate structure in 2007 and an overall total demand reduction of 30% since the seasonal structure was put into place in 2002.
4. The CIP budget for FY 2013 is adequate to meet the needs of OWASA's customers today and in the future.
5. Although general inflation remains low, prices for specific products vital to the treatment of water and wastewater have proven to be volatile. Chemical and energy costs are particularly subject to price fluctuations.
6. OWASA is required to record its annual expected post-employment benefit costs. Actuarially determined costs associated with providing this employee benefit range from about \$600,000 to \$900,000, depending on annual contributions and interest rates.
7. The required employer contribution to the Local Government Employees Retirement System has decreased slightly from 6.88% to 6.74% for FY 2013.

Conclusion

The organization's strategic plan and the financial management objectives set forth in OWASA's *Financial Management Policy* help us remain focused on mission-critical services, greater operational efficiency, accurate and sustainable asset management and capital improvement priorities, and opportunities for further permanent reductions in operating expenditures. We must accomplish this while balancing service levels with operating risks associated with different levels of service.

This budget reflects OWASA's continuing commitment to maintain, replace and renew water and sewer system components to ensure high-quality and reliable services to our customers.

We believe the FY 2013 Budget reflects the OWASA Board of Directors' guidance and priorities, provides the appropriate level of funding for strategic initiatives, is responsive to community needs, and meets OWASA's contractual responsibilities and regulatory requirements.



Ed Kerwin
Executive Director



Stephen Winters, CPA
Director of Finance and Customer Service

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SECTION I

ORANGE WATER AND SEWER AUTHORITY OVERVIEW

Orange Water and Sewer Authority Board of Directors Mission Statement 1

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Capital Improvements Program, Five-year Overview for FY 2013-2017 23

ORANGE WATER AND SEWER AUTHORITY MISSION STATEMENT

OWASA will provide our customers with high-quality water and wastewater services through responsible, sustainable, and creative stewardship of the resources and assets we manage. We will do this with a productive, empowered, talented, and diverse work force, which strives for excellence.

OUR VALUES

- **Quality Drinking Water**
We will provide the highest quality drinking water for our customers through proactive and sustainable watershed management, and the effective and reliable operations and maintenance of the water supply, treatment, and distribution system.
- **Environmental Responsibility**
We will protect the environment through the effective and reliable operation and maintenance of the wastewater collection, treatment, and recycling systems. We will manage our resources and assets in an environmentally responsible manner, maintaining or exceeding any regulatory requirements or mandates.
- **Excellence in Customer Service**
We are dedicated to excellence in serving customers in all aspects of our business services. We will be leaders in keeping our customers informed and will provide them meaningful opportunities to participate in decisions that are important to the community.
- **Employees**
We value our employees as our most important resource and we will provide them competitive compensation and benefits, and maintain a safe and rewarding work environment. We will promote diversity and equal opportunity for development and advancement for all employees.
- **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. We will work hard to meet the needs of our current and future customers, community, and environment without compromising the ability of future generations to meet their needs. We will strive to make the highest and best use of our local water resources and we will adopt practices which encourage conservation of water, energy, and other natural resources.
- **Local Government Compatibility**
We will manage our responsibilities in a manner consistent and compatible with the adopted growth management policies and land use plans of the Town of Carrboro, the Town of Chapel Hill, and Orange County. We will maintain open and positive communications with our local governments. We will also maintain open and positive communications with neighboring water utilities and cooperate in regional initiatives where appropriate and consistent with OWASA's commitment to its member governments.
- **Innovation and Creativity**
We will seek innovation and creativity in accomplishing our mission and enhancing our services. We will invest in ongoing research and development for new and improved ways to accomplish our mission.

ORANGE WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS

CHAIR

Gordon Merklein
504 Highgrove Drive
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires 6/30/13

VICE CHAIR

Alan Rimer, P.E.
519 Hooper Lane
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/13

SECRETARY

Amy Witsil
115 Woodshire Lane
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/15

MEMBERS

Fred Battle
1105 Brenda Court
Chapel Hill, N.C. 27516
Appointed by Orange County; Term Expires 6/30/12

Terri Buckner
306 Yorktown Drive
Chapel Hill, NC 27516
Appointed by Orange County; Term Expires 6/30/14

Will Raymond
209 Mt. Bolus Road
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/14

Dana Stidham
205 Gary Road
Carrboro, NC 27510
Appointed by Chapel Hill; Term Expires 6/30/14

William R. Stott, III
105 Oleander Road
Carrboro, NC 27510
Appointed by Carrboro; Term Expires 6/30/12

John Young
204 W Barbee Chapel Road
Chapel Hill, NC 27517
Appointed by Chapel Hill; Term Expires 6/30/13

ORANGE WATER AND SEWER AUTHORITY
MANAGEMENT TEAM

Stuart Carson, P.E., Engineering Manager (Capital Projects)
Mason Crum, P.E., Director of Engineering and Planning
Patrick K. Davis, Sustainability Manager
Greg Feller, Public Affairs Administrator
Stephanie Glasgow, M.E.S.H., P.H.R., Human Resources and Safety Manager
Thurman Green, Water Distribution and Wastewater Collection Systems Manager
John Greene, P.E., General Manager of Operations
Ed Holland, A.I.C.P., Planning Director
Ed Kerwin, Executive Director
John Kiviniemi, Wastewater Treatment and Biosolids Recycling Manager
Heidi Lamay, Finance and Customer Service Manager
Kenneth Loflin, Water Supply and Treatment Manager
Andrea Orbich, Clerk to the Board/Executive Assistant
Dan Przybyl, Director of Information Technology
Kevin M. Ray, Finance and Procurement Manager
Todd Spencer, P.E., Engineering Manager (System Development)
Stephen Winters, CPA, Director of Finance and Customer Service

GENERAL COUNSEL

Robert Epting, Esquire
Epting and Hackney, Attorneys at Law

BUDGET PREPARATION AND CALENDAR FOR FY 2013

OWASA's budget process begins in the fall of each year. Many key elements are prescribed in the *Financial Management Policy* and major milestones are published in a budget calendar. The operating expense and capital improvements program budgets are prepared by the staff with guidance and review by the Board of Directors.

OWASA maintains its financial records and presents its financial reports as an *enterprise fund* and uses the *accrual method* for financial reporting. The annual budget is prepared using the *modified accrual method*. The primary differences between the two accounting methods are shown below.

Transaction Type	Financial Reporting (Accrual)	Budgetary (Modified Accrual)
Depreciation expense	<i>Included</i> as an expense	<i>Excluded</i> as an expense
Principal portion of debt payments	<i>Excluded</i> as an expense	<i>Included</i> as an expense
Vacation accrual expense	<i>Included</i> as an expense	<i>Excluded</i> as an expense
Assessment income	Recognized in year assessed	Recognized in year collected

The budget development process begins with preparation of line-item budget requests by each of OWASA's departments and includes estimates for any new initiatives or cost reduction strategies. A 15-year financial plan is used to develop alternatives including possible rate adjustments and debt financing arrangements to achieve full cost recovery and meet OWASA's financial obligations. The following calendar reflects the timeframe for the preparation of this budget.

FY 2013 Budget Calendar

December 9, 2011	Distribute templates for the preparation of operating expense appropriations, capital equipment requests and departmental budget narratives.
January 20, 2012	Submission of Capital Equipment Request Forms, Budget Narratives and Departmental Operating Expense Budget Requests to Budget Officer.
January 26, 2012	Finance Committee – review 2 nd quarter financial report and discuss strategic issues, planning assumptions and budget process calendar.
January 26, 2012	Board of Directors Meeting – presentation of 2 nd quarter financial report and Board discussion and approval of strategic issues, planning assumptions and budget process calendar.
February 6-10, 2012	Departmental budget request and cost containment review with the Executive Director, Director of Finance and Customer Service and Budget Officer.
February 23, 2012	Finance Committee – update on rate study and budget process.
March 22, 2012	Board of Directors and Finance Committee Meetings – discussion of <i>Draft Annual Budget</i> and staff recommendation of rate adjustment.
April 26, 2012	Board of Directors Meeting – discussion of the <i>Draft Annual Budget</i> .
May 4, 2012	Deliver <i>First Draft Final Annual Budget</i> and <i>Draft Schedule of Rates, Fees and Charges</i> to the Board of Directors.
May 10, 2012	Board of Directors and Finance Committee Meetings – presentation of the <i>First Draft Final Annual Budget</i> and <i>Draft Schedule of Rates, Fees and Charges</i> .
May 24, 2012	Board of Directors Meeting – Public Hearing on the <i>Draft Final Annual Budget, Capital Improvements Budget</i> and Public Hearing on the proposed adjustments to rates, fees, and charges.
June 8, 2012	Deliver <i>Annual Budget</i> to the Board of Directors.

June 14, 2012

Board of Directors Meeting – adoption of *FY 2013 Annual Budget* and adoption of *Schedule of Rates, Fees and Other Charges*.

July 2012

Distribution of *FY 2013 Annual Budget*.

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STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE (OPERATING)

	FY 2011 Actual	FY 2012 Budget	FY 2012 Forecast	FY 2012 Forecast to FY 2012 Budget	FY 2013 Budget	FY 2013 Budget to FY 2012 Forecast
Operating Revenue						
Water	\$18,104,721	\$18,326,317	\$18,425,232	0.54%	\$18,246,301	-0.97%
Sewer	16,167,601	16,587,023	16,795,929	1.26%	16,839,680	0.26%
Reclaimed Water	429,429	450,962	405,571	-10.07%	448,972	10.70%
Service Initiation Fee	147,015	164,660	174,743	6.12%	181,946	0.00%
Other	1,360,484	1,483,587	1,349,541	-9.04%	1,284,775	-4.80%
Refunds and Adjustments	<u>(205,420)</u>	<u>(242,360)</u>	<u>(223,712)</u>	-7.69%	<u>(210,395)</u>	-5.95%
Total Operating Revenue	<u>36,003,830</u>	<u>36,770,189</u>	<u>36,927,304</u>	0.43%	<u>36,791,279</u>	-0.37%
Operating Expense						
General and Administrative	5,171,913	5,931,654	5,870,279	-1.03%	5,714,757	-2.65%
Operations	<u>12,664,484</u>	<u>13,213,683</u>	<u>12,958,939</u>	-1.93%	<u>13,629,140</u>	5.17%
Total Operating Expense	<u>17,836,397</u>	<u>19,145,337</u>	<u>18,829,218</u>	-1.65%	<u>19,343,897</u>	2.73%
Net Operating Income	18,167,433	17,624,852	18,098,086	2.69%	17,447,382	-3.60%
Non-operating Revenue						
Customer Fees	1,713,417	911,004	1,979,631	117.30%	1,169,482	-40.92%
Interest	29,261	35,900	10,231	-71.50%	0	-100.00%
Loss on sale of assets	<u>(1,320,156)</u>	<u>-</u>	<u>(213,711)</u>		<u>-</u>	
Total Net Income	<u>18,589,955</u>	<u>18,571,756</u>	<u>19,874,237</u>	7.01%	<u>18,616,864</u>	-6.33%
Debt Service						
Existing	8,938,297	8,775,944	8,586,527	-2.16%	8,235,375	-4.09%
New	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	
Total Debt Service	<u>8,938,297</u>	<u>8,775,944</u>	<u>8,586,527</u>	-2.16%	<u>8,235,375</u>	-4.09%
Net Income Less Debt Service	<u>\$9,651,658</u>	<u>\$9,795,812</u>	<u>\$11,287,710</u>	15.23%	<u>\$10,381,489</u>	-8.03%
Debt Coverage Ratio	2.23	2.12	2.31		2.26	

This income statement discloses the source and application of OWASA's revenues and reflects the adequacy of operating revenues to meet the costs of operations and to satisfy debt service requirements. As presented in the Statement of Income and Expense (Capital/Non-Operating), excess revenues are available for transfer to the General Fund, the established funding mechanism for capital expenditures.

STATEMENT OF INCOME AND EXPENSE (CAPITAL/NON-OPERATING)

	FY 2011 Actual	FY 2012 Budget	FY 2012 Forecast	FY 2012 Forecast to FY 2012 Budget	FY 2013 Budget	FY 2013 Budget to FY 2012 Forecast
General Fund						
Resources						
Transfer From Revenue	\$9,651,658	\$9,795,812	\$11,287,710	15.23%	\$10,381,489	-8.03%
Assessments	-	-	-		-	0.00%
Grants and Contributions	-	-	-		-	0.00%
Annual Income Available for Capital	9,651,658	9,795,812	11,287,710	15.23%	10,381,489	-8.03%
Transfer from Construction Fund (Bond Proceeds)	-	-	-	0.00%	-	0.00%
Total Available for Capital	9,651,658	9,795,812	11,287,710	15.23%	10,381,489	-8.03%
Capital Expenditures						
Project Ordinances						
General Fund Contribution	7,245,339	9,869,000	11,500,000	16.53%	11,076,000	-3.69%
Funded by Bond Proceeds	-	-	-	0.00%	-	0.00%
Total Project Resolutions	7,245,339	9,869,000	11,500,000	16.53%	11,076,000	-3.69%
Capital Equipment	71,842	600,000	600,000	0.00%	225,000	-62.50%
Total Capital Outlay	7,317,181	10,469,000	12,100,000	15.58%	11,301,000	-6.60%
Annual General Fund Balance	\$2,334,477	(\$673,188)	(\$812,290)	20.66%	(\$919,511)	13.20%
General Fund Beginning Balance		21,244,477	21,244,477	0.00%	20,432,187	-3.82%
General Fund Ending Balance	21,244,477	20,571,289	20,432,187	-0.68%	19,512,676	-4.50%
Project Funding	13,484,477	11,235,289	11,096,187	-1.24%	8,834,876	-20.38%
Reserves						
Rate/Revenue Stabilization	500,000	750,000	750,000	0.00%	1,000,000	33.33%
Capital Improvements	800,000	1,200,000	1,200,000	0.00%	1,600,000	33.33%
Working Capital	6,460,000	7,386,000	7,386,000	0.00%	8,077,800	9.37%
Unallocated General Fund Balance	-	-	-		-	

FUND BALANCE STATEMENTS

CONSOLIDATED SUMMARY - INTRAGOVERNMENTAL SERVICE FUNDS

	Beginning Balance	Revenues	Expenditures	Ending Balance	Change in Balance
Revenue Fund	-	\$37,960,761	(\$37,960,761)	-	-
Bond Service Fund	7,162,678	8,235,375	(8,235,375)	7,162,678	-
General Fund	<u>20,432,187</u>	<u>10,381,489</u>	<u>(11,301,000)</u>	<u>19,512,676</u>	<u>(919,512)</u>
Total	<u>\$27,594,865</u>	<u>\$56,577,624</u>	<u>(\$57,497,136)</u>	<u>\$26,675,354</u>	<u>(\$919,512)</u>

OWASA's Fund Accounting Structure

The Budget Ordinance reflects inflows and outflows of economic resources that represent activities related to the General Fund. Other funds presented here are either required contractually or are sub-accounts of the General Fund. Because of the close relationship of these funds to the General Fund, the following Fund Statements are included as attachments to the Budget Ordinance and are adopted as such. All of these funds, unrestricted and restricted, are treated as a part of the General Fund in OWASA's audited financial statements.

In accordance with OWASA's Amended and Restated Bond Order, Series 2001, all revenues from the operation of the water and sewer system are deposited into the Revenue Fund with the exception of grants and assessment proceeds which are earmarked for other purposes. Revenues are first applied to the payment of current expenses and then to the repayment of outstanding debt. Any excess amounts above the cost of current operations and debt service are available for capital improvements and may be transferred, upon certification to the Trustee, to the General Fund. The Revenue Fund is administered by OWASA.

The Bond Service Fund is established by the Amended and Restated Bond Order, Series 2001 and serves as the mechanism for repaying the current portion of long-term debt. The Bond Order requires that the total of any principal and interest payments on long-term debt be transferred to the Bond Service Fund no later than 45 working days prior to the due date of such payments. This Fund is comprised of restricted assets and is administered by the Bond Trustee.

Establishment of the General Fund is required by statute and is administered by OWASA. Monies in the General Fund may be used for any lawful purpose and, in addition to bond proceeds, are OWASA's primary source to pay for capital improvements. Interest earnings in the General Fund are considered debt-pledged revenue and are to be transferred to the credit of the Revenue Fund. The Fund is projected to decrease by about \$920,000 as a result of a planned draw-down of reserves in FY 2013.

Financial Reserves

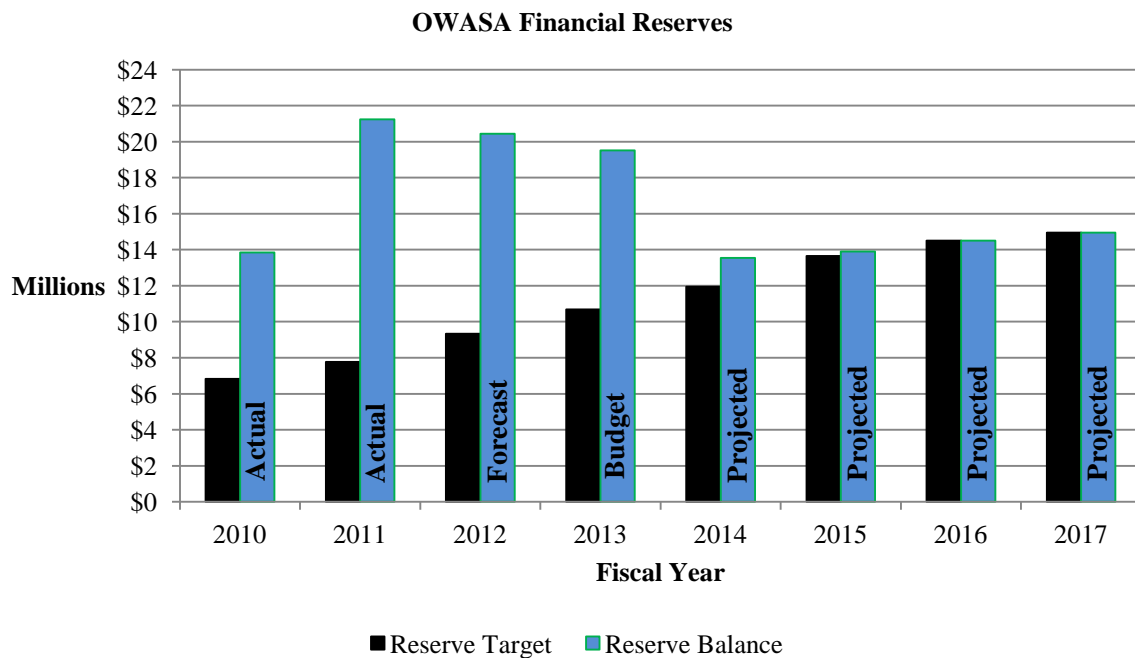
OWASA's Financial Management Policy (see Section III) includes certain financial performance objectives which are intended to help management and other stakeholders monitor the organization's financial condition. One of the objectives is to maintain adequate financial reserves and OWASA has established a minimum financial reserve target consisting of the following:

Working Capital Reserve – The greater of four months of Operating Expenses or 20% of the succeeding three years CIP budget.

