

# Annual Budget

Fiscal Year 2012

**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  
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PRESENTED TO

**Orange Water & Sewer Authority  
North Carolina**

For the Fiscal Year Beginning

**July 1, 2010**

President

Executive Director







**BUDGET MESSAGE**

**To the  
Board of Directors**

The Annual Budget for the fiscal year from July 1, 2011 through June 30, 2012 (FY 2012) 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*. While the Budget is drafted by staff, the Board of Directors determines the level of water, sewer and reclaimed water services that OWASA provides to the Carrboro-Chapel Hill urban area and the resources available for service operations and capital projects.

The primary drivers during the preparation of this budget include capital improvements project needs identified in a five-year Capital Improvements Program (CIP), forecasted water, reclaimed water and sewer demands, projected operating costs required to sustain service levels, debt obligations, and reserve funding.

Projected operating revenues reflect an average rate increase of 2% in monthly rates that will go into effect on October 1, 2011. The increase is significantly less than what was projected a year ago in the organization's long-term financial plan. The lower than expected rate increase was made possible by an uptick in customer potable water demand in fiscal year (FY) 2011 that is expected to decrease only slightly in FY 2012.

The operating and maintenance budget represents about a 3.5 percent increase over the FY 2011 appropriation. In spite of the increase, the FY 2012 operating budget is frugal; funding priority programs and services with few provisions for contingencies.

The budget consists of projected revenues and other receipts of \$37.7 million, capital project costs of \$9.9 million, operating and maintenance costs of \$19.1 million, debt service payments of \$8.8 million, and capital equipment purchases of \$600,000.

**Highlights of the  
Budget**

Key elements of this budget include:

- Increases of approximately 2% in monthly water and sewer bills. The additional revenue from the rate increase is projected to adequately fund capital projects related to service reliability, system capacity and regulatory requirements; ensure operating cost recovery, meet debt obligation payments and maintain OWASA's fiscal stability.
- 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 be \$7.90 per thousand gallons of water consumed during the warmer peak water demand months of May through September 2012. The water commodity charge for the cooler, lower demand months of October, 2011 through April, 2012 will be \$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 further promote water conservation by lessening the cost recovery burden on low volume water users and appropriately reallocating a portion of cost recovery to high volume customers.

	<u>Volume of Use In Gallons</u>	<u>Rate per 1,000 Gallons October, 2011</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 5,000 gallons of water per month, the rate adjustments will increase the average monthly water and sewer bill from \$81.87 to \$83.53, an increase of \$1.66.

- An annual operating budget of \$19.1 million, reflecting an increase of 3.5% over the FY 2011 budget. The FY 2012 budget includes funding for 127.5 personnel positions, down from 129 in FY 2011. The decrease in personnel was accomplished through attrition and was made possible by increased efficiencies from reorganization and process improvement.
- A merit increase of 2.5% of current-year salaries and wages. Merit increases for individual employees will be determined through OWASA's performance evaluation process. Merit increases typically take effect in November of each year.
- Capital improvement spending of \$9.9 million for FY 2012, as identified in the five-year CIP, remains unchanged from the previous year's projection for FY 2012 with the exception of roll-forward balances for projects not completed in FY 2011. The majority of capital spending is planned for water and sewer system rehabilitation and replacement projects.
- No new debt will be issued in FY 2012. All capital improvements will be funded through cash.

## **Strategic Planning**

Highlights of OWASA's strategic plan include:

- Secure financial stability and sustainability. Initiatives include:
  - Complete a comprehensive functional analysis to identify opportunities to reduce costs
  - Develop a comprehensive asset management plan
  - Implement a plan to increase stakeholder understanding the value and true cost of water
- Resource management and infrastructure sustainability
  - Develop and comprehensive asset management plan
  - Secure future access to OWASA's share of regional water source (Jordan Lake)
- Knowledge management and workforce sustainability
  - Implement improvements to compensation and employee development programs to attract and retain a diverse and high-performing team of employees
  - Develop succession plans for key positions
  - Complete development and field validation of infrastructure in the Geographic Information System
- Enhance customer satisfaction
  - Develop a plan to measure customer satisfaction
  - Maintain and improve OWASA's online presence

## **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* sets forth fundamental priorities for serving the community. These priorities address quality water and sewer services, environmental responsibility, customer service, 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 *Financial Management Policy*; a comprehensive and systematic approach 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 planning model that takes into account economic assumptions, growth trends, operating and capital project costs, desired ratio of net income to debt service, and anticipated demand. Assumptions used in the budget process include 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*.
- A budget calendar as developed under the requirements of our *Financial Management Policy*.

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 documents for submittal to the Board of Directors.

The Board of Directors adopted a *Preliminary Budget* on April 28, 2011 which is intended to satisfy statutory requirements for an interim budget, should a final budget not be adopted by July 1<sup>st</sup>. Public hearings on the proposed budget, CIP and rate adjustments were held at the OWASA Board of Directors' regular meeting on Thursday, May 26, 2011, and the budgets and rate adjustments were adopted by the Board on June 9, 2011.

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, but 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%, then 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 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* specifies a working capital reserve balance at least equal to the greater of four months of the annual Operations & Maintenance Budget or 20% of the total estimated cost of capital improvements projects identified for the succeeding three years.
  - Four months of estimated operating costs for FY 2012 equals \$6.4 million.
  - 20% of planned capital improvements for FY 2013 through FY 2015 equals \$7.4 million.
  - The General Fund ending balance for FY 2012 is projected to be \$15.9 million.
- The *Financial Management Policy* requires funding for a capital reserve fund and a rate/revenue stabilization reserve. The FY 2012 Budget provides funding of \$650,000 and the projected year-end balances for the capital reserve fund and rate/revenue stabilization reserve fund are \$1,200,000 and \$750,000, 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 2012 as no new debt will be issued during the year.

The debt service coverage ratio for FY 2012 is projected to be 2.12, and OWASA's comprehensive financial planning model indicates the following subsequent annual rate increases would be required in order to achieve a debt service coverage ratio of 2.00 in those years:

	<u>Projected Rate Increases</u>	
FY 2013	2% Water	2% Sewer
FY 2014	2% Water	2% 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**

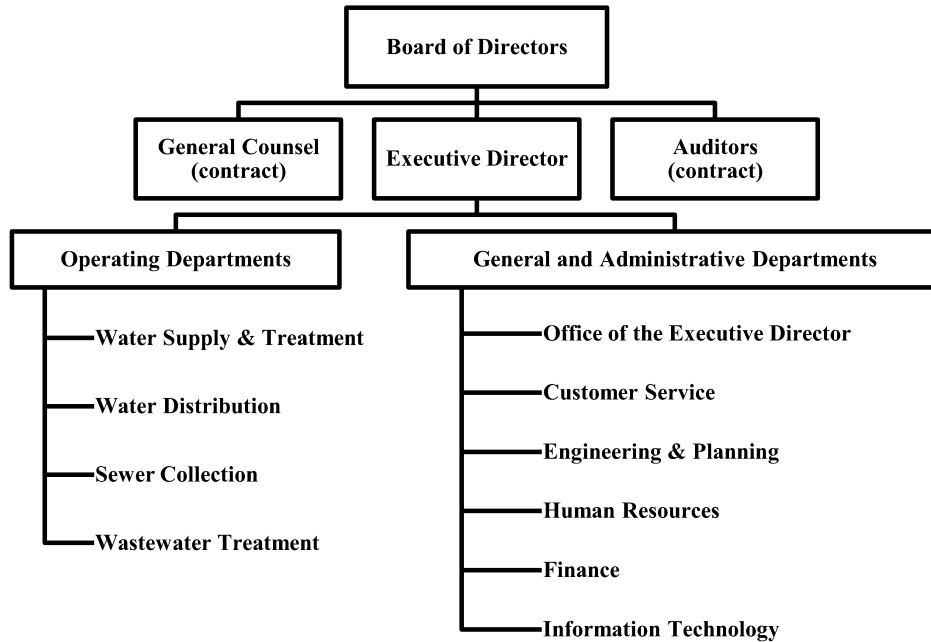
The following projections are based on historical and current year trends.

- FY 2012 projections for potable water demand and new connections are affected most significantly by the following three factors:
  - Potable water sales in FY 2012 is expected to be slightly less than FY 2011. The University will only modestly increase its use of reclaimed water (RCW) in chiller facilities and other non-potable requirements.
  - Estimated RCW use during FY 2012 is 0.83 million gallons per day (MGD).



- Staff expects average daily potable water demand in FY 2012 to be approximately 6.3 MGD. FY 2011 potable water demand was approximately 6.4 MGD.
- On the basis of local development trends and the weak general economy, we expect new service connection activity to remain flat. FY 2012 budget projections are based on the assumption that we will install 140 new meter equivalents for the year.
- A construction cost inflation rate of 5.0% is projected for FY 2012 and beyond.

**Organization  
Overview by Division**



**Staffing  
Summary**

The OWASA Board has authorized a total of 135.5 positions but only 127.5 are funded for FY 2012. Authorized staffing levels (full-time equivalents) are allocated by department as follows:

<u>Operating Departments</u>		<u>General &amp; Administrative Departments</u>	
Water Supply & Treatment	25	Office of the Executive Director	6
Water Distribution	32	Customer Service	6.5
Sewer Collections	15	Engineering & Planning	14
Wastewater Treatment	23	Human Resources	2.5
		Finance	7.5
		Information Technology	4

**Summarized Annual Operations and Maintenance Income and Expenses (Revenue Fund)**

Description	<u>Resources</u>	<u>Expenses</u>	<u>Balance</u>
<b>Total Operating Revenue</b>	\$36,770,189		
<b>Operating and Maintenance Expenses</b>			
Net Expenses, General and Administrative		\$5,931,654	
Net Expenses, Operations		<u>\$13,213,683</u>	
Net Total Operating Expenses		\$19,145,337	
<b>Net Operating Income</b>			\$17,624,852
Interest	\$35,900		
Availability Fees	\$911,004		
<b>Total Net Income</b>			\$18,571,756
<b>Total Debt Service</b>		\$8,775,944	
<b>Debt Coverage Ratio</b>			2.12