Capital Improvements Reserve – At least 2% of depreciated capital assets. As of the end of FY 2012, 2% of depreciated capital assets was \$5.7 million. We are contributing \$400,000 per year to this reserve until the target is met. This fund was established in FY 2009 and is projected to have a balance of \$1.6 million at the end of FY 2013.

Rate/Revenue Stabilization – At least 5% of projected water and sewer revenue. 5% of FY 2013 water and sewer revenue is projected to be \$1.8 million. We are contributing \$250,000 per year to this reserve until the target is met. This fund was established in FY 2009 and is projected to have a balance of \$1 million at the end of FY 2013.

The graph below depicts the combined balance of the Working Capital, Capital Improvements and Rate/Revenue Stabilization Reserve funds compared to the target.



OWASA implemented rate increases in FY 2009 and FY 2010 of 9.75% and 9.25%, respectively. These increases were necessary to fund expenditures in those years as well as to be in a better position to meet projected funding requirements through FY 2017. Had these rate increases not occurred, it was projected that OWASA would have had to implement rate increases as high as 25% in subsequent years. Consistent with our plan, this strategy has resulted in a near-term excess of reserves over our minimum target that is expected to be drawn down over the next few years. Another result is that future rate increases are projected to be at or near the rate of inflation.

FUND BALANCE STATEMENTS

REVENUE FUND

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Fund Balance July 1, 2012			-
Receipts			
Operating Revenue			
Customer Billings	18,246,300	16,839,680	35,085,980
Reclaimed Water	448,972	-	448,972
Service Initiation Fee	90,973	90,973	181,946
Other	642,388	642,387	1,284,775
Refunds and Adjustments	(105,197)	(105,197)	(210,394)
	<hr/>	<hr/>	<hr/>
Total Operating Revenue	19,323,436	17,467,843	36,791,279
Non-operating Revenue			
Customer Fees	584,741	584,741	1,169,482
Interest Income	0	0	0
Loss on sale of assets	0	0	0
	<hr/>	<hr/>	<hr/>
Total Non-operating Revenue	584,741	584,741	1,169,482
Total Receipts	19,908,177	18,052,584	37,960,761
Expenditures			
Current Expense	(10,058,826)	(9,285,071)	(19,343,897)
Debt Service	(7,247,130)	(988,245)	(8,235,375)
	<hr/>	<hr/>	<hr/>
Total Expenditures	(17,305,956)	(10,273,316)	(27,579,272)
Net Revenue			10,381,489
To General Fund			(10,381,489)
Fund Balance June 30, 2013			<hr/> <hr/> -
Change in Available Balance			-

FUND BALANCE STATEMENTS

BOND SERVICE FUND

Fund Balance July 1, 2012		\$7,162,678
Receipts		
Transfers from Revenue Fund	8,235,375	
Interest	<u> </u>	
Total Receipts		8,235,375
Expenditures		
Debt Service	<u>8,235,375</u>	
Total Expenditures		<u>(8,235,375)</u>
Fund Balance June 30, 2013		<u><u>\$7,162,678</u></u>
Change in Available Balance		-

FUND BALANCE STATEMENTS

GENERAL FUND

Fund Balance July 1, 2012		\$20,432,187
Receipts		
Transfer From Revenue fund	10,381,489	
Transfer From Construction Fund (Bond Proceeds)	-	
Interest	-	
Assessments	-	
Grants and contributions	-	
Total Receipts		<u>10,381,489</u>
Total Balance Before Expenditures		30,813,676
Expenditures		
Capital Equipment/Leases	225,000	
Project Resolutions	11,076,000	
Transfer to Revenue Fund	0	
Total Expenditures		<u>(11,301,000)</u>
Fund Balance June 30, 2013		<u><u>\$19,512,676</u></u>
 Allocation of Fund Balance June 30, 2013		
Project Funding	8,834,876	
Capital Reserves	10,677,800	
Total Allocation		<u><u>\$19,512,676</u></u>
 Unallocated General Fund Balance June 30, 2013		<u><u>-</u></u>
 Change in Available Balance		(\$919,511)

The Fund is projected to decrease by approximately \$920,000 as a result of a planned draw-down of reserves in FY 2013.

FUNDS FLOW STATEMENT

1. Revenue Fund

Operating Revenue	\$ 36,791,279	
Customer Fees	1,169,482	
Interest Income	0	

Total Revenues 37,960,761

Operating Expense (19,343,897)

2. Bond Service Fund (transfers to)

(8,235,375)

Total Expenditures (27,579,272)

Excess operating revenue (to be transferred to the General Fund) 10,381,489

3. General Fund

Beginning Balance 07/01/11	20,432,187	
Transfer from Revenue Fund	10,381,489	
Assessments	-	
Grants and Contributions	-	

Total General Fund Balance (available for allocation) 30,813,676

4. Construction Fund - Bond Proceeds

-

Total General Fund and Bond Proceeds 30,813,676

Project Resolutions	11,076,000	
Capital Equipment and Leases	225,000	

Total General Fund Expenditures 11,301,000

General Fund Ending Balance 06/30/12 \$ 19,512,676

Project Resolutions	8,834,876	
Reserves	10,677,800	

Total Allocation of General Fund Balance \$ 19,512,676

PLANNED OPERATING EXPENDITURES

**EXPENDITURES BY CATEGORY
FISCAL YEAR 2013**

Category	FY 11 Actual	FY12 Budget	FY12 Forecast	FY12 Forecast to FY12 Budget Variance	FY13 Budget	FY13 Budget to FY12 Forecast Variance
Personnel	\$9,621,540	\$10,124,332	\$9,918,152	-2.0%	\$10,242,832	3.3%
Chemicals	1,762,569	2,154,447	1,830,061	-15.1%	1,769,266	-3.3%
Materials & Supplies	571,375	760,048	732,990	-3.6%	780,452	6.5%
Utilities	1,825,207	1,942,258	1,843,920	-5.1%	1,916,309	3.9%
Maintenance	2,837,861	2,494,160	2,805,046	12.5%	2,990,071	6.6%
Professional Services	820,163	1,081,891	1,207,992	11.7%	1,155,317	-4.4%
Insurance	275,072	275,000	250,794	-8.8%	275,000	9.7%
Communication	125,324	161,920	151,519	-6.4%	140,340	-7.4%
Printing & Reproduction	4,725	10,975	6,007	-45.3%	8,475	41.1%
Education and Development	102,423	135,625	112,647	-16.9%	131,715	16.9%
Other	121,890	187,254	180,748	-3.5%	142,188	-21.3%
Total	18,068,149	19,327,911	19,039,876	-1.5%	19,551,966	2.7%
Construction Credits	(231,752)	(182,574)	(210,658)	15.4%	(208,069)	-1.2%
Net Expense	\$17,836,397	\$19,145,337	\$18,829,218	-1.7%	\$19,343,897	2.7%

**EXPENDITURES BY DIVISION
FISCAL YEAR 2013**

	General and Administrative	Operating Departments	Total FY 2013 Budget
Personnel	\$4,097,721	\$6,145,112	\$10,242,832
Chemicals	-	1,769,266	1,769,266
Materials & Supplies	200,670	579,782	780,452
Utilities	162,920	1,753,389	1,916,309
Maintenance	248,100	2,741,971	2,990,071
Professional Services	759,317	396,000	1,155,317
Insurance	40,000	235,000	275,000
Communication	125,940	14,400	140,340
Printing & Reproduction	6,675	1,800	8,475
Education and Development	79,495	52,220	131,715
Other	85,488	56,700	142,188
Total	\$5,806,326	\$13,745,640	\$19,551,966
Construction Credits	(91,569)	(116,500)	(208,069)
Net Expense	\$5,714,757	\$13,629,140	\$19,343,897

PLANNED OPERATING EXPENDITURES

**GENERAL AND ADMINISTRATIVE
FISCAL YEAR 2013**

Category	FY 11 Actual	FY12 Budget	FY12 Forecast	FY12 Forecast to FY12 Budget Variance	FY13 Budget	FY13 Budget to FY12 Forecast Variance
Executive Director						
Personnel Costs	\$794,490	\$809,096	\$802,693	-0.8%	\$873,997	8.9%
Operating Expenditures	331,068	442,920	432,566	-2.3%	394,845	-8.7%
Total Expenditures	1,125,558	1,252,016	1,235,259	-1.3%	1,268,842	2.7%
Customer Service						
Personnel Costs	403,507	391,221	446,361	14.1%	456,535	2.3%
Operating Expenditures	125,277	203,985	189,974	-6.9%	126,785	-33.3%
Total Expenditures	528,784	595,206	636,335	6.9%	583,320	-8.3%
Engineering						
Personnel Costs	1,166,116	1,319,490	1,257,552	-4.7%	1,238,359	-1.5%
Operating Expenditures	85,353	95,062	126,105	32.7%	114,466	-9.2%
Total Expenditures	1,251,469	1,414,552	1,383,657	-2.2%	1,352,825	-2.2%
Human Resources						
Personnel Costs	362,514	415,032	427,475	3.0%	446,864	4.5%
Operating Expenditures	60,797	173,107	175,489	1.4%	84,487	-51.9%
Total Expenditures	423,311	588,139	602,963	2.5%	531,351	-11.9%
Finance						
Personnel Costs	660,754	702,522	679,624	-3.3%	694,919	2.3%
Operating Expenditures	433,086	417,125	402,930	-3.4%	367,557	-8.8%
Total Expenditures	1,093,840	1,119,647	1,082,554	-3.3%	1,062,476	-1.9%
Information Technology						
Personnel Costs	386,781	387,878	366,819	-5.4%	387,047	5.5%
Operating Expenditures	459,310	654,565	651,935	-0.4%	620,465	-4.8%
Total Expenditures	846,091	1,042,443	1,018,754	-2.3%	1,007,512	-1.1%
Total G&A	5,269,052	6,012,003	5,959,523	-0.9%	5,806,326	-2.6%
Construction Credit	(\$97,139)	(\$80,349)	(\$80,349)	0.0%	(\$91,569)	14.0%
Net Expense	\$5,171,913	\$5,931,654	\$5,879,174	-0.9%	\$5,714,757	-2.8%

PLANNED OPERATING EXPENDITURES

**OPERATING DEPARTMENTS
FISCAL YEAR 2013**

Category	FY 11 Actual	FY12 Budget	FY12 Forecast	FY12 Forecast to FY12 Budget Variance	FY13 Budget	FY13 Budget to FY12 Forecast Variance
Water Supply & Treatment						
Personnel Costs	\$1,730,079	\$1,763,330	\$1,773,750	0.6%	\$1,773,457	0.0%
Operating Expenditures	2,344,995	2,617,372	2,579,703	-1.4%	2,865,564	11.1%
Total Expenditures	4,075,074	4,380,702	4,353,453	-0.6%	4,639,022	6.6%
Water Distribution						
Personnel Costs	1,689,757	1,940,576	1,675,368	-13.7%	1,771,023	5.7%
Operating Expenditures	943,251	889,110	911,022	2.5%	967,350	6.2%
Total Expenditures	2,633,008	2,829,686	2,586,390	-8.6%	2,738,373	5.9%
Wastewater Treatment						
Personnel Costs	1,704,354	1,759,092	1,742,744	-0.9%	1,816,618	4.2%
Operating Expenditures	3,064,435	3,072,023	3,040,554	-1.0%	3,124,804	2.8%
Total Expenditures	4,768,789	4,831,115	4,783,299	-1.0%	4,941,422	3.3%
Sewer Collection						
Personnel Costs	723,188	636,095	745,765	17.2%	784,013	5.1%
Operating Expenditures	599,037	638,310	620,342	-2.8%	642,810	3.6%
Total Expenditures	1,322,225	1,274,405	1,366,106	7.2%	1,426,823	4.4%
Total Operating Departments						
	12,799,097	13,315,908	13,089,248	-1.7%	13,745,640	5.0%
Construction Credit	(134,613)	(102,225)	(130,309)	27.5%	(116,500)	-10.6%
Net Expense	\$12,664,483	\$13,213,683	\$12,958,939	-1.9%	\$13,629,140	5.2%

PLANNED CAPITAL EQUIPMENT EXPENDITURES

FISCAL YEAR 2013

Capital Equipment Summary

Water Plant Total Organic Carbon Analyzer	\$27,500
Fork Lift	35,000
Road work on property	40,000
Transport equipment for dewatered biosolids	50,000
Easement cleaning equipment	45,000
Other	<u>27,500</u>
Total	<u>\$225,000</u>

DEBT SERVICE FOR FISCAL YEARS 2013-2032

Schedule of Existing Long-term Bonds

	Issue Dates	Interest Rates (Coupon)	Outstanding at 06/30/11
Series 2001 Revenue Bonds	10/1/2001	3.5% to 5.0%	\$1,680,000
Series 2003 Revenue Refunding Bonds	4/9/2003	2.5% to 5.0%	4,885,000
Series 2004A Revenue Bonds	6/17/2004	3.0% to 5.25%	4,020,000
Series 2004B Revenue Bonds	6/17/2004	Variable	20,000,000
Series 2005 Revenue Refunding Bonds	6/9/2005	3.5% to 5.0%	17,080,000
Series 2006 Revenue Bonds	10/26/2006	3.5% to 4.5%	19,935,000
Series 2010 Revenue Refunding Bonds	9/30/2010	3.0% to 5.0%	21,645,000
Total Bonded Debt			<u>\$89,245,000</u>

Schedule of Existing and Potential Annual Debt Service

Fiscal Year Ending June 30	Existing Debt Service	Potential Debt Service (Estimated)	Total Existing and Potential Debt Service
2013	8,235,376	-	8,235,376
2014	7,985,325	-	7,985,325
2015	8,088,875	-	8,088,875
2016	8,492,875	1,070,096	9,562,971
2017	7,250,175	1,070,096	8,320,271
2018	7,350,613	2,062,068	9,412,681
2019	7,464,838	2,062,068	9,526,906
2020	6,383,231	3,265,731	9,648,962
2021	6,241,925	3,265,731	9,507,656
2022	6,287,769	4,808,488	11,096,257
2023	6,276,444	4,808,488	11,084,932
2024	6,281,494	4,808,488	11,089,982
2025	6,276,344	4,808,488	11,084,932
2026	6,280,244	4,808,488	11,088,732
2027	4,313,450	4,808,488	9,121,938
2028	4,309,350	4,808,488	9,117,838
2029	4,303,450	4,808,488	9,111,938
2030	1,565,500	4,808,488	6,373,988
2031*	1,564,500	4,808,488	6,372,988
2032	-	4,808,488	4,808,488
Total	<u>\$134,023,104</u>	<u>\$60,880,665</u>	<u>\$180,640,931</u>

* Year in which final payment on existing debt will be made.

CAPITAL IMPROVEMENTS PROGRAM BUDGET

Capital Improvements Program (CIP) expenditures are defined as those that pay for the addition, rehabilitation and replacement of OWASA-owned water, sewer and reclaimed water system infrastructure and other depreciable assets. In general, CIP projects are identified as those projects that exceed \$10,000 and provide a system component that has an expected service life of at least five years. The five-year CIP is reviewed and updated annually.

The FY 2013-2017 CIP annual totals are closely aligned with the amounts included in last year's financial plan for these same years.

This year's CIP is especially well-informed and reflects the influence of major engineering studies completed on OWASA's water distribution, wastewater collection and wastewater treatment facilities during the past two years. These studies have facilitated better prioritization of CIP investments and reinforced confidence that OWASA is investing the appropriate level of funding in the right places.

This year's CIP puts us in position to meet our commitment to the Town of Chapel Hill (per the Town Council's Special Use Permit requirements) regarding efforts to eliminate offsite odors at the Mason Farm Wastewater Treatment Plant (WWTP) by December 31, 2014. The CIP also includes a significant investment to increase the efficiency (energy savings) and effectiveness of our biological treatment process by converting the coarse-bubble aeration system to fine-bubble. The proposed CIP also retains the funds necessary to convert OWASA's Jordan Lake Allocation from a Level II (future use) to a Level I (current use) allocation.

This CIP includes no funding for a regional water intake/treatment facility at Jordan Lake; however, such contributions may be recommended in the future depending on further findings of the Jordan Lake Partnership and future assessments of OWASA's long-term water supply needs. It also does not include funding for any additional biosolids management facilities and assumes that the regulatory environment for water treatment, wastewater treatment and biosolids recycling will remain substantially as it is today.

Despite an uncertain future, we are comfortable that this CIP leaves OWASA well-postured to remain the sustainable, responsible and environmentally focused organization that our community and other interested stakeholders expect.

The projects listed on the following pages have been identified for funding in FY 2013.

CAPITAL IMPROVEMENTS PROJECTS FUNDED IN FY 2013

Project Description	<u>Amount</u>	<u>Annual O&M Impact</u>
<u>Raw Water Supplies</u>		
A one-time payment to convert OWASA's Lake Jordan water supply storage allocation from a Level II allocation to a Level I allocation.	\$224,000	\$0
Quarry Reservoir Development – No infrastructure development planned at this time. The current-year funding is for an annual contribution to a no-fault well repair fund as required per a Special Use Permit.	15,000	0
Cane Creek Reservoir Dam Repairs – Replacement of the gate actuators.	100,000	0
<u>Water Treatment Facilities</u>		
Water Treatment Plant Security Improvements – Install seven (7) security cameras.	36,000	0
Water Treatment Plant Heating, Ventilation and Air Conditioning Unit (HVAC) Replacement – Replace the HVAC unit that serves the 1 st and 2 nd floors of the administrative areas at the water treatment plant.	29,000	0
Water Treatment Plant Finished Water Line Isolation Valve and Recycle Line Flow Meter Replacements – The isolation valve has exceeded its useful life and the flow meter provides inconsistent readings.	52,000	0
Water Treatment Plant Generator Installation –Installation of a new generator including modifications to the generator building.	59,000	0
Facilities Outside Lighting – Replace outside lights at the water treatment plant, administration building, operations center, and wastewater treatment plant with LED lights.	59,000	0
<u>Finished Water Pumping</u>		
Calvander Pump Station Improvements – Upgrade pump station to provide improved flexibility in the 740-foot pressure zone, including accommodations that will facilitate maintenance on the Nunn Mountain ground and elevated storage tanks.	225,000	0
<u>Water Transmission and Distribution</u>		
Water Main Road Improvement Projects – Various water main projects to be achieved in conjunction with planned Town or NC Department of Transportation road projects. Funds for this year are associated with the Weaver Dairy Road project.	30,000	0
Water Line Rehabilitation/Replacement Projects – Rehabilitation of about one mile of water distribution lines.	975,000	0
Water Main Replacements – Complete replacement of the existing water main along US 15-501 from Sage Road to Eastowne Drive and certain water mains in the Booker Creek Neighborhood to improve the condition of the distribution system.	500,000	0
Water Main Replacement – Continuation of design and bidding for replacement and abandonment of existing mains along Cameron Avenue, east of Columbia Street.	322,000	0

Water Main Replacements – Complete the design for the replacement of water mains in South Estes Drive and Willow Drive to improve the condition of the distribution system.	86,000	0
Water Main Replacements – Complete the design for the replacement of water mains in Rosemary Street, Henderson Street and Hillsborough Street to improve the condition of the distribution system.	80,000	0
<u>Wastewater Collection</u>		
Sanitary Sewer Condition Evaluation – Targeted evaluations of high priority gravity sewer assets to determine rehabilitation needs for sewer mains, manholes and laterals.	615,000	0
Sanitary Sewer Rehabilitation – Rehabilitation of deteriorated manholes.	189,000	0
Friday Center Interceptor – Complete design and a portion of construction of the replacement interceptor that will provide adequate capacity and reduce inflow/infiltration, surcharge conditions and overflow potential.	1,913,000	0
<u>Wastewater Pump Stations and Force Mains</u>		
Heritage Hills Force Main Rehabilitation – Replacement of an existing force main that is at the end of its service life.	2,004,000	0
Force Main Condition Evaluation – Complete the condition evaluation of Rogerson Drive and Eastowne force mains to prioritize and assess the need for their rehabilitation.	552,000	0
Oaks 3 and Tinkerbell Pump Stations Rehabilitation/Replacement – Rehabilitation of Oaks 3 pump station and replacement of Tinkerbell pump station.	655,000	0
<u>Wastewater Treatment and Disposal</u>		
Mason Farm Wastewater Treatment Plant (WWTP) Flood Protection Enhancements – Design completion and construction of reinforcement of some of the sheet piles in the flood protection berm and installation of stream bank scour protection along a portion of the berm adjacent to Morgan Creek.	450,000	0
Mason Farm WWTP Aeration System/Odor Improvements – Complete design and begin construction on an upgraded aeration system (conversion from coarse to fine-bubble aeration), blower replacements and piping modifications and the Phase III odor improvements, which will cover and treat air from 10 of 16 aeration basins. This purpose of this project is to reduce energy costs and meet our goal of eliminating offsite odors.	1,616,000	(175,000)
Mason Farm WWTP Digesters #1 & #2 Evaluation and Repair – Study, design, and implement improvements to the digesters.	290,000	0
Total Capital Improvements Projects Funded in FY 2013	\$11,076,000	(\$175,000)

REHABILITATION/REPLACEMENT PROJECTS (IN-HOUSE)

These projects are performed by OWASA staff to rehabilitate or replace portions of deteriorated water and sewer mains. These investments extend the useful life of these systems and are therefore recorded as capital expenditures.

The amount of capitalized labor, equipment and overhead costs for these in-house projects is credited to the appropriate departmental budget in the form of construction credits. Materials costs are charged directly to each project from an inventory account and are not included in the construction credit amount.

Total funds of \$4,710,000 for water and sewer main rehabilitation and replacement projects are reflected in the CIP. Of this amount, \$4,310,000 is expected to be completed by contractors and \$436,000 by OWASA's construction crew. Below is a list of rehabilitation projects scheduled to be completed by OWASA's construction crew in FY 2013.

In-house Rehabilitation / Replacement Projects FY 2013

Project Name	Size (in.)	Length (ft.)	Material	Equipment	Labor	Overhead	Total
Buttons Lane	2	944	\$44,280	\$8,000	\$12,000	\$15,720	\$80,000
Clark Court	2	182	\$8,856	\$1,600	\$2,400	\$3,144	\$16,000
Park Place Lane	2	520	\$24,354	\$4,400	\$6,600	\$8,646	\$44,000
The Glen	2	399	\$18,819	\$3,400	\$5,100	\$6,681	\$34,000
Iris Lane	6	740	\$45,387	\$8,200	\$12,300	\$16,113	\$82,000
Tilghman Circle	6	400	\$24,354	\$4,400	\$6,600	\$8,646	\$44,000
West Franklin at Merritt Mill	6	300	\$18,266	\$3,300	\$4,950	\$6,485	\$33,000
Scarlett Drive	8	340	\$24,908	\$4,500	\$6,750	\$8,843	\$45,000
Brookview Drive	8	440	\$32,103	\$5,800	\$8,700	\$11,397	\$58,000
Totals		4,265	\$241,326	\$43,600	\$65,400	\$85,674	\$436,000

OWASA CAPITAL IMPROVEMENTS PROGRAM FIVE-YEAR OVERVIEW FOR FY 2013-2017¹

Project Category:	Annual Totals				5-Year Total FY 2013-17	
	FY 2013	FY 2014	FY 2015	FY 2016		FY 2017
Raw Water Supply Sources	\$339,000	\$217,000	\$63,000	\$256,000	\$231,000	\$1,106,000
Raw Water Transmission	-	-	23,000	-	-	23,000
Water Treatment Facilities	235,000	-	1,827,000	2,042,000	2,114,000	6,248,000
Finished Water Pumping	225,000	-	-	527,000	2,226,000	3,018,000
Finished Water Storage	-	-	-	-	-	-
Water Transmission and Distribution	1,993,000	4,258,000	2,691,000	3,410,000	4,220,000	16,572,000
Wastewater Collection Lines	2,717,000	3,309,000	2,887,000	4,234,000	3,616,000	16,763,000
Wastewater Pump Stations	3,211,000	390,000	832,000	490,000	540,000	5,463,000
Wastewater Treatment and Disposal	2,356,000	6,575,000	2,046,000	3,701,000	3,886,000	18,564,000
Central Office and Operations	-	36,000	206,000	372,000	390,000	1,004,000
Reclaimed Water Facility Rehabilitation	-	-	-	-	-	-
FY 2013 - 2027 CIP Projection	\$11,076,000	\$14,785,000	\$10,575,000	\$15,032,000	\$17,293,000	\$68,761,000

¹ Budget amounts are escalated at 5% annually (with some exceptions)

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SECTION II

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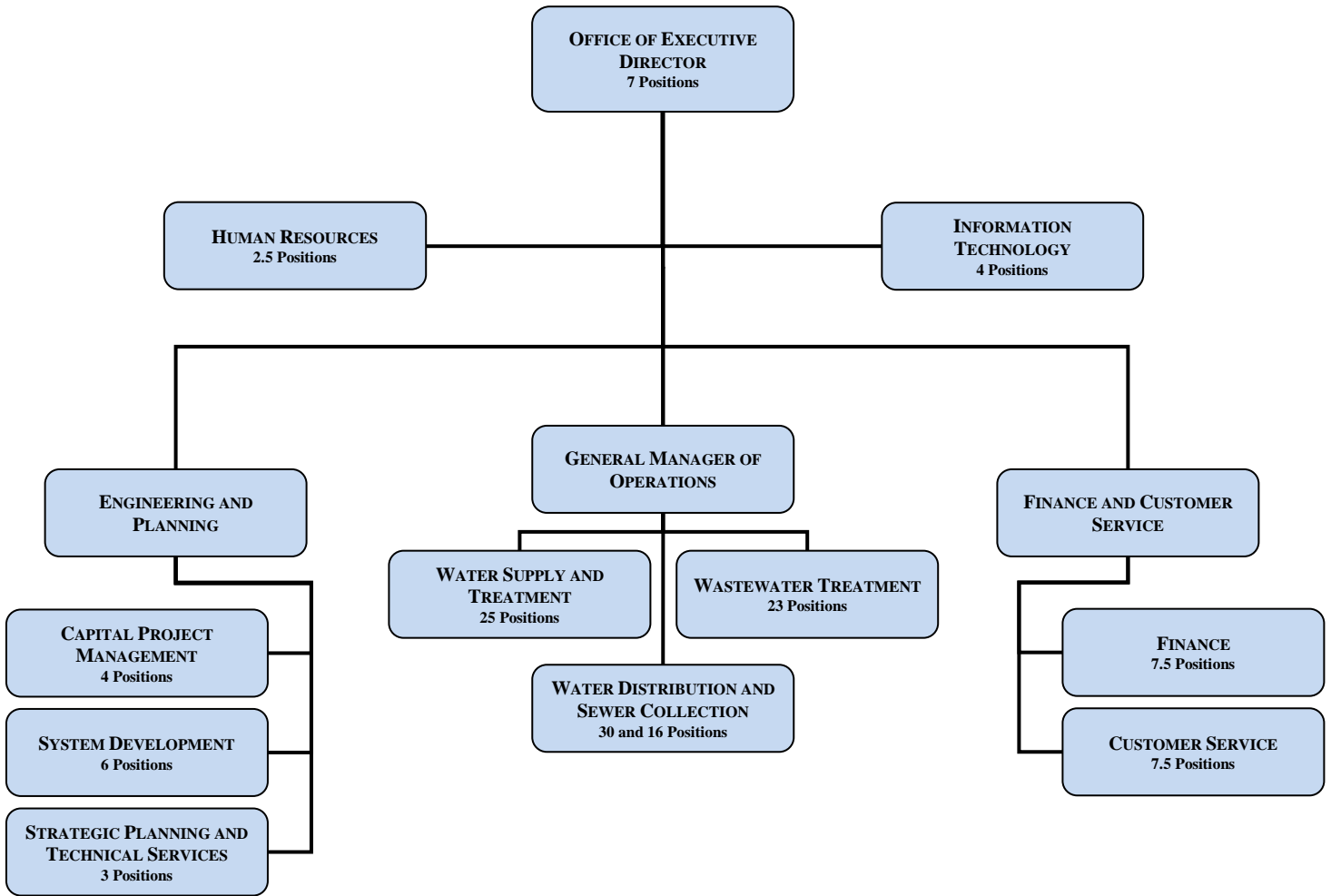
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ORANGE WATER AND SEWER AUTHORITY STAFF / DEPARTMENT STRUCTURE



OFFICE OF EXECUTIVE DIRECTOR

(General and Administrative)

MISSION

Administrative functions include the Board of Directors, Executive Director, and support personnel involved in the general management of OWASA.

The Board of Directors is responsible for managing and operating OWASA in accordance with authority derived from the North Carolina General Statutes, OWASA’s Bond Order, OWASA’s Bylaws, the 1977 Agreements of Sale and Purchase with The University of North Carolina at Chapel Hill, with the Town of Carrboro, and with the Town of Chapel Hill, and other legal and organizational documents. The Board sets the overall mission and policies of the organization, appoints the Executive Director, General Counsel, and auditors, and provides oversight and monitoring of OWASA’s activities.

The Executive Director is the Chief Administrative Officer responsible for the overall management and supervision of OWASA’s services. The Executive Director employs and organizes the staff, assigns responsibilities, and is responsible for carrying out the policies and directives of OWASA. A small support staff provides direct assistance to the Executive Director, including Public Affairs, and Administrative Support.

SUMMARY OF ACTIVITIES

- Provide leadership to ensure that the organization's overall mission is accomplished.
- Promote and maintain outstanding service and communications with OWASA’s customers.
- Provide the Board of Directors timely support and information.
- Ensure that all water, wastewater and reclaimed water facilities and programs are operated in compliance with all applicable standards.
- Develop, implement, and maintain effective long-term financial, operational and environmental sustainability plans.
- Implement sound fiscal policies, budgets, and controls.
- Provide high-level technical and administrative direction and support for the sustainability and resource management activities throughout the organization.
- Maintain effective coordination, cooperation, and communication with local governments, The University of North Carolina at Chapel Hill, State and Federal agencies, and continue involvement in civic, professional, and community affairs activities.
- Promote continued innovation and creativity in providing services in a more effective, cost-efficient and sustainable manner.
- Promote training and development of all employees in order to improve OWASA's services.
- Motivate employees and encourage teamwork throughout the organization.

KEY FOCUS AREAS FOR FY 2013

Strategic Goal	Objective	FY 2013 Goal
Resource Management and Infrastructure Sustainability	Secure access to OWASA’s Jordon Lake Water Supply Allocation	Continue key leadership role to achieve approval of: <ul style="list-style-type: none">• OWASA’s Drought Response Operating Protocol• A process for accessing the allocation of Jordan Lake water• Agreements for transferring water transfers to and from neighboring water utilities
Knowledge Management and Workforce Sustainability	Improve employee compensation and development programs to attract and retain a diverse and high-performing team	Continue key leadership role in: <ul style="list-style-type: none">• Concluding the Classification and Compensation Study• Implementing new performance evaluation system

OFFICE OF THE EXECUTIVE DIRECTOR

**Three-year Comparison
Fiscal Years 2011 - 2013**

	FY2011 Actual	FY 2012 Budget	12 Budget to 11 Actual	FY 2012 Forecast	12 Forecast to 12 Budget	FY 2013 Budget	13 Budget to 12 Forecast
Personnel Costs							
Salaries and Wages	\$602,483	\$618,011		\$609,953		\$676,107	
Fringe Benefits	<u>192,007</u>	<u>191,085</u>		<u>192,739</u>		<u>197,890</u>	
Total Personnel Costs	794,490	809,096	2%	802,693	-1%	873,997	9%
Other Operating Expense							
Materials and Supplies	3,088	7,385		4,249		7,400	
Utilities	38,687	56,900		56,820		58,900	
Maintenance	0	0		0		0	
Professional Services	203,343	278,700		284,230		223,600	
Insurance	40,475	40,000		39,356		40,000	
Communication	19,158	27,610		21,040		28,040	
Printing and Reproduction	142	875		126		875	
Education and Development	5,487	10,980		8,407		12,180	
Other	<u>20,688</u>	<u>20,470</u>		<u>18,338</u>		<u>23,850</u>	
Total Operating Expenditures	331,068	442,920	34%	432,566	-2%	394,845	-9%
Total Expenditures	<u>1,125,558</u>	<u>1,252,016</u>	11%	<u>1,235,259</u>	-1%	<u>1,268,842</u>	3%
Construction Credit	(97,139)	(80,349)		(80,349)		(91,569)	
Net Expense	<u>\$1,028,419</u>	<u>\$1,171,667</u>	14%	<u>\$1,154,910</u>	-1%	<u>\$1,177,273</u>	2%

Personnel Summary
Positions

<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
7	6	7

CUSTOMER SERVICE
(General and Administrative)

MISSION

The Customer Service Department is responsible for establishing and promoting quality service for OWASA customers. Areas of responsibility include greeting callers and visitors; billing and collecting water and sewer accounts, septage accounts, and special assessments; accounting for Accounts Receivable; investigating water theft; responding to inquiries and requests from customers and others; investigating special circumstances that might account for high consumption or billing irregularities; and support of other departments with analyses and information.

SUMMARY OF ACTIVITIES

- Courteously greet all callers and visitors to OWASA, identifying their needs and providing service.
- Operate and maintain the customer billing system to produce accurate and timely bills.
- Collect payments and deposit revenues.
- Develop, interpret and administer OWASA policies relating to customer service and billing and collecting accounts.
- Provide reports and technical assistance to the organization regarding sales, collections, accounts and other customer service information.
- Develop the knowledge and skills of employees by providing training in computer software, telephone etiquette and workshops in customer service techniques.
- Enforce OWASA policies concerning customer service related matters.
- Oversee OWASA's participation in the North Carolina Debt Setoff Program.