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

Description	<u>Resources</u>	<u>Expenses</u>	<u>Balance</u>
<b>General Fund Beginning Balance (7/1/11)</b>			\$16,543,769
Transfer From Revenue	\$9,795,812		
Funds Available for Expenditures			\$26,339,581
Total Estimated Capital Expenditures		(\$10,469,000)	
<b>General Fund Ending Balance (6/30/2012)</b>			<u>\$15,870,581</u>

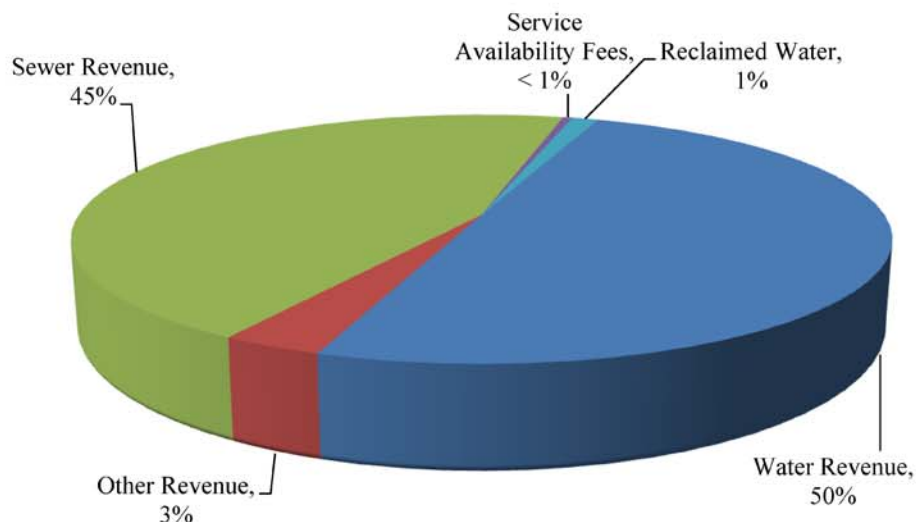
**Revenue Summary**

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 do we receive tax revenues from local governments. Ongoing water and sewer operations and capital improvements are financed almost entirely through customer fees and charges, with occasional grants from the state or federal governments. OWASA establishes rates sufficient to generate revenue to meet operating and maintenance 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 in the following order: 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 uniform 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 2012, 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 2012 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.

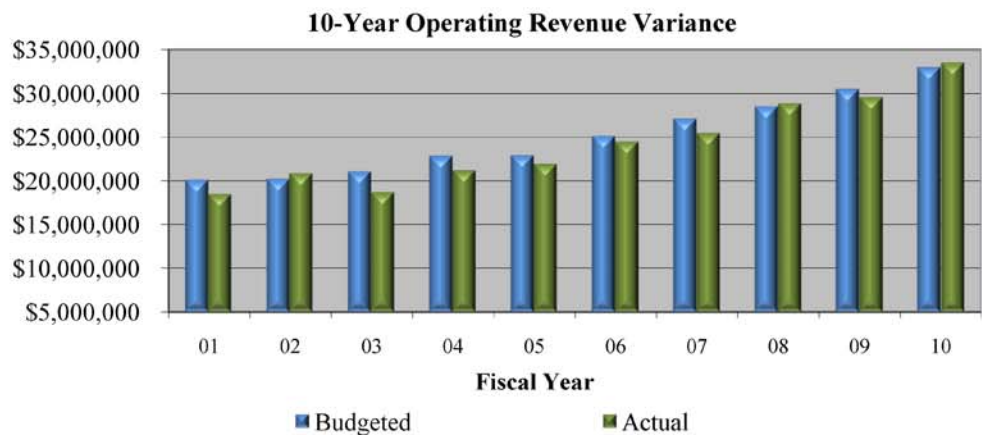
Fixed monthly Charge	Calculated to recover costs related to certain direct and indirect customer service efforts, meter and lateral maintenance, and capital costs associated with supplying potable and reclaimed water to, and collecting sewage from a customer's property. Charges are based on meter size.
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 Residential, Individually-metered, (3) Non-residential (including master-metered multifamily 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 into 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 using this assumption, combined with the historical number of accounts, and applying the various rates to these assumed demand levels. The growth projection for FY 2012 is approximately 140 “meter equivalent” residential units. Empirical data indicate little change in proportionate demand between our customer classes. However, over the last several years, weather patterns including two droughts, conservation water pricing and UNC’s use of reclaimed water produced a dramatic decrease in demand by all classes. Rate adjustments and revenue projections for FY 2012 assume slightly lower potable water demand than in FY 2011.

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, which is issued to spread out capital costs to future customers who will benefit from long-lived infrastructure improvements. OWASA uses a 15-year financial planning horizon to consider future needs in setting rates.