KEY FOCUS AREAS FOR FY 2013

Strategic Goal	Objective	FY 2013 Goal
Secure Financial Stability and Sustainability	Perform functional analyses to improve efficiencies and, where possible, reduce costs	Continue work on process improvement initiatives related to service orders, fee processing and service cutoffs
Enhance Customer Satisfaction	Implement improved online billing and account management features	Continue to promote use of online customer billing and account management
Enhance Customer Satisfaction	Develop a plan to measure and monitor customer satisfaction	Provide support for surveying OWASA customers, evaluating survey results and developing related action plans

CUSTOMER SERVICE

Three-year Budget Comparison

Fiscal Years 2011 - 2013

	FY2011 Actual	FY 2012 Budget	12 Budget to 11 Actual	FY 2012 Forecast	12 Forecast to 12 Budget	FY 2013 Budget	13 Budget to 12 Forecast
Personnel Costs							
Salaries and Wages	\$290,822	\$282,092		\$320,561		\$331,191	
Fringe Benefits	<u>112,685</u>	<u>109,129</u>		<u>125,800</u>		<u>125,344</u>	
Total Personnel Costs	403,507	391,221	-3%	446,361	14%	456,535	2%
Other Operating Expense							
Materials and Supplies	4,583	5,000		5,173		5,000	
Utilities	0	0		0		0	
Maintenance	930	1,200		1,200		1,000	
Professional Services	30,529	52,000		37,127		33,000	
Insurance	0	0		0		0	
Communication	77,500	100,000		100,000		80,000	
Printing and Reproduction	423	3,000		1,509		1,000	
Education and Development	6,390	6,785		7,498		6,785	
Other	<u>4,922</u>	<u>36,000</u>		<u>37,467</u>		<u>0</u>	
Total Operating Expenditures	125,277	203,985	63%	189,974	-7%	126,785	-33%
Total Expenditures	<u>528,784</u>	<u>595,206</u>	13%	<u>636,335</u>	7%	<u>583,320</u>	-8%
Construction Credit	0	0		0		0	
Net Expense	<u><u>\$528,784</u></u>	<u><u>\$595,206</u></u>	13%	<u><u>\$636,335</u></u>	7%	<u><u>\$583,320</u></u>	-8%

Personnel Summary	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Positions	7	6.5	7.5

Key Performance Measurements	<u>Goal</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Workload				
Customer accounts	N/A	20,241	20,453	20,851 ¹
Number of calls received	N/A	27,234	30,549	16,949 ¹
Effectiveness				
Percentage of bills issued on time	100	98	100	100 ¹
Average length of call (minutes)	<2	1.91	1.03	1.84 ¹
Abandoned or lost calls	<2%	3%	<1%	<1% ¹

¹ Through 2nd quarter FY 2012

ENGINEERING AND PLANNING

(General and Administrative)

MISSION

The Engineering and Planning Department is responsible for three primary functions: Management of third party projects, which includes the review of construction plans and inspection of construction to ensure that water and sewer work accomplished by outside entities (private developers, etc.) is accomplished in accordance with OWASA's Standards and Specifications prior to OWASA taking ownership and assuming operations/maintenance responsibility for these systems; management of the Capital Improvement Program, which includes execution of design and construction for large-scale repair, renovation, replacement and upgrade projects as necessary to maintain the reliability and efficient operations of OWASA's water and sewer infrastructure; and Planning, which includes long-range and strategic master planning functions such as demand forecasting, land management and the use of various modeling tools that guide policy and capital investment decisions to ensure OWASA remains capable of meeting the community's current and future utility needs. Planning functions also include the ongoing management and improvement of OWASA's GIS data, especially the location and attribute details of underground water, sewer, and reclaimed water infrastructure.

SUMMARY OF ACTIVITIES

- Review construction drawings and inspect construction work performed by third party entities.
- Provide regular updates and revisions of OWASA's standard engineering specifications and procedures.
- Maintain as-built and record drawings for all water and sewer utility work accomplished in the service area.
- Produce small-scale in-house designs, primarily for use by OWASA crews.
- Complete studies and modeling efforts to determine the engineering and economic feasibility of various approaches to the repair and upgrade of OWASA's infrastructure.
- Manage and direct consultant efforts for developing project designs and biddable contract documents and management of contract administrative requirements.
- Develop the five-year Capital Improvements Program.
- Maintain an updated Comprehensive Water and Sewer Master Plan that provides the overall framework for short and long-term water and wastewater facility improvement, expansion, replacement, and rehabilitation.
- Direct all land management issues including acquisition of necessary utility easements and efforts to protect OWASA watersheds.
- Provide engineering support for the operation and maintenance of water and wastewater facilities and infrastructure.
- Manage and maintain a Geographic Information System (GIS) that integrates GIS technology with the many operating and business functions of OWASA.

KEY FOCUS AREAS FOR FY 2013

Strategic Goal	Objective	FY 2013 Goal
Resource Management and Infrastructure Sustainability	Secure access to OWASA's Jordon Lake Water Supply Allocation	Continue managing efforts to achieve approval of: <ul style="list-style-type: none">• OWASA's Drought Response Operating Protocol• A process for accessing the allocation of Jordan Lake water• Agreements for transferring water transfers to and from neighboring water utilities

ENGINEERING AND PLANNING

Three-year Budget Comparison

Fiscal Years 2011 - 2013

	FY2011 Actual	FY 2012 Budget	12 Budget to 11 Actual	FY 2012 Forecast	12 Forecast to 12 Budget	FY 2013 Budget	13 Budget to 12 Forecast
Personnel Costs							
Salaries and Wages	\$890,058	\$996,782		\$959,233		\$952,369	
Fringe Benefits	<u>276,058</u>	<u>322,708</u>		<u>298,319</u>		<u>285,990</u>	
Total Personnel Costs	1,166,116	1,319,490	13%	1,257,552	-5%	1,238,359	-2%
Other Operating Expense							
Materials and Supplies	14,696	16,914		16,965		19,230	
Utilities	0	6,600		6,600		7,100	
Maintenance	1,221	2,344		2,344		2,000	
Professional Services	34,362	36,000		73,201		42,000	
Insurance							
Communication	337	600		270		400	
Printing and Reproduction	1,157	1,500		600		1,000	
Education and Development	8,753	26,950		16,880		27,525	
Other	<u>24,827</u>	<u>10,254</u>		<u>9,244</u>		<u>15,211</u>	
Total Operating Expenditures	85,353	101,162	19%	126,105	25%	114,466	-9%
Total Expenditures	<u>1,251,469</u>	<u>1,420,652</u>	14%	<u>1,383,657</u>	-3%	<u>1,352,825</u>	-2%
Construction Credit	0	0		0		0	
Net Expense	<u>\$1,251,469</u>	<u>\$1,420,652</u>	14%	<u>\$1,383,657</u>	-3%	<u>\$1,352,825</u>	-2%

Personnel Summary	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Positions	14	14	13

Key Performance Measurements	<u>Goal</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Effectiveness				
Actual capital project expenditures as percentage of budget	>80	51%	67%	39% ¹
Average plan review time (working days)	<15	8	7.6	6.3 ¹
Capital projects communication plans effectiveness rating (scale of 1 to 5 with 5 the highest)	>4	N/A	3.7	4.4 ¹

¹ Through 2nd quarter FY 2012

HUMAN RESOURCES
(General and Administrative)

MISSION

The Human Resources Department is responsible for the management, creation and administration of Human Resources and Safety initiatives. This includes recruitment and selection of new hires; policy compliance and development; benefits administration; compensation and classification policies; employee discipline and rewards; worker’s compensation; employee insurance management; and employee records management.

The Human Resources Department monitors changes in State and Federal Human Resource and Safety regulations and laws to assure the timely updates and compliance of OWASA's Human Resource and Safety policies and practices.

The Human Resources Department reviews and proposes revisions to employee benefits, classification and pay plans to assure that OWASA remains in a competitive compensation relationship with the labor market.

The role of the Department is to assure both management and employees that Human Resources matters are being handled both fairly, equitably, and without discrimination in accordance with good Human Resource practices and in compliance with applicable policies, regulations, and laws.

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- Administer the Compensation and Classification Plan for the organization and ensure the compensation and benefits package is competitive in the market place.
- Provide a safety program to enhance safety awareness, prevent worker injuries, and promote safe work practices. Manage the worker’s compensation and return to work programs.
- Manage the recruitment and selection process to ensure capable candidates for vacant positions.
- Process employee benefit and insurance plans tasks in a timely and appropriate manner.
- Review employee training and development programs, especially related to enhancing competency for promotion.
- Review Human Resource policies and practices and make recommendations for revisions.
- Encourage uniformity and timeliness in processing of performance appraisals.
- Actively promote equal employment/affirmative action objectives.
- Promote good employee relations and a positive working environment.
- Promote the general well-being of the work force through counseling, special personal need assistance, and advice to employees and managers through available resources.
- Ensure that all job applicants are evaluated in accordance with the Americans with Disabilities Act.

KEY FOCUS AREAS FOR FY 2013

Strategic Goal	Objective	FY 2013 Goal
Resource Management and Infrastructure Sustainability	Improve employee compensation and development programs to attract and retain a diverse and high-performing team	Continue managing efforts to: <ul style="list-style-type: none"> • Conclude the Classification and Compensation Study • Implement new performance evaluation system • Increase the number of minority applicants for vacant positions • Promote a positive work culture and increase communication between employees and management

HUMAN RESOURCES

Three-year Budget Comparison

Fiscal Years 2011 - 2013

	FY2011 Actual	FY 2012 Budget	12 Budget to 11 Actual	FY 2012 Forecast	12 Forecast to 12 Budget	FY 2013 Budget	13 Budget to 12 Forecast
Personnel Costs							
Salaries and Wages	\$132,213	\$158,174		\$160,559		\$163,476	
Fringe Benefits	<u>230,300</u>	<u>256,858</u>		<u>266,916</u>		<u>283,388</u>	
Total Personnel Costs	362,514	415,032	14%	427,475	3%	446,864	5%
Other Operating Expense							
Materials and Supplies	5,009	4,300		4,936		5,000	
Utilities	0	1,600		1,500		1,500	
Maintenance	129	0		0		0	
Professional Services	28,498	128,200		129,024		35,000	
Insurance							
Communication	11,427	11,320		12,162		13,500	
Printing and Reproduction	175	800		802		800	
Education and Development	3,947	3,200		3,382		5,000	
Other	<u>11,613</u>	<u>23,687</u>		<u>23,684</u>		<u>23,687</u>	
Total Operating Expenditures	60,797	173,107	185%	175,489	1%	84,487	-52%
Total Expenditures	<u>423,311</u>	<u>588,139</u>	39%	<u>602,963</u>	3%	<u>531,351</u>	-12%
Construction Credit	0	0		0		0	
Net Expense	<u>\$423,311</u>	<u>\$588,139</u>	39%	<u>\$602,963</u>	3%	<u>\$531,351</u>	-12%

Personnel Summary	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Positions	3	2.5	2.5

Key Performance Measurements	<u>Goal</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Effectiveness				
Vacancies as a percentage of total funded Positions				
	<8%	7.1%	5.1%	4.4% ¹
At fault EEOC complaints				
	0	0	0	0 ¹
Diversity percentages				
Racial				
	25%-30%	25%	24%	24% ¹
Gender				
	25%-30%	23%	24%	22% ¹
Number of injuries, illnesses or lost workdays compared to a common exposure base of 100 full-time workers				
	<3	1.3	3.9	3.0 ¹

¹ Through 2nd quarter FY 2012

FINANCE

(General and Administrative)

MISSION

The Finance Department is responsible for maintaining the fiscal affairs of OWASA in a professional manner and consistent with generally accepted accounting principles and statutory requirements. Areas of responsibility include accounts payable, accounts receivable, general ledger, asset records, cash investment, payroll, cost accounting, purchasing, budget development, revenue and expenditure forecasting, grants management, and financial reporting. The Finance Department is also responsible for oversight and coordination of studies of rates and fees, and the issuance of revenue bonds.

Data recorded and maintained by the Finance Department provides decision-support for the Board of Directors, Executive Director, and department managers.

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- Manage OWASA’s cash and investments to optimize return while maintaining adequate liquidity to meet expenditures in a timely manner.
- Process all invoices timely and accurately taking advantage of discounts for payments and maintaining effective relationships with vendors.
- Process biweekly payroll accurately and timely.
- Provide prompt and accurate management reports.
- Monitor budget performance.
- Develop forecasted budget data for subsequent fiscal year.
- Maintain general ledger and related subsidiary ledgers.
- Maintain a reliable and timely cost accounting system.
- Administer the Financial Management Policy.
- Review adequacy of rates and fees to generate necessary revenues to support a fiscally sound organization.

KEY FOCUS AREAS FOR FY 2013

Strategic Goal	Objective	FY 2013 Goal
Secure Financial Stability and Sustainability	Perform functional analyses to improve efficiencies and, where possible, reduce costs	Continue work on process improvement initiatives related to service orders, fee processing and service cutoffs
	Adopt rate adjustments to ensure financial stability	Complete rate structure study and analyses and make rate structure modification recommendations as appropriate

FINANCE

**Three-year Comparison
Fiscal Years 2011 - 2013**

	FY2011 Actual	FY 2012 Budget	12 Budget to 11 Actual	FY 2012 Forecast	12 Forecast to 12 Budget	FY 2013 Budget	13 Budget to 12 Forecast
Personnel Costs							
Salaries and Wages	\$492,109	\$517,654		\$511,928		\$526,701	
Fringe Benefits	<u>168,645</u>	<u>184,868</u>		<u>167,696</u>		<u>168,218</u>	
Total Personnel Costs	660,754	702,522	6%	679,624	-3%	694,919	2%
Other Operating Expense							
Materials and Supplies	8,502	7,750		6,180		7,600	
Utilities	2,994	7,000		5,746		6,500	
Maintenance	2,561	0		0		0	
Professional Services	390,977	381,475		370,613		329,717	
Insurance							
Communication	3,937	5,100		2,551		4,000	
Printing and Reproduction	2,261	3,000		2,387		3,000	
Education and Development	18,479	10,800		14,049		11,700	
Other	<u>3,375</u>	<u>2,000</u>		<u>1,404</u>		<u>5,040</u>	
Total Operating Expenditures	433,086	417,125	-4%	402,930	-3%	367,557	-9%
Total Expenditures	<u>1,093,840</u>	<u>1,119,647</u>	2%	<u>1,082,554</u>	-3%	<u>1,062,476</u>	-2%
Construction Credit	0	0		0		0	
Net Expense	<u>\$1,093,840</u>	<u>\$1,119,647</u>	2%	<u>\$1,082,554</u>	-3%	<u>\$1,062,476</u>	-2%

Personnel Summary	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Positions	9	7.5	7.5

Key Performance Measurements	<u>Goal</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Effectiveness				
Working Capital Reserve	\$7.4M (for FY12)	\$9.4M	\$20.0M	\$22.0M ¹
Debt service coverage ratio	2.0	2.13	2.23	2.7 ¹
Debt to asset value	≤50	35	30	29 ¹
Service affordability	1.5	1.6	1.8	1.8 ¹

¹ Through 2nd quarter FY 2012

INFORMATION TECHNOLOGY

(General and Administrative)

MISSION

The Information Technology (IT) Department is responsible for developing and supporting OWASA's computer, telecommunications, and office systems through high quality service to internal and external customers; improved coordination, productivity, and efficiency among OWASA departments and work groups; and reliable access to high quality information that supports decision-making at all levels of the organization.

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- IT functions are carried out through planning, procurement, installation, maintenance, and staff training in the following areas: Local Area Network (LAN) Management, office and business process automation, personal computing, data transmission, radio communication, telephone, voicemail, mobile phones, office equipment (fax, copiers, and printers).
- Develops, maintains, and implements, a long-range plan for the effective and efficient use of technology for information systems throughout the organization.
- IT serves as OWASA's clearinghouse for assessing organization-wide information service needs and priorities, and allocates or re-allocates technology resources accordingly through the acquisition, modification, and/or re-assignment of hardware and software, and through recommendations for staff training. IT establishes appropriate technology standards, specifications, security levels, and procedures for OWASA's information system.

KEY FOCUS AREAS FOR FY 2013

Strategic Goal	Objective	FY 2013 Goal
Secure Financial Stability and Sustainability	Perform functional analyses to improve efficiencies and, where possible, reduce costs	Continue to expand use of virtualization technology: <ul style="list-style-type: none">• Reduce spending on server platforms• Improve business continuity through the user of multiple virtualization host platforms• Enable IT Department to decrease the time required to implement new technology projects• Reduce hardware spending• Establish mobile workforce enabling platforms• Reduce software management requirements Support reengineering of existing business processes <ul style="list-style-type: none">• Leverage technology to reduce non-value added tasks and increase accuracy• Integrate customer service management and work order software to implement paperless workflow Implement: <ul style="list-style-type: none">• Integrated inventory function to improve tracking of materials• Web-based functionality to enable more widespread and effective mobile use• Deploy tablet computers to field personnel

INFORMATION TECHNOLOGY

**Three-year Comparison
Fiscal Years 2011 - 2013**

	FY2011 Actual	FY 2012 Budget	12 Budget to 11 Actual	FY 2012 Forecast	12 Forecast to 12 Budget	FY 2013 Budget	13 Budget to 12 Forecast
Personnel Costs							
Salaries and Wages	\$300,661	\$294,529		\$279,199		\$295,502	
Fringe Benefits	<u>86,120</u>	<u>93,349</u>		<u>87,620</u>		<u>91,545</u>	
Total Personnel Costs	386,781	387,878	0%	366,819	-5%	387,047	6%
Other Operating Expense							
Materials and Supplies	20,815	163,700		151,379		156,440	
Utilities	117,070	74,760		84,501		88,920	
Maintenance	229,310	245,400		245,400		245,100	
Professional Services	59,841	111,000		111,004		96,000	
Insurance							
Communication	69	0		14		0	
Printing and Reproduction	0	0		0		0	
Education and Development	14,654	15,905		15,982		16,305	
Other	<u>17,552</u>	<u>43,800</u>		<u>43,656</u>		<u>17,700</u>	
Total Operating Expenditures	459,310	654,565	43%	651,935	0%	620,465	-5%
Total Expenditures	<u>846,091</u>	<u>1,042,443</u>	23%	<u>1,018,754</u>	-2%	<u>1,007,512</u>	-1%
Construction Credit	0	0		0		0	
Net Expense	<u>\$846,091</u>	<u>\$1,042,443</u>	23%	<u>\$1,018,754</u>	-2%	<u>\$1,007,512</u>	-1%

	FY 2011	FY 2012	FY 2013
Personnel Summary			
Positions	4	4	4

WATER SUPPLY AND TREATMENT

(Operating)

MISSION

The Water Supply and Treatment Department is responsible for providing high-quality drinking water to OWASA customers. Departmental functions include operation and maintenance of three water supply reservoirs, public recreation facilities at two lakes, the Jones Ferry Road Water Treatment Plant, water treatment solids processing and recycling facilities, and five elevated storage tanks. The department also administers watershed protection programs.