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

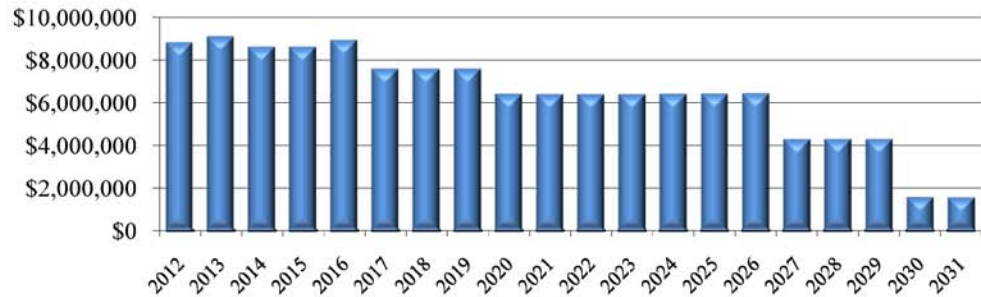


**Debt and Debt Policy**

Debt in the form of Revenue Bonds has been used to finance an average of 60% to 70% percent of OWASA's capital improvements. The remainder is funded with annual revenues, grants and fund balance.

Outstanding debt is \$94.7 million as of June 30, 2011. The debt outstanding for each bond issue is: Series 2001 - \$3.5 million, Series 2003 refunding issue - \$5.8 million, Series 2004A and 2004B - \$25.3 million, Series 2005 refunding bonds - \$17.9 million, and Series 2006 - \$20.6 million, and Series 2010 refunding bonds - \$21.6. Principal and interest payments will be approximate \$8.8 million in FY 2012. The graph of debt service payments below reflects future annual debt service for these outstanding issues.

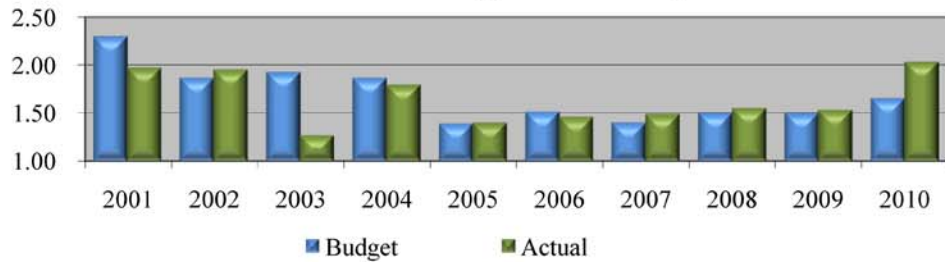
**Annual Debt Service (Existing Debt) FY 2012-2031**



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.

Because OWASA issues revenue bonds, there is no statutory limit on the amount of debt, but OWASA applies sound financial management principles in financing decisions. No new debt will be issued in FY 2012.