SUMMARY OF ACTIVITIES

- Efficiently and effectively operate the water treatment, laboratory and maintenance programs in full compliance with all Federal and State regulations and requirements while providing high-quality drinking water to OWASA customers.
- Provide timely analytical monitoring data for process control and regulatory reporting.
- Maintain a computerized maintenance management program to facilitate work scheduling, track equipment history and reliability, and maintain a database of suppliers and parts for installed equipment to support asset management.
- Respond to weekend and after-hours water and sewer emergency calls from OWASA customers in a courteous and timely fashion and dispatch appropriate personnel to resolve customer problems.
- Provide responsive and courteous service to address water quality concerns from customers.
- Enhance customer awareness of watershed protection and water treatment by conducting facility tours and providing general information relating to water quality and treatment.
- Operate and maintain the recreational facilities at University Lake and Cane Creek Reservoir in a courteous and friendly manner.
- Continue strong emphasis on the development and training of employees to improve their knowledge, skills, and abilities, including professional certifications and safety requirements.
- Reinforce the teamwork approach required by department employees to accomplish the Department's objectives.
- Oversee and manage OWASA owned land and conservation easements in the University Lake and Cane Creek watersheds.

KEY FOCUS AREAS FOR FY 2013

Strategic Goal	Objective	FY 2013 Goal
Secure Financial Stability and Sustainability	Perform functional analyses to improve efficiencies and, where possible, reduce costs	Continue optimization of the water treatment process
Resource Management and Infrastructure Sustainability	Develop a comprehensive asset management plan	Support development and implementation of asset management system
Knowledge Management and Workforce Sustainability	Improve employee compensation and development programs to attract and retain a diverse and high-performing team	Continue to develop a workforce that strives for excellence through a team approach of informed, involved and empowered team members

WATER SUPPLY AND TREATMENT

**Three-year Comparison
Fiscal Years 2011 - 2013**

	FY2011 Actual	FY 2012 Budget	12 Budget to 11 Actual	FY 2012 Forecast	12 Forecast to 12 Budget	FY 2013 Budget	13 Budget to 12 Forecast
Personnel Costs							
Salaries and Wages	\$1,235,436	\$1,237,315		\$1,245,780		\$1,259,326	
Fringe Benefits	<u>494,643</u>	<u>526,015</u>		<u>527,970</u>		<u>514,132</u>	
Total Personnel Costs	1,730,079	1,763,330	2%	1,773,750	1%	1,773,457	0%
Other Operating Expense							
Materials and Supplies	115,961	166,733		160,484		167,232	
Chemicals	826,467	1,004,917		911,267		877,472	
Utilities	398,202	431,072		396,623		374,429	
Maintenance	832,522	805,089		870,609		1,087,131	
Professional Services	49,545	71,000		122,493		229,000	
Insurance	96,733	97,500		85,593		97,500	
Communication	3,092	7,500		5,432		5,200	
Printing and Reproduction	0	0		0		0	
Education and Development	12,606	17,810		13,254		12,100	
Other	<u>9,867</u>	<u>15,751</u>		<u>13,948</u>		<u>15,500</u>	
Total Operating Expenditures	2,344,995	2,617,372	12%	2,579,703	-1%	2,865,564	11%
Total Expenditures	<u>4,075,074</u>	<u>4,380,702</u>	7%	<u>4,353,453</u>	-1%	<u>4,639,022</u>	7%
Construction Credits	0	0		0		0	
Net Expense	<u>\$4,075,074</u>	<u>\$4,380,702</u>	7%	<u>\$4,353,453</u>	-1%	<u>\$4,639,022</u>	7%

Personnel Summary	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Positions	24	25	25

Key Performance Measurements	<u>Goal</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Workload				
Finished water pumped to the distribution system	N/A	2.9B	2.8B	1.3B ¹
Percent of solids removed from treatment process and recycled for beneficial use	100%	100%	100%	100% ¹
Effectiveness				
Primary drinking water standards noncompliances	0	0	0	0 ¹
Secondary drinking water standards noncompliances	0	0	0	0 ¹
Average finished water turbidity (NTU)	<0.1	0.03	0.05	0.03 ¹

¹ Through 2nd quarter FY 2012

WATER DISTRIBUTION

(Operating)

MISSION

The Water Distribution Department is responsible for maintaining the drinking water distribution system from the Water Treatment Plant to the meters at customers' premises with exception of the system's storage tanks and the distribution pipes. The Department also develops and implements efficient and effective measures for the maintenance and repair of all components of the water distribution infrastructure and is responsible for accurately and efficiently reading meters and replacing certain water mains to maintain the integrity and capacity of the system.

SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Conduct regular flushing of water mains to ensure water quality throughout the distribution system.
- Maintain ongoing valve and fire hydrant maintenance and repair programs to help ensure reliable operation of the distribution system.
- Accurately and efficiently read water meters to ensure correct consumption is billed to customers.
- Investigate distribution system for sources of unaccounted water (water pumped to system but not metered or billed).
- Administer a backflow prevention program to ensure water quality.
- Coordinate the repair and replacement of customer water meters.
- Maintain integrity of water distribution lines by continuing rehabilitation program.

KEY FOCUS AREAS FOR FY 2013

Strategic Goal	Objective	FY 2013 Goal
Resource Management and Infrastructure Sustainability	Maintain water distribution system to ensure system reliability	<ul style="list-style-type: none">• Maintain fire hydrants throughout system• Perform distribution system valve maintenance and repair• Conduct unidirectional flushing of water lines• Perform in-house rehabilitation and replacement CIP projects

WATER DISTRIBUTION

**Three-year Comparison
Fiscal Years 2011 - 2013**

	FY2011 Actual	FY 2012 Budget	12 Budget to 11 Actual	FY 2012 Forecast	12 Forecast to 12 Budget	FY 2013 Budget	13 Budget to 12 Forecast
Personnel Costs							
Salaries and Wages	\$1,156,838	\$1,296,951		\$1,133,417		\$1,215,975	
Fringe Benefits	<u>532,919</u>	<u>643,625</u>		<u>541,952</u>		<u>555,047</u>	
Total Personnel Costs	1,689,757	1,940,576	15%	1,675,368	-14%	1,771,023	6%
Other Operating Expense							
Materials and Supplies	87,805	68,150		68,145		83,150	
Utilities	170,558	242,300		222,755		225,750	
Maintenance	658,038	553,210		593,586		633,500	
Professional Services	0	0		0		0	
Insurance	10,844	10,000		11,730		10,000	
Communication	1,630	500		827		500	
Printing and Reproduction	445	1,300		384		1,300	
Education and Development	10,206	10,650		10,126		10,650	
Other	<u>3,725</u>	<u>3,000</u>		<u>3,468</u>		<u>2,500</u>	
Total Operating Expenditures	943,251	889,110	-6%	911,022	2%	967,350	6%
Total Expenditures	<u>2,633,008</u>	<u>2,829,686</u>	7%	<u>2,586,390</u>	-9%	<u>2,738,373</u>	6%
Construction Credits	(125,494)	(102,225)		(128,552)		(116,500)	
Net Expense	<u>\$2,507,515</u>	<u>\$2,727,461</u>	9%	<u>\$2,457,838</u>	-10%	<u>\$2,621,873</u>	7%

Personnel Summary	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Positions	32	32	30

Key Performance Measurements	<u>Goal</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Workload				
Miles of finished water pipe maintained	N/A	391	391	391 ¹
Effectiveness				
Volume of water billed vs. volume Pumped to the system	>90%	92%	92%	93% ¹
Number of main breaks per 100 miles of pipe	<15	6	6	2 ¹

¹ Through 2nd quarter FY 2012

WASTEWATER TREATMENT

(Operating)

MISSION

The Mason Farm Wastewater Treatment Plant is responsible for reliably providing efficient and effective treatment of wastewater, reclaimed water and the resulting biosolids. The Department complies with various Local, State, and Federal regulations that pertain to all discharges from OWASA's facilities, plus the general operation requirements to meet all applicable standards. These include; National Pollutant Discharge Elimination System (NPDES) Permit, the Land Application Permit (WQ, Non-Discharge), the Storm Water Discharge Permit and Reclaimed Water Permit.

SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Maintain plant, maintenance, and laboratory programs to ensure that all discharges are in compliance with their operating permits.
- Operate plant, laboratory and maintenance areas in compliance with all applicable State and Federal requirements.
- Eliminate offsite odors and provide prompt response to public inquires.
- Maintain all equipment necessary to provide reliable pumping of wastewater without spillage or overflow.
- Provide timely analytical monitoring data for process control and regulatory reporting.
- Maintain a computerized maintenance management program to facilitate work scheduling, track equipment history and reliability, and maintain a database of suppliers and parts for installed equipment to support asset management.
- Manage all programs in an environmentally and operationally sound manner.
- Provide training and professional development to employees to improve their knowledge, skills and abilities related to their work area including professional certifications and safety requirements.

KEY FOCUS AREAS FOR FY 2013

Strategic Goal	Objective	FY 2013 Goal
Resource Management and Infrastructure Sustainability	Develop a comprehensive asset management plan	Support development and implementation of asset management system
Secure Financial Stability and Sustainability	Perform functional analyses to improve efficiencies and, where possible, reduce costs	Continue optimization of plan processes to reduce chemical and energy use
Knowledge Management and Workforce Sustainability	Improve employee compensation and development programs to attract and retain a diverse and high-performing team	Continue to develop a workforce that strives for excellence through a team approach of informed, involved and empowered team members

WASTEWATER TREATMENT

**Three-year Comparison
Fiscal Years 2011 - 2013**

	FY2011 Actual	FY 2012 Budget	12 Budget to 11 Actual	FY 2012 Forecast	12 Forecast to 12 Budget	FY 2013 Budget	13 Budget to 12 Forecast
Personnel Costs							
Salaries and Wages	\$1,216,866	\$1,237,777		\$1,237,753		\$1,301,503	
Fringe Benefits	<u>487,488</u>	<u>521,315</u>		<u>504,991</u>		<u>515,115</u>	
Total Personnel Costs	1,704,354	1,759,092	3%	1,742,744	-1%	1,816,618	4%
Other Operating Expense							
Materials and Supplies	270,054	262,616		259,105		275,400	
Chemicals	674,324	835,439		621,059		661,794	
Chemicals - Odor Control	25,505	88,091		72,000		0	
Utilities	978,453	991,517		939,886		1,015,100	
Maintenance	930,301	695,917		903,881		827,840	
Professional Services	23,067	23,516		89,213		167,000	
Insurance	117,787	117,500		105,624		117,500	
Communication	7,663	8,590		8,528		8,000	
Printing and Reproduction	0	0		0		0	
Education and Development	12,950	20,745		13,286		17,670	
Other	<u>24,331</u>	<u>28,092</u>		<u>27,973</u>		<u>34,500</u>	
Total Operating Expenditures	3,064,435	3,072,023	0%	3,040,554	-1%	3,124,804	3%
Total Expenditures	<u>4,768,789</u>	<u>4,831,115</u>	1%	<u>4,783,299</u>	-1%	<u>4,941,422</u>	3%
Construction Credits	0	0		0		0	
Net Expense	<u>\$4,768,789</u>	<u>\$4,831,115</u>	1%	<u>\$4,783,299</u>	-1%	<u>\$4,941,422</u>	3%

Personnel Summary	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Positions	24	23	23

Key Performance Measurements	<u>Goal</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Workload				
Number of gallons of wastewater treated	N/A	2.8B	2.7B	1.4B ¹
Effectiveness				
Events of permit noncompliance	0	0	0	0 ¹
Wastewater overflows	0	0	0	0 ¹
Odor events	0	17	23	19 ¹

¹ Through 2nd quarter FY 2012

SEWER COLLECTION

(Operating)

MISSION

The Sewer Collection Department is responsible for maintaining the public sewer collection system extending from customer's private service lateral at the public sewer main to the Mason Farm Wastewater Treatment Plant. The Department uses precise and systematic approaches to minimize and prevent overflows of sewage to local creeks and streams. The Department also operates ongoing programs to clear and mow easements and inspect and clean sewer mains.

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- Manage an efficient and effective predictive, preventive, and corrective maintenance program for the wastewater collection infrastructure.
- Maintain an ongoing program to reduce inflow/infiltration into the sewer collections system.
- Regularly mow and clear easements and clean sewer mains.
- Maintain a computerized maintenance management program for all aspects of the Department's operation.
- Ensure proper employee training and development in new methods of maintenance of sewer lines and usage of related equipment. Enhance knowledge and skills of employees to increase proficiency through participation in education and training workshops and in-house programs.
- Administer grease monitoring program.

KEY FOCUS AREAS FOR FY 2013

Strategic Goal	Objective	FY 2013 Goal
Resource Management and Infrastructure Sustainability	Maintain sewer collection system to ensure system reliability	<ul style="list-style-type: none">• Perform video inspections of sewer system to identify maintenance and repair needs• Schedule and perform system cleaning and maintenance as necessary

SEWER COLLECTIONS

**Three-year Comparison
Fiscal Years 2011 - 2013**

	FY2011 Actual	FY 2012 Budget	12 Budget to 11 Actual	FY 2012 Forecast	12 Forecast to 12 Budget	FY 2013 Budget	13 Budget to 12 Forecast
Personnel Costs							
Salaries and Wages	\$484,396	\$426,844		\$506,764		\$532,507	
Fringe Benefits	<u>238,792</u>	<u>209,251</u>		<u>239,001</u>		<u>251,506</u>	
Total Personnel Costs	723,188	636,095	-12%	745,765	17%	784,013	5%
Other Operating Expense							
Materials and Supplies	40,863	57,500		56,374		54,000	
Chemicals	199,865	200,000		199,735		200,000	
Chemicals - Odor Control	36,410	26,000		26,000		30,000	
Utilities	119,243	136,610		129,490		138,110	
Maintenance	182,850	191,000		188,008		193,500	
Professional Services	0	0		0		0	
Insurance	9,232	10,000		8,491		10,000	
Communication	511	700		694		700	
Printing and Reproduction	121	500		200		500	
Education and Development	8,951	11,800		9,783		11,800	
Other	<u>991</u>	<u>4,200</u>		<u>1,567</u>		<u>4,200</u>	
Total Operating Expenditures	599,037	638,310	7%	620,342	-3%	642,810	4%
Total Expenditures	<u>1,322,225</u>	<u>1,274,405</u>	-4%	<u>1,366,106</u>	7%	<u>1,426,823</u>	4%
Construction Credits	(9,120)	0		(1,757)		0	
Net Expense	<u>\$1,313,106</u>	<u>\$1,274,405</u>	-3%	<u>\$1,364,349</u>	7%	<u>\$1,426,823</u>	5%

Personnel Summary	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Positions	15	15	16

Key Performance Measurements	<u>Goal</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Workload				
Miles of wastewater collection piping maintained from the customers' service laterals to the Mason Farm Wastewater Treatment Plant	N/A	322	322	322
Effectiveness				
Number of reportable wastewater overflows	0	2	7	2 ¹
Total number of sewer blockages per 100 miles of sewer pipe		1.2	2.1	1.9 ¹

¹ Through 2nd quarter FY 2012

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Section III

SUPPLEMENTAL INFORMATION

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BUDGET RESOLUTION AND ORDINANCE

**RESOLUTION ADOPTING THE ANNUAL BUDGET FOR
ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR
JULY 1, 2012 THROUGH JUNE 30, 2013**


WHEREAS, Section 7.05 of the Bond Order and North Carolina G.S. Chapter 159 require that on or before the first day of July in each fiscal year the Authority will adopt a Budget for the ensuing fiscal year; and

WHEREAS, such budget is to include estimates of revenues of the water, sewer and reclaimed water systems, current Operations and Maintenance expenses, estimated Interest Income and Debt Service costs, and disbursements from the General Fund for Capital Improvements and Equipment purchases.

NOW, THEREFORE, BE IT RESOLVED:

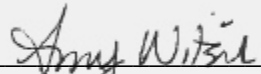
1. That pursuant to the provisions of North Carolina G.S. Chapter 159-13 the attached pages marked 2 through 6 be, and they hereby are, adopted as the official Budget of Orange Water and Sewer Authority of the Fiscal Year beginning July 1, 2012 through June 30, 2013.
2. That the appropriations for departments, functions, and projects as shown in the attached budget for the respective purposes and in the respective amounts therein specified are hereby made.
3. That the Executive Director shall administer the budget, and is hereby authorized to expend the funds for the purposes set forth therein.

Adopted this 14th day of June, 2012.