**10 Year Debt Service Coverage Ratio - Budget to Actual**



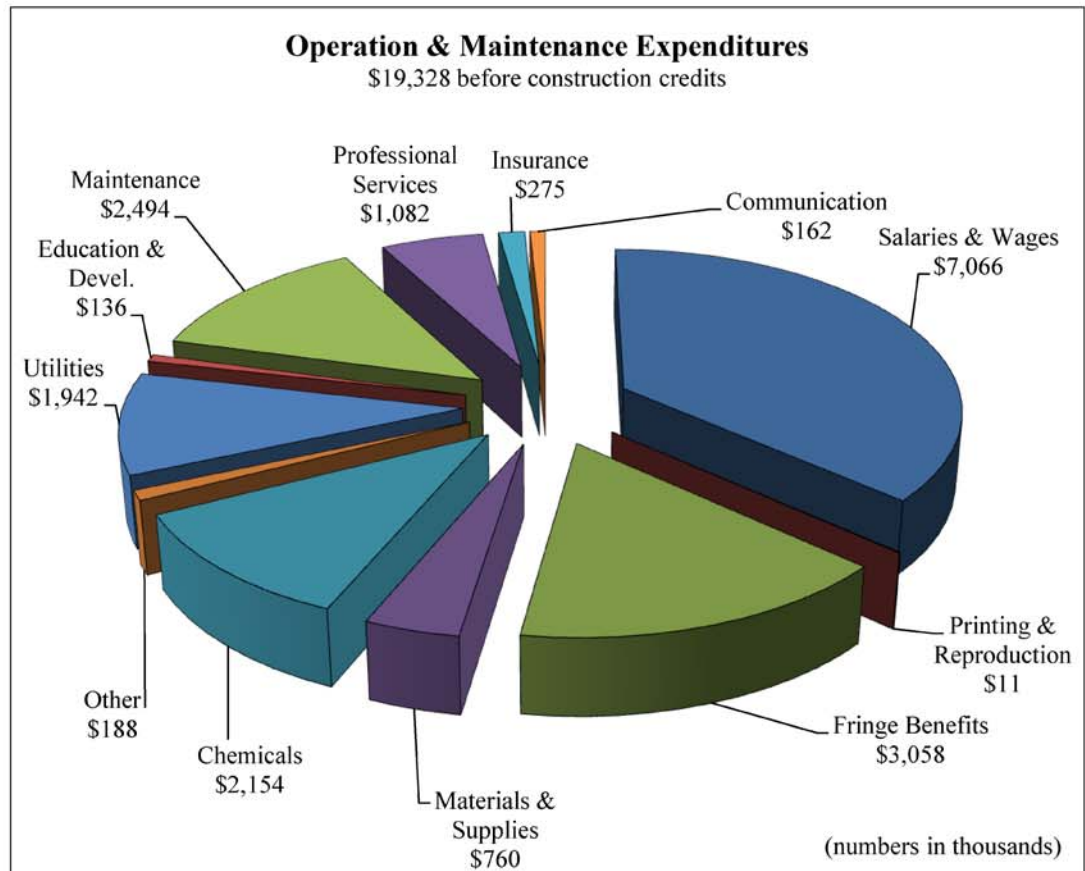


**Planned  
Operating and  
Maintenance  
Expenditures  
Summary**

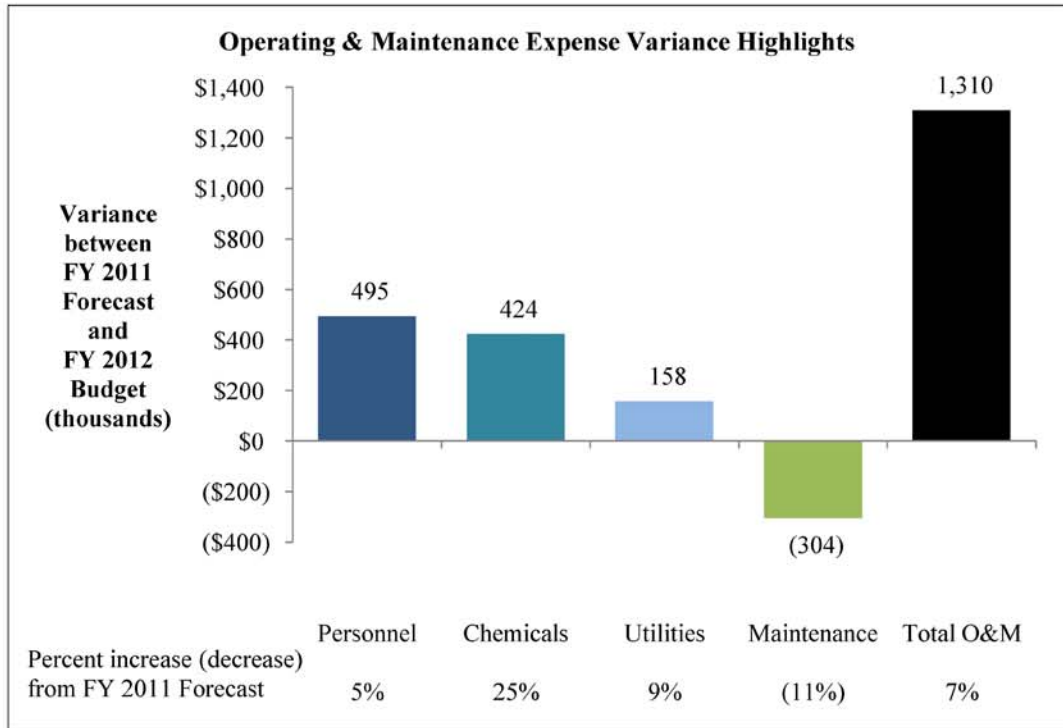
The chart below shows the planned operating and maintenance expenditures for FY 2012. The graph illustrates the relative proportions of the total costs by each category of expense.

**Orange Water and Sewer Authority  
Expenditure by Division/by Category  
Fiscal Year 2012**

	<b>General and Administrative</b>	<b>Operating Departments</b>	<b>Total FY 2012 Budget</b>
Salaries & Wages	\$2,867,240	\$4,198,888	\$7,066,128
Fringe Benefits	1,157,998	1,900,206	3,058,204
Materials & Supplies	205,049	554,999	760,048
Chemicals	-	2,154,447	2,154,447
Utilities	140,760	1,801,498	1,942,258
Maintenance	248,944	2,245,216	2,494,160
Professional Services	987,375	94,516	1,081,891
Insurance	40,000	235,000	275,000
Communication	144,630	17,290	161,920
Printing & Reproduction	9,175	1,800	10,975
Education & Development	74,620	61,005	135,625
Other	136,211	51,043	187,254
<b>Total</b>	<b><u>\$6,012,003</u></b>	<b><u>\$13,315,908</u></b>	<b><u>\$19,327,911</u></b>
Construction Credits	(80,349)	(102,225)	(182,574)
<b>Total After Construction Credits</b>	<b><u>\$5,931,654</u></b>	<b><u>\$13,213,683</u></b>	<b><u>\$19,145,337</u></b>



The chart below highlights Operating & Maintenance Expenses that represent some of the more significant variances from the FY 2011 forecast.



Personnel

The budget for Personnel costs, which includes fringes, taxes, etc, is approximately 5% higher than the amount forecasted for FY 2011. The FY 2012 budget includes funding for two positions that were not funded in the prior year. Additionally, FY 2011 expenses were lower than expected due to extended vacancies in several positions.

Chemicals

The FY 2012 budget anticipates an overall increase in the cost for chemicals of 15%.

Utilities

We are expecting an increase in energy costs of approximately 7%.

Maintenance

Maintenance costs for FY 2011 were greater than expected. While the budget represents a decrease from the FY 2011 forecast, the amount budgeted is what we expect to incur in FY 2012 and is in-line with historical levels.

Total Operating & Maintenance

The budget for total Operating and Maintenance expenses is approximately 7% greater than the FY 2011 forecast and 4% greater than the FY 2011 budget.



**Capital Equipment Summary**

Each year OWASA replaces capital equipment items that have exceeded their useful lives and purchases equipment to meet operational needs. Purchases planned for FY 2012 are listed below.

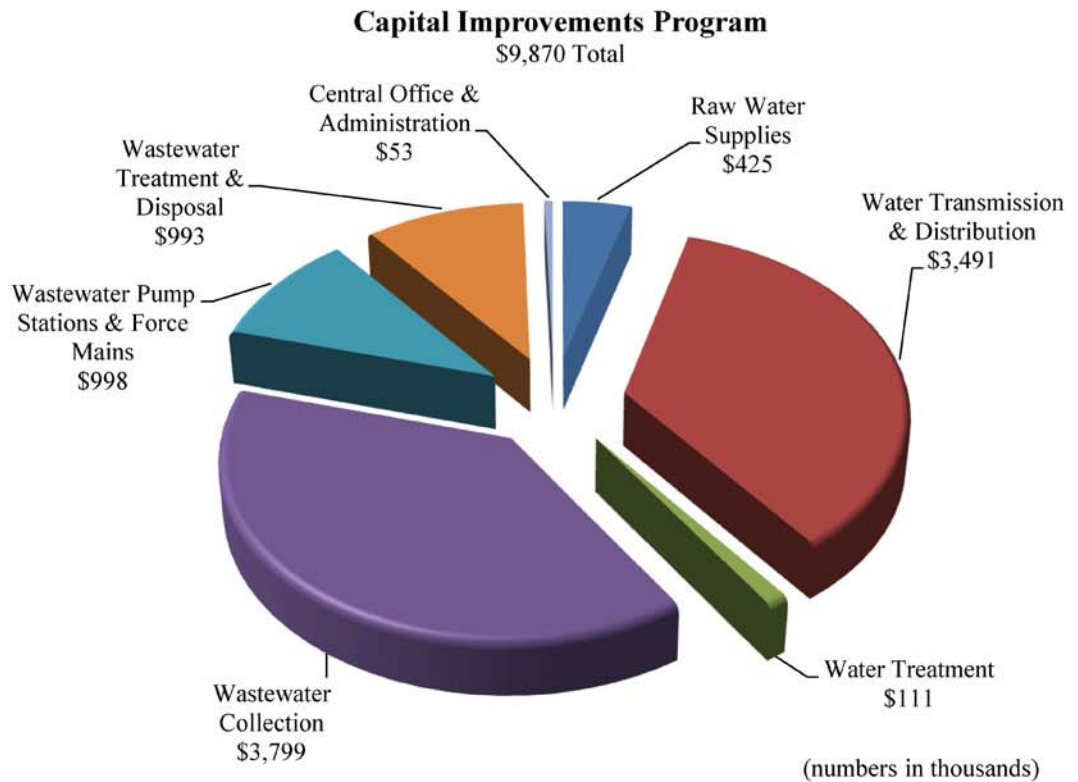
**Capital Equipment Summary**

Pipe inspection camera system	\$100,000
Two pickup trucks	50,000
Trackhoe excavator	150,000
Generator	175,000
Total organic carbon analyzer	35,000
Servers and software licenses	45,000
Other	<u>45,000</u>
 Total	 \$600,000

**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 2012, capital improvement projects total \$9.9 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.

Specific challenges include:

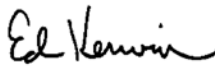
1. Potable water sales in FY 2012 are expected to be 6.3 MGD versus approximately 6.4 MGD for FY 2011. UNC's use of reclaimed water (RCW) to meet certain non-potable needs on the campus is expected to be 0.83 MGD.
2. New construction and system growth and the related revenue are expected to remain well below historical levels.
3. The existing seasonal and increasing block rate fee structures will remain in place for FY 2012. We have seen an average decline in demand of about four percent since the inception of the block rate structure and an overall total demand reduction of 13% since the seasonal structure was put into place.
4. The draft CIP for FY 2012 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 extremely volatile. Chemical costs fluctuated dramatically in recent years and the market shows signs that prices could rise again. Energy price volatility is also a major concern, and further increases could substantially impact our financial performance.
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 contribution to the Local Government Employees Retirement System has increased from 6.35% to 6.88% for FY 2012 and further increases are expected in future years.

**Conclusion**

The financial management objectives set forth in OWASA's *Financial Management Policy* help the organization 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.

We believe the FY 2012 Budget reflects the OWASA Board of Directors' guidance and priorities, is responsive to community needs and meets OWASA's contractual responsibilities and regulatory requirements.

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.