Gordon Merklein, Chair

ATTEST:



Amy Witsil, Secretary

BUDGET RESOLUTION AND ORDINANCE

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

	FY 2013
	<u>Annual Budget</u>
Operating Revenue	
Water	\$18,246,301
Sewer	16,839,680
Reclaimed Water	448,972
Service Initiation Fee	181,946
Other	1,284,775
Refunds and Adjustments	<u>(210,395)</u>
Total Operating Revenue	\$36,791,279
Operating Expense	
General and Administrative	5,714,757
Operations	<u>13,629,140</u>
Total Operating Expense	<u>19,343,897</u>
Net Operating Income	17,447,382
Non-operating Revenue	
Customer Fees	1,169,482
Interest	<u>0</u>
Total Net Income	<u><u>\$18,616,864</u></u>
Debt Service	
Existing	8,235,375
New	<u>0</u>
Total Debt Service	<u>8,235,375</u>
Net Income Less Debt Service	<u><u>\$10,381,489</u></u>
Debt Coverage Ratio	2.26

BUDGET RESOLUTION AND ORDINANCE

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

		<u>FY 2013 Annual Budget</u>
General Fund		
Resources		
Transfer From Revenue	<u>\$10,381,489</u>	
Annual Income Available for Capital		11,381,489
Transfer from Construction Fund (Bond Proceeds)		<u>0</u>
Total Available for Capital		<u>11,381,489</u>
Capital Expenditures		
Project ordinances		
General Fund Contribution	11,076,000	
Funded by Bond Proceeds	<u>0</u>	
Total Project Resolutions		11,076,000
Capital Equipment		<u>225,000</u>
Total Capital Outlay		<u>11,301,000</u>
Annual General Fund Balance		(919,511)
General Fund Beginning Balance		<u>20,432,187</u>
General Fund Ending Balance		19,512,676
Project Funding	8,834,876	
Reserves		
Rate/Revenue Stabilization	1,000,000	
Capital Improvements	1,600,000	
Working Capital	<u>8,077,800</u>	<u>19,512,676</u>
Unallocated General Fund Balance		<u><u>\$0</u></u>

BUDGET RESOLUTION AND ORDINANCE

REVENUE FUND

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Fund Balance July 1, 2012			-
Receipts			
Operating Revenue			
Customer Billings	18,246,300	16,839,680	35,085,980
Reclaimed Water	448,972	-	448,972
Service Initiation Fee	90,973	90,973	181,946
Other	642,388	642,387	1,284,775
Refunds and Adjustments	(105,197)	(105,197)	(210,394)
Total Operating Revenue	19,323,436	17,467,843	36,791,279
Non-operating Revenue			
Customer Fees	584,741	584,741	1,169,482
Interest Income	0	0	0
Loss on sale of assets	0		0
Total Non-operating Revenue	584,741	584,741	1,169,482
Total Receipts	19,908,177	18,052,584	37,960,761
Expenditures			
Current Expense	(10,058,826)	(9,285,071)	(19,343,897)
Debt Service	(7,247,130)	(988,245)	(8,235,375)
Total Expenditures	(17,305,956)	(10,273,316)	(27,579,272)
Net Revenue			10,381,489
To General Fund			(10,381,489)
Fund Balance June 30, 2013			-
Change in Available Balance			-

BUDGET RESOLUTION AND ORDINANCE

BOND SERVICE FUND

Fund Balance July 1, 2012		\$7,162,678
Receipts		
Transfers from Revenue Fund	8,235,375	
Interest	<u> </u>	
Total Receipts		8,235,375
Expenditures		
Debt Service	<u>8,235,375</u>	
Total Expenditures		<u>(8,235,375)</u>
Fund Balance June 30, 2013		<u><u>\$7,162,678</u></u>
Change in Available Balance		-

BUDGET RESOLUTION AND ORDINANCE

GENERAL FUND

Fund Balance July 1, 2012		\$20,432,187
Receipts		
Transfer From Revenue fund	10,381,489	
Transfer From Construction Fund (Bond Proceeds)	-	
Interest	-	
Assessments	-	
Grants and contributions	-	
	<hr/>	
Total Receipts		<hr/> 10,381,489
Total Balance Before Expenditures		30,813,676
Expenditures		
Capital Equipment/Leases	225,000	
Project Resolutions	11,076,000	
Transfer to Revenue Fund	0	
	<hr/>	
Total Expenditures		<hr/> (11,301,000)
Fund Balance June 30, 2013		<hr/> <hr/> \$19,512,676
Allocation of Fund Balance June 30, 2013		
Project Funding	8,834,876	
Capital Reserves	10,677,800	
	<hr/>	
Total Allocation		<hr/> <hr/> \$19,512,676
Unallocated General Fund Balance June 30, 2013		<hr/> <hr/> -
Change in Available Balance		(\$919,511)

PERSONNEL AUTHORIZATIONS BY DEPARTMENT

Office of the Executive Director¹	FY 2011	FY 2012	FY 2013
Executive Director	1	1	1
General Manager of Operations	1	1	1
Operations Engineer	1	1	1
Sustainability Manager	1	1	1
Executive Assistant	1	1	1
Public Affairs Administrator	1	1	1
Administrative Assistant	1	0	1
Totals	7	6	7

Customer Service²			
Customer Service Manager	1	1	0
Senior Customer Service Representative	1	1	1
Customer Service Representative	2	5	5
Clerk/Cashier	3	0	0
Administrative Assistant/Reception	0	0	1
Customer Service Specialist	0	0.5	0.5
Totals	7	6.5	7.5

Engineering and Planning¹			
Director of Engineering and Planning	1	1	1
Director of Planning and Development	1	1	1
Engineering Manager	2	2	2
Utilities Engineer	2	2	2
GIS Coordinator	1	1	1
Construction Inspector	2	2	2
Engineering Associate	2	2	2
Engineering Technician	2	2	2
Administrative Assistant	1	1	0
Totals	14	14	13

Human Resources			
Director of Human Resources	1	1	0
Human Resources and Safety Manager	0	0	1
Safety and Training Administrator	0	0	0
Human Resources Generalist	1	1	1
Administrative Assistant	0	0.5	0.5
Totals	2	2.5	2.5

PERSONNEL AUTHORIZATIONS BY DEPARTMENT

Finance	FY 2011	FY 2012	FY 2013
Director of Finance and Customer Service	1	1	1
Finance Manager	2	0	0
Finance and Customer Service Manager	0	1	1
Finance and Procurement Manager	0	1	1
Procurement Manager	1	0	0
Accounting Technician II	2	3	3
Accounting Technician I	2	0	0
Financial Analyst	0	1	1
Administrative Assistant	1	0.5	0.5
Totals	9	7.5	7.5

Information Technology

Director of Information Technology	1	1	1
Network/Database Administrator	2	2	2
Information Services Technical Specialist	2	1	1
Totals	5	4	4

Water Supply and Treatment

Water Supply and Treatment Manager	1	1	1
Operations Supervisor	1	1	1
Treatment Plant Operator	7	7	7
Lake Warden	1	1	1
Senior Assistant Lake Warden	1	1	1
Assistant Lake Warden	2	2	2
Plant Maintenance Supervisor	1	1	1
Senior Maintenance Mechanic	2	2	2
Maintenance Mechanic	3	4	4
Laboratory Supervisor	1	1	1
Laboratory Analyst	3	3	3
Administrative Assistant	1	1	1
Totals	24	25	25

PERSONNEL AUTHORIZATIONS BY DEPARTMENT

Water Distribution ³	FY 2011	FY 2012	FY 2013
Distribution and Collections Systems Manager	1	1	1
Assistant Distribution & Collection System Manager	1	1	1
Senior Crew Leader	1	0	0
Crew Leader	3	3	3
Utility Mechanic III	3	3	2
Utility Mechanic II	6	6	8
Utility Mechanic I	16	16	13
Administrative Assistant	0	0	0
Field Service Representative	1	1	1
Service Technician	1	1	1
Totals	32	32	30
Wastewater Treatment			
Wastewater Treatment and Biosolids Recycling Manager	1	1	1
Operations Supervisor	1	1	1
Treatment Plant Operator	7	7	7
Solids Handling Supervisor	1	1	1
Solids Handler	3	3	3
Plants Maintenance Manager	1	1	1
Plants Maintenance Supervisor	1	1	1
Senior Maintenance Mechanic	2	1	1
Instrumentation Control Technician	1	1	1
Maintenance Mechanic	2	2	2
Laboratory Manager	1	1	1
Laboratory Analyst	3	3	3
Administrative Assistant	0	0	0
Totals	24	23	23
Sewer Collections ^{2,3}			
Crew Leader	3	3	3
Utility Mechanic III	0	0	1
Utility Mechanic II	2	5	3
Utility Mechanic I	9	6	9
Administrative Assistant	1	1	0
Totals	15	15	16
Total Positions	<u>139</u>	<u>135.5</u>	<u>135.5</u>

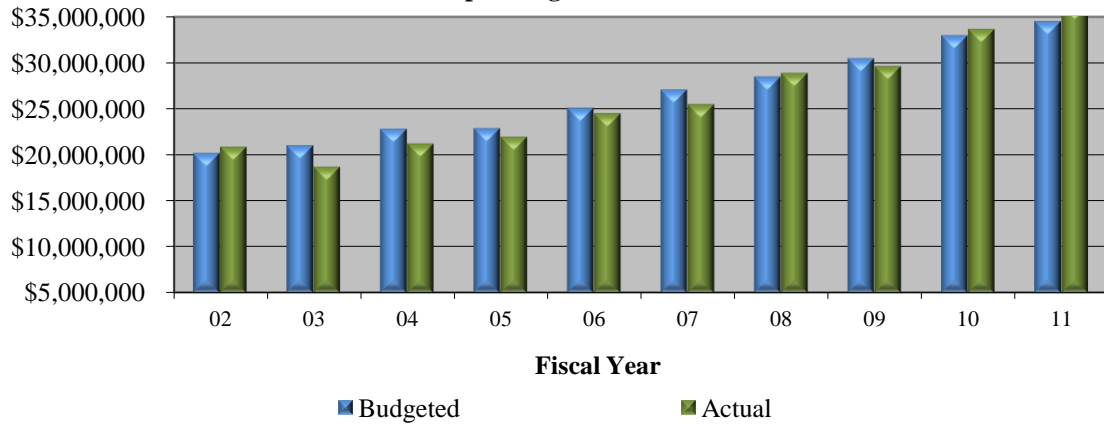
¹ Transferred an Administrative Assistant position from the Engineering Department to the Executive Director Department.

² Transferred an Administrative Assistant position from the Sewer Collections Department to the Customer Service Department.

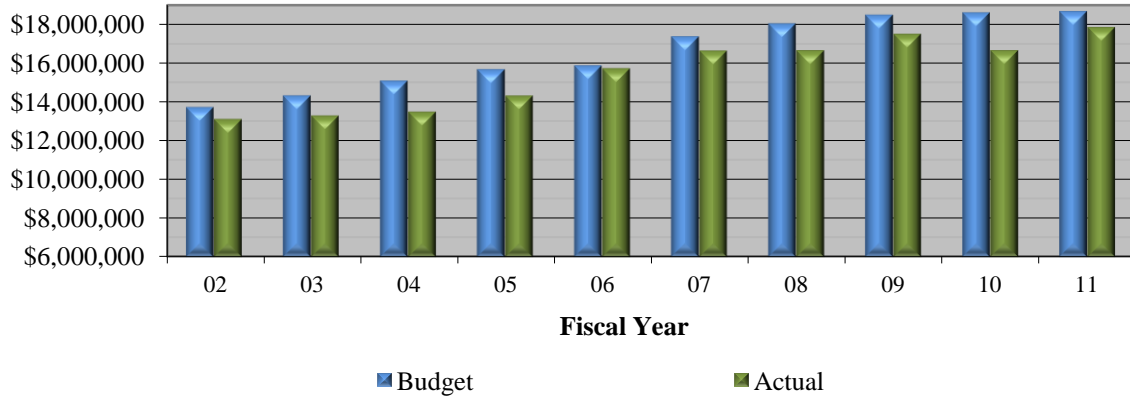
- ³ Transferred one Utility Mechanic III position from the Water Distribution Department to the Sewer Collections Department, two Utility Mechanic II positions from the Sewer Collections Department to the Water Distribution Department and three Utility Mechanic I positions from the Water Distribution Department to the Sewer Collection Department.

10-YEAR HISTORICAL PERFORMANCE

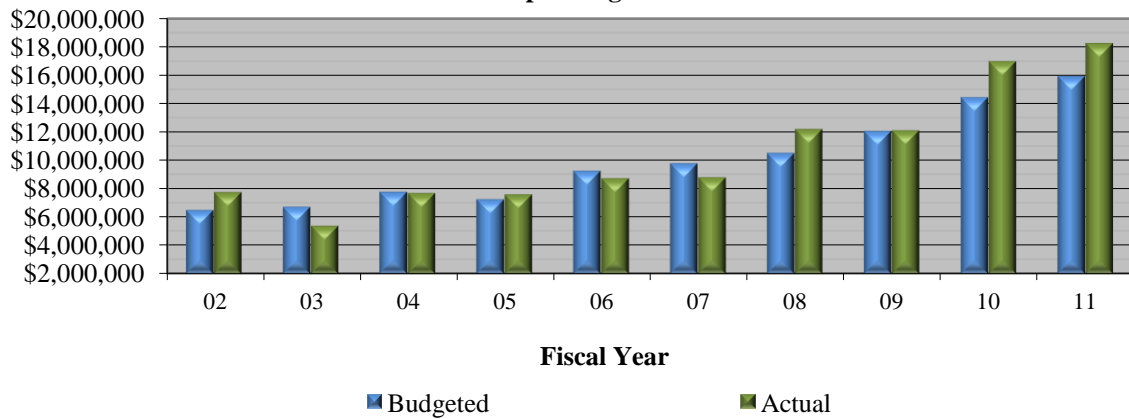
10-Year Operating Revenue Variance



10-Year Operating Expense Variance



10-Year Net Operating Income Variance

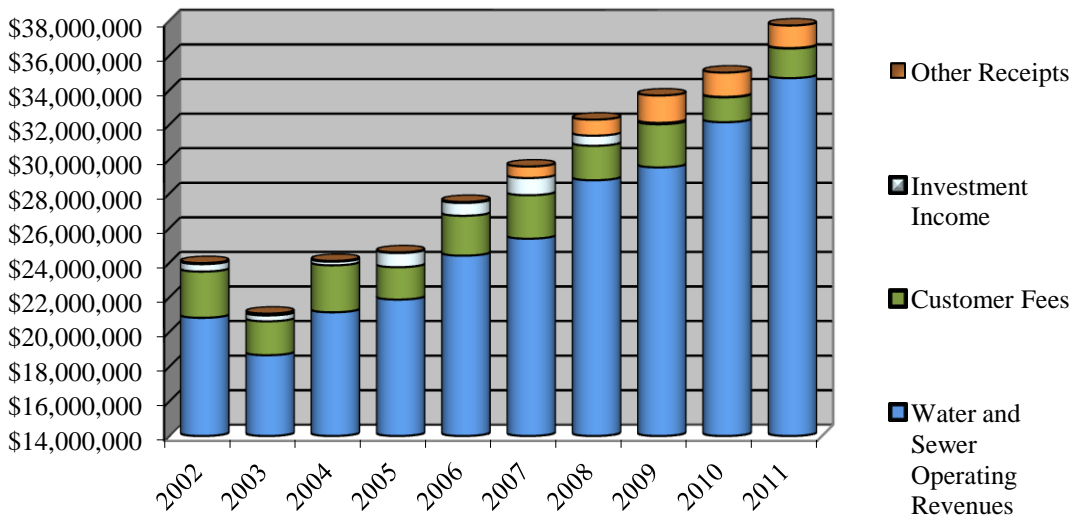


10-YEAR HISTORICAL PERFORMANCE

**Revenues By Source
Last 10 Fiscal Years**

Fiscal Year	Water and Sewer Operating Revenues	Customer Fees	Investment Income	Other Receipts	Total
2002	20,835,179	2,675,380	432,665	60,761	24,003,985
2003	18,672,964	1,962,517	337,442	106,101	21,079,024
2004	21,156,492	2,716,555	211,708	44,588	24,129,343
2005	21,891,667	1,872,820	821,194	39,569	24,625,250
2006	24,431,382	2,308,651	742,010	58,846	27,540,889
2007	25,413,571	2,514,450	995,354	666,528	29,589,903
2008	28,794,093	1,995,415	584,031	929,369	32,302,908
2009	29,537,290	2,498,459	80,343	1,582,736	33,698,828
2010	32,153,848	1,436,564	29,169	1,404,924	35,024,505
2011	34,701,751	1,713,417	29,261	1,302,079	37,746,508

**Revenue By Source
Last 10 Fiscal Years**

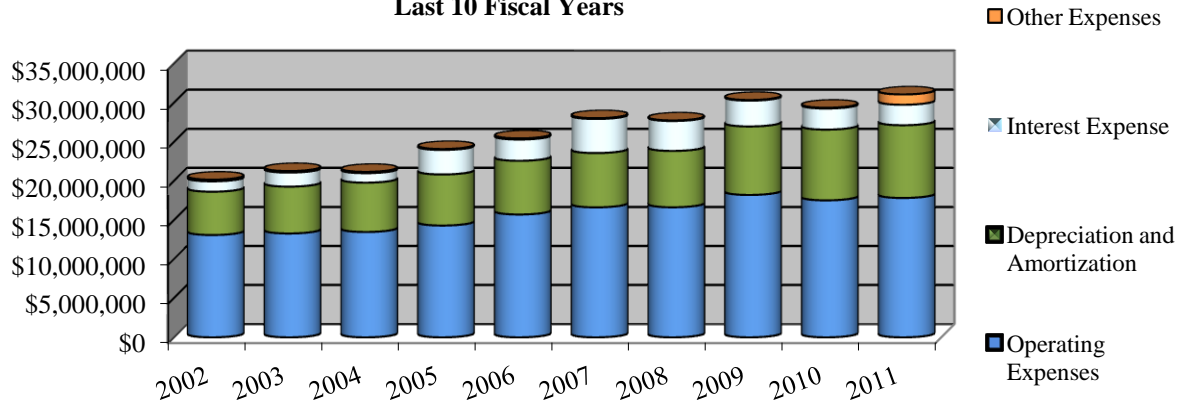


10-YEAR HISTORICAL PERFORMANCE

**ORANGE WATER AND SEWER AUTHORITY
Expenses By Function
Last 10 Fiscal Years**

Fiscal Year	Operating Expenses	Depreciation and Amortization	Interest Expense	Other Expenses	Total
2002	13,097,042	5,543,530	1,326,428	211,629	20,178,629
2003	13,293,397	5,995,331	1,799,578	192,634	21,280,940
2004	13,484,114	6,312,316	1,216,166	163,362	21,175,958
2005	14,309,139	6,538,782	3,140,164	115,063	24,103,148
2006	15,723,917	6,871,350	2,724,951	141,579	25,461,797
2007	16,635,917	6,950,774	4,361,911	96,898	28,045,500
2008	16,643,471	7,215,175	3,832,320	69,940	27,760,906
2009	18,225,142	8,765,924	3,305,193	83,338	30,379,597
2010	17,532,938	9,053,691	2,702,687	92,613	29,381,929
2011	17,836,397	9,310,159	2,623,208	1,320,156	31,089,920