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Ed Kerwin  
Executive Director



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Stephen Winters, CPA  
Director of Finance and Customer Service





**SECTION I**

**ORANGE WATER AND SEWER AUTHORITY OVERVIEW**

Orange Water and Sewer Authority Board of Directors Mission Statement ..... 1

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## 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 6/30/12

**MEMBERS**

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

Joyce C. Preslar  
9417 Bethel-Hickory Grove Church Road  
Chapel Hill, NC 27516  
Appointed by Orange County; Term Expires 6/30/11

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  
304 Simerville 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  
Damon Forney, Wastewater Treatment and Biosolids Recycling Manager  
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  
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 2012**

OWASA's budget process is an interaction between the staff and the Board of Directors that starts in the fall of each year. Many key elements are prescribed in the *Financial Management Policy*. All major milestones are published in a budget calendar that is updated as required. The operating and maintenance budget and the capital improvements program are prepared in parallel processes 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 as such, uses the *accrual method* for financial reporting. The annual budget, however, is prepared using the *modified accrual method*. The primary differences between application of the full accrual basis and the use of the modified accrual basis for budgeting are illustrated below.

<b>Transaction type</b>	<b>Financial Reporting (Accrual)</b>	<b>Budgetary (Modified Accrual)</b>
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 departmental preparation of line-item budget requests and includes detailed estimates for any new initiatives or cost reduction strategies. Concurrently, the *Capital Improvements Program* is developed and revised. A 15-year Financial Planning Model is used to evaluate 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 2012 Budget Calendar**

December 6, 2010	Departments begin preparation of line-item budget and capital equipment requests and departmental budget narratives.
December 9, 2010	Board of Directors Meeting – presentation of draft <i>Strategic Issues and Policies</i> and <i>Financial Planning Assumptions and Background Information Document</i> , and presentation of draft <i>Budget Calendar for FY 2012</i> .
December 31, 2010	Departments submit capital equipment requests, budget narratives and departmental operating and maintenance budget bequests to the Budget Officer.
January 24 – 28, 2011	Departmental budget request and cost containment review with the Executive Director, Director of Finance and Customer Service and Budget Officer.
January 27, 2011	Finance Committee – review 2 <sup>nd</sup> quarter financial report and discussion of strategic issues, planning assumptions and budget process calendar.
January 27, 2011	Board of Directors Meeting – presentation of 2 <sup>nd</sup> quarter financial report and report by Finance Committee on refinement of strategic issues, planning assumptions and budget process calendar.
February 24, 2011	Finance Committee – discussion of <i>Draft Preliminary Annual Budget</i> and staff recommendation of rate adjustment.
March 24, 2011	Board of Directors and Finance Committee Meetings – discussion of <i>Draft Preliminary Annual Budget</i> and staff recommendation of rate adjustment.
April 22, 2011	Delivery of the <i>Preliminary Annual Budget</i> to the Board of Directors.
April 28, 2011	Board of Directors Meeting – adoption of the <i>Preliminary Annual Budget</i> .
May 6, 2011	Delivery of the <i>First Draft Annual Budget</i> and <i>Draft Schedule of Rates, Fees and Charges</i> to the Board of Directors.

May 12, 2011	Board of Directors Meeting – presentation of the <i>First Draft Annual Budget</i> and <i>Draft Schedule of Rates, Fees and Charges</i> .
May 26, 2011	Board of Directors Meeting – Public Hearing on the <i>Draft Annual Budget</i> , the <i>Capital Improvements Program</i> and Public Hearing on the proposed adjustments to rates, fees, and charges.
June 3, 2011	Delivery of <i>Annual Budget</i> to the Board of Directors.
June 9, 2011	Board of Directors Meeting – adoption of <i>FY 2012 Annual Budget</i> and adoption of <i>Schedule of Rates, Fees and Other Charges</i> .
June 30, 2011 (On or About)	Distribution of <i>FY 2012 Annual Budget</i> .

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**STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE (OPERATING)**