**Expenses By Function
Last 10 Fiscal Years**

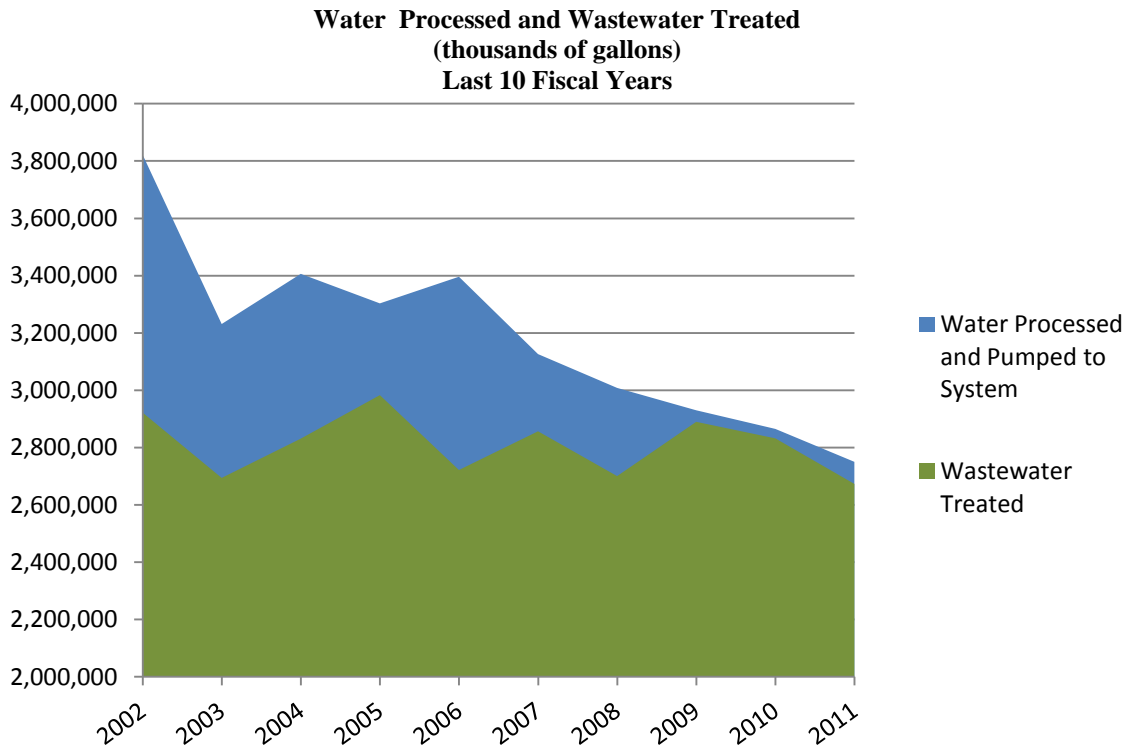


10-YEAR HISTORICAL PERFORMANCE

ORANGE WATER AND SEWER AUTHORITY

**Water Processed and Wastewater Treated
(thousands of gallons)
Last 10 Fiscal Years**

Fiscal Year	Water Processed and Pumped to System	Wastewater Treated
2001	3,418,741	3,107,328
2002	3,822,000	2,922,000
2003	3,231,000	2,694,000
2004	3,406,000	2,831,033
2005	3,303,000	2,982,831
2006	3,396,000	2,721,662
2007	3,126,000	2,856,672
2008	3,008,000	2,700,270
2009	2,930,000	2,889,705
2010	2,865,000	2,832,000
2011	2,750,100	2,673,000



10-YEAR HISTORICAL PERFORMANCE

ORANGE WATER AND SEWER AUTHORITY

Mason Farm Wastewater Treatment Plant

Plant Loading and Performance

Last 10 Years

Fiscal Year	Average Daily Flow (million gallons)	Influent Measurements				Effluent Measurements			
		CBOD	TSS	NH3-N (Milligram per Liter)	TP	CBOD	TSS	NH3-N (Milligram per Liter)	TP
2002	8.0	190	241	21.8	6.6	3.6	5	0.4	0.5
2003	8.1	170	292	22.0	6.9	4.2	6	1.1	0.5
2004	7.7	218	367	24.1	7.6	2.8	6	0.5	0.4
2005	8.0	197	332	24.5	7.7	3.2	7	0.5	0.4
2006	7.5	242	325	26.3	7.9	1.9	4	0.3	0.5
2007	7.8	222	257	26.0	9.4	1.2	2	0.6	0.5
2008	7.4	204	321	30.1	8.5	<2.0	1	0.4	0.4
2009	7.9	208	296	47.6	12.1	<2.0	0	0.1	0.3
2010	7.8	268	322	29.3	7.4	<2.0	0	0.1	0.4
2011	7.2	260	283	33.1	7.3	<2.0	0	0.0	0.4

Effluent Maximum Limits Set in NPDES Permit

Winter
(Nov. - March)

Summer
(April - Oct.)

CBOD5 (Carbonaceous Biochemical Oxygen Demand)

8 mg/l

4 mg/l

TSS (Total Suspended Solids)

30 mg/l

30 mg/l

NH3-N (Ammonia Nitrogen)

2.0 mg/l

1.0 mg/l

TP (Total Phosphorus - Mass Load Limit)

11,030 pounds per year

mg/l=Milligrams per Liter

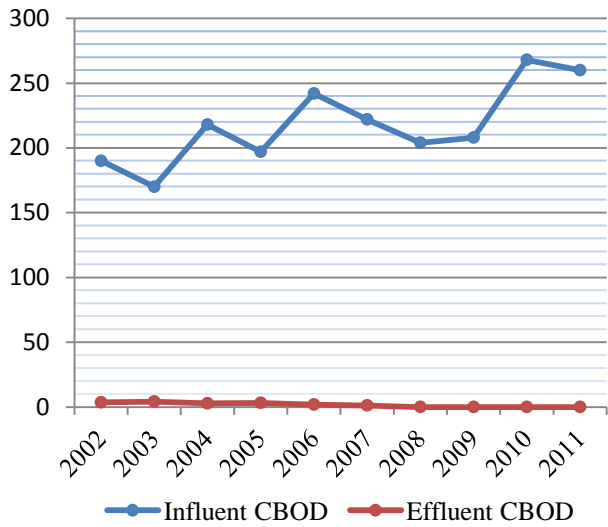
See graphs on next page.

10-YEAR HISTORICAL PERFORMANCE

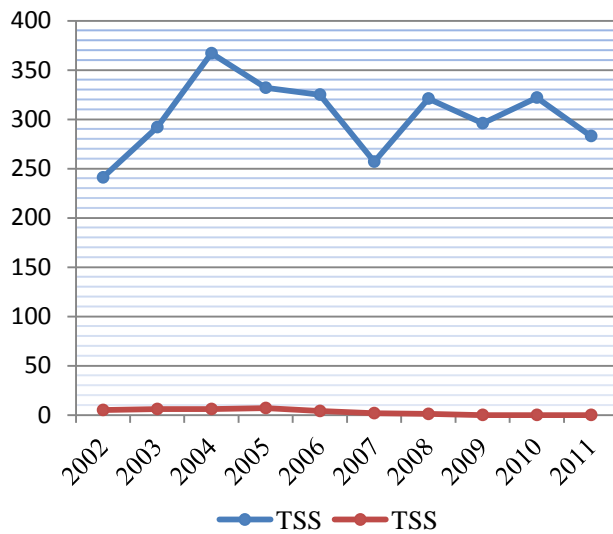
ORANGE WATER AND SEWER AUTHORITY

**Mason Farm Wastewater Treatment Plant
Plant Loading and Performance
Last 10 Years**

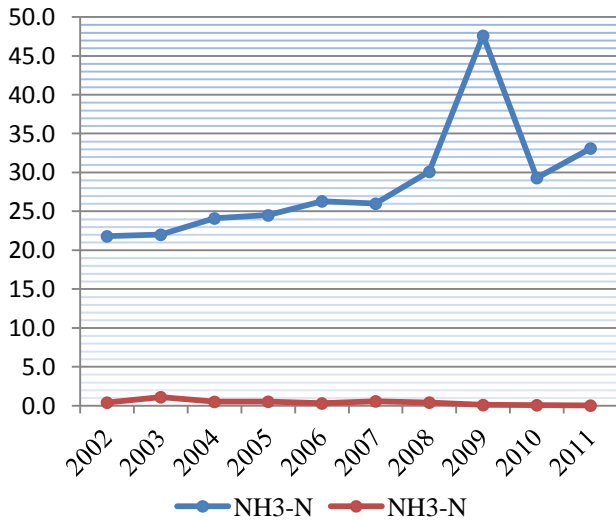
Carbonaceous Biochemical Oxygen Demand



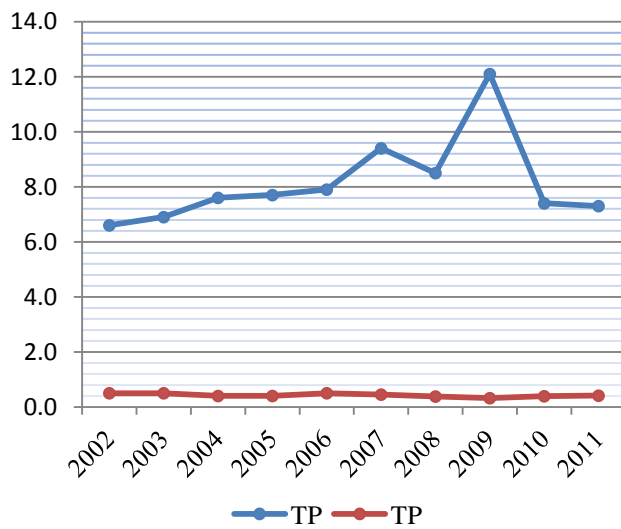
Total Suspended Solids (Milligrams per Liter)



Ammonia Nitrogen (Milligrams per Liter)



Total Phosphorus (Milligrams per Liter)



MISCELLANEOUS STATISTICAL DATA

**ORANGE WATER AND SEWER AUTHORITY
For the Fiscal Year Ended June 30, 2012**

Year Incorporated	1975
Size of Service Area:	
Square miles	31
Miles of Water Pipe (includes 16 miles of raw water and 3 miles of reclaimed water pipe)	411
Miles of Wastewater Collection Pipe (includes 13 miles of force main)	336
Customer Accounts	20,883
Full-time Equivalent Employees:	
Approved Positions	135.5
Budgeted Positions	130.5
Water Treatment Plant Capacity (millions of gallons per day (MGD)):	
Capacity	20.0
Production Average Day (July 2011 through February 2012)	6.9
Production Peak Day (July 2011 through February 2012)	7.7
Wastewater Treatment Plant Capacity (MGD):	
Capacity	14.5
Average Daily Flow (July 2011 through March 2012)	7.6
Number of Water Supply Resources	4
Total Capacity of Water Supply Resources (millions of gallons):	
Cane Creek Reservoir	3,000
University Lake	450
Quarry Reservoir	200
Jordan Lake Allocation (approximate MGD))	5 MGD

SERVICE AREA

General. OWASA provides water and sewer services to the residents, businesses and institutions in the Chapel Hill-Carrboro community and outlying areas. The term “service area” refers to the area presently being served and those proximate areas that may reasonably be served by extensions of the water and sewer system in the future (refer to back cover). The present service area lies almost wholly within Chapel Hill and Carrboro in Orange County; however, there are contiguous extensions of the water and sewer system into southwestern Durham County.

The developed portions of the service area are composed of the University of North Carolina at Chapel Hill (UNC) campus, UNC Hospitals, commercial downtown areas and shopping centers, and residential areas comprised of single family residences and apartment complexes. Most of the development in the service area to date has consisted of residential development, including single family residences, townhouses and condominiums and apartments, and related commercial development, including office buildings, shopping facilities, restaurants and motels. Industrial development in the service area is limited in extent and is generally light manufacturing in nature.

Relative Location and Features of the Service Area. The area served by OWASA’s water and sewer system is located predominantly within the southeastern portion of Orange County. Orange County is located in the north central part of the State. Originally formed in 1752, Orange County covers an area of approximately 400 square miles. There are four incorporated towns in Orange County. Hillsborough, the county seat, is located near the center of the County; Chapel Hill and Carrboro, adjoining communities which comprise the major urbanized area of Orange County, are located in the southeast corner of Orange County; and Mebane is located on the western boundary of Orange County. The remainder of Orange County is rural in nature and primarily agriculturally-oriented.

Located on a plateau approximately 500 feet above sea level, the Chapel Hill-Carrboro area is surrounded by gently rolling land. The climate is mild, with an average January temperature of approximately 41 degrees and an average temperature in July of approximately 79 degrees. The area receives an average of approximately 46 inches of rainfall per year.

The towns of Chapel Hill and Carrboro are located approximately 10 miles southwest of Durham and approximately 25 miles northwest of Raleigh. The regional transportation system connects the area with the major North Carolina population centers of Charlotte, Durham, Raleigh, Greensboro, Winston-Salem and Wilmington. U.S. and State Highways connect Chapel Hill-Carrboro with Durham, the Research Triangle Park (“RTP”), Raleigh and Raleigh-Durham International Airport. The region is served by Interstate 85 extending northeasterly from Durham to Petersburg, Virginia where it intersects Interstate 95, and southwesterly through Greensboro to Charlotte and Atlanta, Georgia. Interstate 40, which extends from Raleigh through Orange County, connects the region directly to both the Atlantic and Pacific coasts of the United States. Rail service is provided by a branch of the Norfolk-Southern Railroad which extends north from Carrboro to a connection with the railroad west of Durham. Amtrak passenger rail service is available in Durham. Commercial air service is provided by Raleigh-Durham International Airport, located 16 miles from Chapel Hill. The area is also served by Horace Williams Airport, which is owned and operated by UNC.

The Chapel Hill-Carrboro area comprises one portion of the metropolitan area which includes the City of Durham and the City of Raleigh and is commonly known as the “Research Triangle.” Major universities located in these communities include UNC, Duke University and North Carolina Central University in Durham and North Carolina State University in Raleigh. The proximity of these universities makes the RTP area suited for many types of academic research and advanced research-oriented industrial activities. There are numerous other colleges and universities in the area.

The dominant economic sectors in the Chapel Hill-Carrboro area are educational and medical services, including research activities, primarily through UNC and UNC Hospitals. The RTP, located 10 miles east of Chapel Hill, contains approximately 7,000 acres of land which has been reserved for research and research-oriented manufacturing. Since its inception in the 1950s, over 136 private and governmental organizations have located facilities in the RTP. According to the Research Triangle Foundation, the RTP represents a capital investment exceeding \$2.4 billion. The RTP is not served by OWASA; however, its impact on OWASA and the economy of the surrounding area is significant because of the companies and residents brought into the area directly and indirectly by the RTP.

Demographic Characteristics. The United States Department of Commerce, Bureau of the Census has recorded the populations of the Town of Chapel Hill, the Town of Carrboro and Orange County to be as follows:

<u>Year</u>	<u>Chapel Hill</u>	<u>Carrboro</u>	<u>Orange County</u>
1980	32,421	8,118	77,055
1990	38,711	12,134	93,622
2000	48,715	16,782	118,227
2010	57,233	19,891	132,951

The growth in population during this period reflects several factors, including the growth of student enrollment at UNC, increased economic activity in the area and the relocation of retirees attracted by the climate and amenities of the area.

Education. An important factor in the economy and growth characteristics of OWASA's service area and the immediately surrounding area is UNC. Fall enrollment at UNC is shown in the following table:

<u>Fall</u>	<u>UNC Enrollment</u>
2002	26,028
2003	26,359
2004	26,878
2005	27,276
2006	27,538
2007	28,136
2008	28,567
2009	28,916
2010	29,390
2011	29,137

UNC is among the most comprehensive educational institutions in the nation and belongs to the select group of research campuses that form the Association of American Universities. UNC offers 77 bachelor's, 109 master's, 66 doctorate and six professional degree programs through 14 schools and the College of Arts and Sciences, which are ranked among the top few in the nation.

Together, UNC's health-related schools form one of the nation's major academic medical centers. Among the specialized medical programs are the Health Services Research Center, the Hand Rehabilitation Center, the Child Development and Mental Retardation Institute and the North Carolina Jaycees Burn Center. The School of Government, Cancer Research, Environmental Studies, Urban Studies, Marine Sciences and Social Sciences conduct multi-disciplinary research and public service programs.

Employment. The North Carolina Employment Security Commission has estimated the percentage of unemployment in Orange County to be as follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
January	4.6%	4.1%	3.8%	3.2%	3.2%	3.4%	5.8%	7.1%	6.4%
February	4.2	3.8	3.9	3.6	3.3	3.6	6.5	7.1	6.3
March	4.2	3.8	3.5	3.1	3.0	3.2	6.1	6.8	6.1
April	4.2	3.8	3.7	3.0	2.9	3.2	6.0	6.4	5.9
May	4.3	4.1	3.8	3.3	3.1	4.0	6.9	6.5	6.2
June	5.0	4.5	4.4	3.8	3.7	4.5	7.3	6.9	7.3
July	4.7	4.1	4.4	3.9	3.6	4.8	7.4	6.9	7.2
August	4.4	3.9	4.1	3.6	3.3	4.3	7.2	6.7	7.5
September	4.0	3.0	3.2	3.0	3.0	4.0	6.6	5.9	6.8
October	4.0	3.4	3.3	3.0	3.1	4.0	6.5	5.7	6.2
November	4.2	3.9	3.6	3.2	3.1	4.7	6.6	6.0	5.8
December	3.7	3.6	3.2	2.9	3.0	4.4	6.6	5.9	6.1

UNC is the largest employer in Orange County. UNC Hospitals, a major medical research facility located adjacent to UNC, and Blue Cross and Blue Shield of North Carolina, both located in Chapel Hill, are the second and third largest employers, respectively. The following table lists the ten largest employers in Orange County:

<u>Company or Institution</u>	<u>Service or Product</u>	<u>Number of Employees</u>
UNC	University	16,217
UNC Healthcare System	Hospital	7,964
Chapel Hill/Carrboro City Schools	Education	2,138
Blue Cross Blue Shield	Health/Medical Insurer	1,239
Orange County Schools	Education	1,157
Orange County Government	Local Government	850
Town of Chapel Hill	Local Government	735
Eurosport	Trade	676
Harris Teeter, Inc.	Supermarket	489
PHE, Inc.	Catalog and Mail Order	316

Source: Orange County Economic Development Department (April 2012).

Retail Sales. Total retail sales in Orange County for the fiscal years ended June 30, 2001 through 2010 is shown in the following table:

<u>Fiscal Year</u>	<u>Total Retail Sales</u>	<u>Change from Previous Year</u>
2001	\$1,215,465,000	11.6%
2002	1,256,005,000	3.3
2003	1,353,834,000	7.8
2004	1,375,934,000	1.6
2005	1,436,799,000	4.4
2006	907,564,000	(36.8)
2007	948,303,000	4.5
2008	971,592,000	2.5
2009	926,654,000	(4.6)
2010	984,599,157	6.3

Source: Orange County Economic Development Department (April, 2012).

CHAPEL HILL STATISTICAL DATA

**Town of Chapel Hill
Property Tax Levies and Collections
Last 10 Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date			Outstanding Delinquent Taxes
		Amount	Percentage of Original Levy	Collections in Subsequent Years	Amount	Percentage of Adjusted Levy	
2002	20,417,001	20,271,201	99.29%	*	*	*	*
2003	23,067,472	22,919,205	99.36%	*	*	*	*
2004	23,775,375	23,653,530	99.49%	\$111,079	\$23,764,609	99.95%	*
2005	25,615,621	25,480,324	99.47%	110,800	25,591,124	99.90%	*
2006	27,718,753	27,578,410	99.49%	124,143	27,702,553	99.94%	*
2007	28,558,565	28,409,166	99.48%	111,769	28,520,935	99.87%	*
2008	30,412,485	30,240,782	99.44%	127,377	30,368,159	99.85%	157,547 (1)
2009	33,972,050	33,779,873	99.43%	139,190	33,918,874	99.84%	22,248
2010	35,119,150	34,836,717	99.20%	163,514	35,000,231	99.66%	45,463
2011	35,604,158	35,284,111	99.10%	-	35,284,111	99.10%	320,047

* Data not available. The Town contracts with the counties to maintain tax records and must rely on the information provided.

(1) Amount represents the cumulative delinquent taxes for years 2005 and prior.

CHAPEL HILL STATISTICAL DATA

**Town of Chapel Hill
Assessed Value and Actual Value of Taxable Property
Last 10 Fiscal Years**

Fiscal Year	Residential Property	Commercial Property	Combined Real Property	Personal Property	Public Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Assessed Value to Estimated Actual Value
					(3)		(4)	(5)	(6)
2002 (1,2)	*	*	3,556,294,528	403,959,196	60,873,428	4,021,127,152	0.504	4,459,990,186	90.16%
2003	*	*	3,688,289,625	415,023,471	63,868,306	4,167,181,402	0.553	4,725,767,070	88.18%
2004	*	*	3,791,842,402	455,906,761	57,587,809	4,305,336,972	0.553	5,139,473,525	83.77%
2005	*	*	3,918,233,860	482,128,300	57,774,008	4,458,136,168	0.575	4,664,298,146	95.58%
2006 (1)	\$3,956,681,069	\$783,355,893	4,740,036,962	498,524,879	60,840,533	5,299,402,374	0.522	5,905,284,571	89.74%
2007	3,640,445,489	1,249,997,134	4,890,442,623	520,961,320	61,554,945	5,472,958,888	0.522	6,582,822,815	83.14%
2008	3,825,506,198	1,313,540,280	5,139,046,478	460,567,284	60,142,623	5,659,756,385	0.522	6,807,501,064	83.14%
2009	3,945,477,182	1,354,733,971	5,300,211,153	471,708,077	63,678,158	5,835,597,388	0.581	5,896,329,583	98.97%
2010 (1)	4,855,643,567	1,667,252,143	6,522,895,710	455,030,840	67,647,776	7,045,574,326	0.494	7,141,991,207	98.65%
2011	5,133,443,183	1,762,638,471	6,896,081,654	452,486,487	62,491,249	7,411,059,390	0.494	7,477,610,120	99.11%

* The breakdown between residential and commercial property is not available for fiscal years prior to 2006.

- (1) Revaluation year.
- (2) Increase due to revaluation and the addition of \$200 million from a major annexation.
- (3) Public service companies' valuations are provided by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (4) Source is the North Carolina Department of Revenue final report of assessed valuations of NC Municipalities for the 2009/2010 fiscal year.
- (5) Per \$100 of value. Includes taxes for general fund, debt service fund and transportation fund.
- (6) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
- (7) Source is the Property Tax Division of the North Carolina Department of Revenue.

CHAPEL HILL STATISTICAL DATA

**Town of Chapel Hill
NC Demographic and Economic Statistics
Last 10 Fiscal Years**

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (3)	Median Age (3)	Education Level in Years of Schooling (4)	School Enrollment (4)	Unemployment Rate % (5)
2002	50,542	3,800,280	32,126	24.0	15.82	34,628	3.1
2003	51,005	3,877,363	33,125	24.2	15.82	37,012	4.0
2004	51,485	3,902,027	33,211	24.2	15.82	37,587	3.0
2005	51,519	4,122,336	37,121	24.2	15.82	38,308	4.0
2006	52,397	4,667,922	38,629	24.2	15.82	35,260	3.9
2007	53,416	5,060,894	41,435	24.2	15.82	38,718	2.9
2008	54,903	5,060,894	41,435	24.2	15.82	39,864	4.0
2009	55,616	5,450,187	43,844	24.2	15.82	40,316	5.8
2010	56,778	5,976,341	47,063	30.4	15.82	39,428	6.5
2011	57,233	6,186,352	47,925	30.4	15.82	41,139	6.1

- (1) Town of Chapel Hill Department of Planning, Office of State Budget and Management.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis. Data available for Orange County only. Most recent available census data.
- (3) U.S. Department of Commerce, most recent available census data.
- (4) Chapel Hill-Carrboro City Schools and The University of North Carolina at Chapel Hill.
- (5) N.C. Employment Security Commission, December 2011 data for Orange County.

FINANCIAL MANAGEMENT POLICY

ORANGE WATER AND SEWER AUTHORITY

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	$\leq 50\%$	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 $\leq 1.5\%$.	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. Donations made to the program 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.

Five-Year CIP*: 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.

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.
Capital Improvements Program 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 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 to include cost containment and / or efficiency opportunities that may impact the O&M and CIP budgets.
Financial Planning and Rate Review	April	Upon completion of CIP and O&M budgets, this information and other planning assumptions shall inform OWASA's 15-year financial plan. Staff will review the financial plan with the Board and recommend increases or decreases in rates.
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.

GLOSSARY

ACCRUAL BASIS OF ACCOUNTING – A basis of accounting under which increases and decreases in economic resources are recognized as soon as the underlying event or transaction occurs. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

ALLOCATE - To set apart portions of budgeted expenditures which are specifically designated for special purposes.

ANNUAL BUDGET - A budget covering a single fiscal year (July 1 - June 30).

APPROPRIATION - A legal authorization to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and the time it may be expended.

APPROPRIATION RESOLUTION - A resolution through which appropriations are given legal effect.

AUTHORITY – A public agency which performs a specified range of services that are usually financed from fees or service charges.

BALANCED BUDGET – A budget in which the sum of net revenues and appropriated fund balance is equal to appropriations.

BOND - A written promise to pay a specific amount of money with interest within a specific time period, usually long-term.

BUDGET - A financial plan containing projected expenditures and resources for a specified number of years.

BUDGET DOCUMENT - A formal document presented to the Board of Directors containing the organization's financial plan for a fiscal year. The budget document is divided into two major parts - the budget message and an operating budget. The operating budget section contains summaries of expenditures and resources. The budget document is presented in two phases, preliminary and final.

BUDGET MESSAGE – An overview of the proposed budget which discusses the major budget items and the organization's present and future financial condition.

BUDGETARY CONTROL - The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

CAPITAL IMPROVEMENT PROGRAM (CIP) - Capital projects that include construction, equipment purchases, major renovation of buildings, water and sewer lines, or other structures.

CAPITAL OUTLAYS - Expenditures budgeted to purchase or add to fixed assets with an estimated useful life greater than one year and costing \$5,000 or more.

CAPITAL PROJECT - A project expected to have a useful life of at least five years and an estimated total cost of \$10,000 or more. Capital projects include the construction, purchase, or major renovation of buildings, water and sewer lines, or other structures.

DEBT SERVICE - The payment of principal and interest on long-term debt.

DEBT SERVICE RATIO - A ratio that expresses the relationship of total net revenue to debt service.

DEFICIT - An excess of expenditures over revenues or expense over income.

ENTERPRISE FUND – An accounting entity for reporting financial activity where a fee is charged to external customers for goods and services. Reporting of activities through an enterprise fund is required when the reporting entity's debt is backed solely by fees, or if a legal or policy requirement exists to recover costs through fees.

FINANCIAL MANAGEMENT POLICY – A Board adopted policy document describing a comprehensive and systematic approach to strategic financial planning, related policy decisions, and measurements of financial performance.

FISCAL YEAR - A 12-month period (July 1 - June 30) to which the annual operating budget applies and at the end of which an assessment is made of the organization's financial condition and performance of its operations.

FUND - An accounting entity created to record the financial activity for a selected financial grouping. A fund is set up to carry out a special function or attain certain objectives in accordance with set laws and regulations.

FUND BALANCE - An amount of resources set aside within a fund to provide adequate cash flow and reserves.

FUND TYPE - Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types include; general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

GENERAL FUND - A fund which provides for the accounting of all financial resources except those designated to other funds.

GRANTS - A contribution or gift in cash or other assets from another government to be used for a specified purpose.

LONG TERM DEBT - Debt with a maturity of more than one year after the date of issuance.

MGD - Millions of gallons per day. Used in measuring volume of water and wastewater flow. One (1) mgd = 1.5 cubic feet per second.

MODIFIED ACCRUAL BASIS OF ACCOUNTING - A basis of accounting under which increases and decreases in financial resources are recognized only to the extent that they reflect near-term inflows and outflows of cash. Revenues are recognized only if available to finance expenditures during the accounting period, and expenses are recognized when due and paid.

NONOPERATING EXPENSES - Expenses which are not directly related to the organization's primary activities.

NPDES - National Pollution Discharge Elimination System. Regulations that protect effluent receiving water (e.g. Morgan Creek) for swimming and fishing by limiting the amount of oxygen-consuming pollutants, primarily carbon and nitrogen, which can be discharged into the stream.

PUMP STATION - Structure containing pumps and accessory piping, valves and other mechanical and electrical equipment for pumping water, wastewater or other liquids. A pump station used to pump wastewater from a sewer main of lower elevation to a sewer main of higher elevation.

PURCHASE AND SALE AGREEMENT - An agreement between the State of North Carolina on behalf of the University of North Carolina and the Orange Water and Sewer Authority that conveyed the water and wastewater treatment facilities previously owned by UNC to OWASA as of February 15, 1977. Similar and separate agreements were also executed with the Towns of Chapel Hill and Carrboro.

OPERATING BUDGET - A budget that applies to all outlays other than capital outlays.

OPERATING EXPENSE - Expenses which are directly related to the organization's primary activities.

PERFORMANCE MEASURES - A unit produced as a result of the activities carried out by a program (i.e., miles of pipe inspected, feet of water and sewer lines rehabilitated).

PROGRAM BUDGET - A plan whereby expenditures are budgeted by programs of work and grouped into specific service areas.

PROGRAM PERFORMANCE MEASURE - An indicator that reflects how effectively and efficiently a program is being carried out.

PROGRAM OBJECTIVE - A specific statement about what is to be accomplished or achieved (result) for a particular program during the fiscal year.

RECLAIMED WATER - wastewater that has gone through advanced treatment, such as occurs at OWASA's Mason Farm Wastewater Treatment Plant (WWTP), so that the water can be recycled back into the natural environment or used for allowable non-drinking purposes.

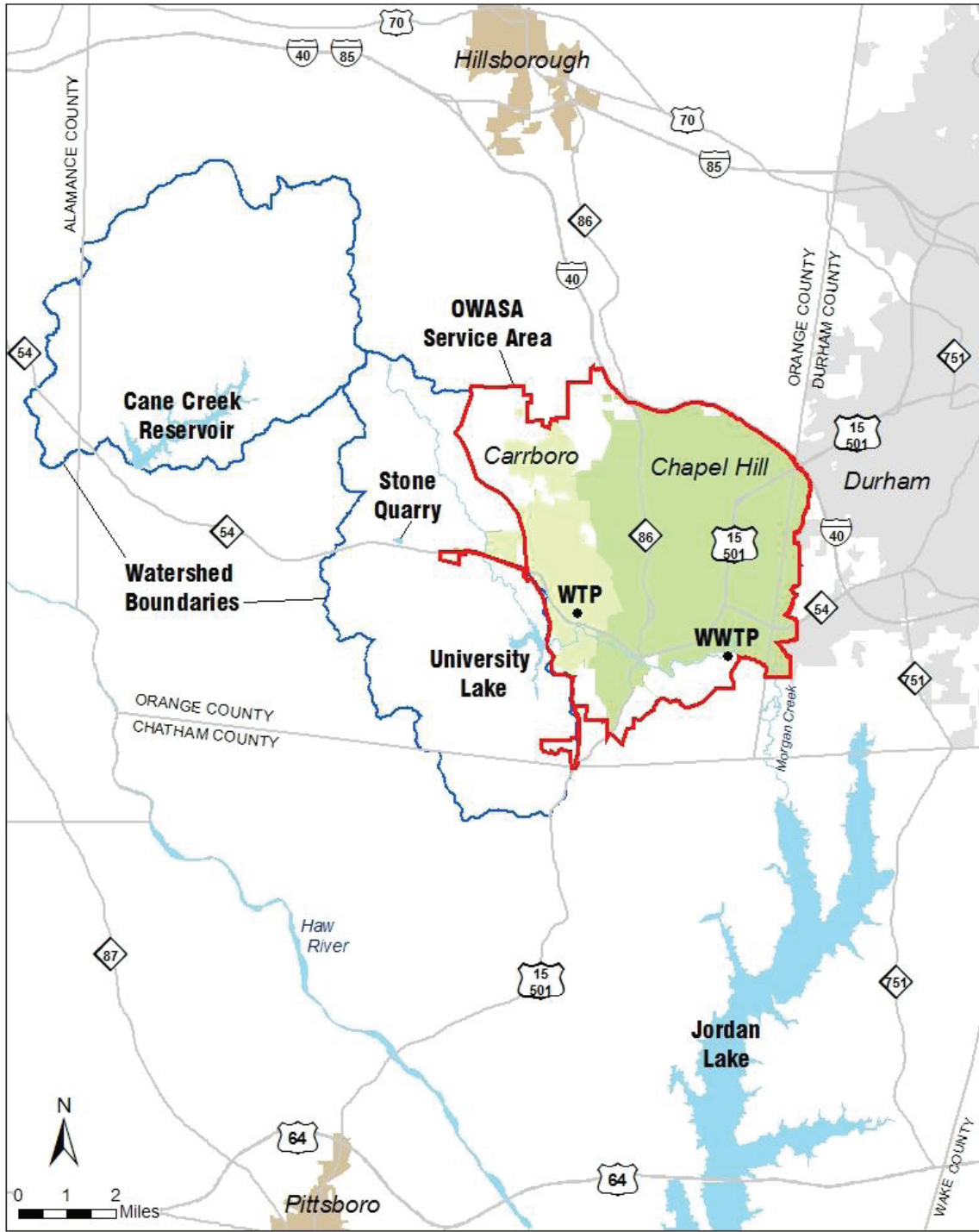
RESERVE - An account designated for a portion of the fund balance which is to be used for a specific purpose (i.e. maintenance reserve).

REVENUE BONDS – The primary method used by OWASA for long-term debt; they are repaid from user fees over the life of the assets. In general, these bonds have no claim on money derived from property taxes or special assessments.

REVENUES - Financial resources other than from bond issue proceeds.

SPECIAL ASSESSMENT - A levy on certain properties to defray part or all of the costs associated with improvements or services which will benefit those properties. For instance, a special assessment would be levied on property benefitting from the construction of water and sewer lines to serve a particular area.

SPECIAL REVENUE FUND - A fund used to account for the revenues from specific sources which are to be used for legally specified expenditures.



Orange Water and Sewer Authority

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