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>FY 2011 Projected</b>	<b>FY 2011 Projected to FY 2011 Budget</b>	<b>FY 2012 Budget</b>	<b>FY 2012 Budget to FY 2011 Projected</b>
<b>Operating Revenue</b>						
Water	\$16,943,596	\$16,915,376	\$18,601,566	9.97%	\$18,326,317	-1.48%
Sewer	14,848,339	15,842,236	16,191,606	2.21%	16,587,023	2.44%
Reclaimed Water	361,913	365,697	409,480	11.97%	450,962	10.13%
Service Initiation Fee	148,750	143,183	172,887	20.75%	164,660	0.00%
Other	1,383,081	1,274,000	1,427,415	12.04%	1,483,587	3.94%
Refunds and Adjustments	<u>(126,907)</u>	<u>(131,039)</u>	<u>(206,438)</u>	57.54%	<u>(242,360)</u>	17.40%
<b>Total Operating Revenue</b>	<u>33,558,772</u>	<u>34,409,453</u>	<u>36,596,516</u>	6.36%	<u>36,770,189</u>	0.47%
<b>Operating Expense</b>						
General and Administrative Operations	4,700,530	5,544,931	5,281,806	-4.75%	5,931,654	12.30%
	<u>11,948,910</u>	<u>13,009,706</u>	<u>12,552,991</u>	-3.51%	<u>13,213,683</u>	5.26%
<b>Total Operating Expense</b>	<u>16,649,441</u>	<u>18,554,637</u>	<u>17,834,797</u>	-3.88%	<u>19,145,337</u>	7.35%
<b>Net Operating Income</b>	16,909,331	15,854,816	18,761,719	18.33%	17,624,852	-6.06%
<b>Non-operating Revenue</b>						
Customer Fees	1,436,564	723,179	1,280,000	77.00%	911,004	-28.83%
Interest	29,169	45,294	29,628	-34.59%	35,900	21.17%
Loss on sale of assets	<u>-</u>	<u>-</u>	<u>(1,539,840)</u>		<u>-</u>	
<b>Total Net Income</b>	<u>18,375,064</u>	<u>16,623,289</u>	<u>18,531,507</u>	11.48%	<u>18,571,756</u>	0.22%
<b>Debt Service</b>						
Existing	8,639,234	9,680,213	8,987,607	-7.15%	8,775,944	-2.36%
New	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	
<b>Total Debt Service</b>	<u>8,639,234</u>	<u>9,680,213</u>	<u>8,987,607</u>	-7.15%	<u>8,775,944</u>	-2.36%
<b>Net Income Less Debt Service</b>	<u>\$9,735,830</u>	<u>\$6,943,076</u>	<u>\$9,543,900</u>	37.46%	<u>\$9,795,812</u>	2.64%
<b>Debt Coverage Ratio</b>	2.13	1.72	2.06		2.12	

This income statement discloses the source and application of revenues and matches OWASA's fund structure. It reflects the adequacy of operating revenues to meet the cost of day-to-day operations and, with the inclusion of nonoperating income as defined in the master bond indenture, to satisfy debt service requirements. As presented in the Statement of Income and Expense (Capital/Non-Operating), excess revenues are then available for transfer to the General Fund, the established funding mechanism for all capital expenditures.

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

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>FY 2011 Projected</b>	<b>FY 2011 Projected to FY 2011 Budget</b>	<b>FY 2012 Budget</b>	<b>FY 2012 Budget to FY 2011 Projected</b>
General Fund						
Resources						
Transfer From Revenue	\$9,735,830	\$6,943,076	\$9,543,900	37.46%	\$9,795,812	2.64%
Assessments	-	-	-		-	0.00%
Grants and Contributions	101,451	-	-		-	0.00%
Annual Income Available for Capital	9,837,281	6,943,076	9,543,900	37.46%	9,795,812	2.64%
Transfer from Construction Fund (Bond Proceeds)	-	-	-	0.00%	-	0.00%
Total Available for Capital	9,837,281	6,943,076	9,543,900	37.46%	9,795,812	2.64%
Capital Expenditures						
Project Ordinances						
General Fund Contribution	2,708,765	9,777,000	8,027,000	-17.90%	9,869,000	22.95%
Funded by Bond Proceeds	-	-	-	0.00%	-	0.00%
Total Project Resolutions	2,708,765	9,777,000	8,027,000	-17.90%	9,869,000	22.95%
Capital Equipment	41,549	76,900	76,900	0.00%	600,000	680.23%
Total Capital Outlay	2,750,314	9,853,900	8,103,900	-17.76%	10,469,000	29.18%
Annual General Fund Balance	\$7,086,967	(\$2,910,824)	\$1,440,000	-149.47%	(\$673,188)	-146.75%
General Fund Beginning Balance	\$8,016,802	\$12,801,895	\$15,103,769	17.98%	\$16,543,769	9.53%
General Fund Ending Balance	15,103,769	9,891,071	16,543,769	67.26%	15,870,581	-4.07%
Project Funding	8,903,956	2,391,523	9,298,837	288.82%	6,534,581	-29.73%
Reserves						
Rate Stabilization	250,000	500,000	500,000	0.00%	750,000	50.00%
CIP	400,000	800,000	800,000	0.00%	1,200,000	50.00%
Operating Balance	5,549,813	6,199,548	5,944,932	-4.11%	7,386,000	24.24%
<b>Unallocated General Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	

**FUND BALANCE STATEMENTS**

**CONSOLIDATED SUMMARY - INTRAGOVERNMENTAL SERVICE FUNDS**

	<b>Beginning Balance</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Ending Balance</b>	<b>Change in Balance</b>
Revenue Fund	-	\$37,717,093	(\$37,717,093)	-	-
Bond Service Fund	7,572,691	8,775,944	(9,560,663)	6,787,972	(784,719)
General Fund	<u>16,543,769</u>	<u>9,820,583</u>	<u>(10,493,771)</u>	<u>15,870,581</u>	<u>(673,188)</u>
Total	<u>\$24,116,460</u>	<u>\$56,313,620</u>	<u>(\$57,771,527)</u>	<u>\$22,658,553</u>	<u>(\$1,457,907)</u>

**OWASA's Fund Accounting Structure**

The Budget Ordinance reflects inflows and outflows of economic resources that ultimately 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. These 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.

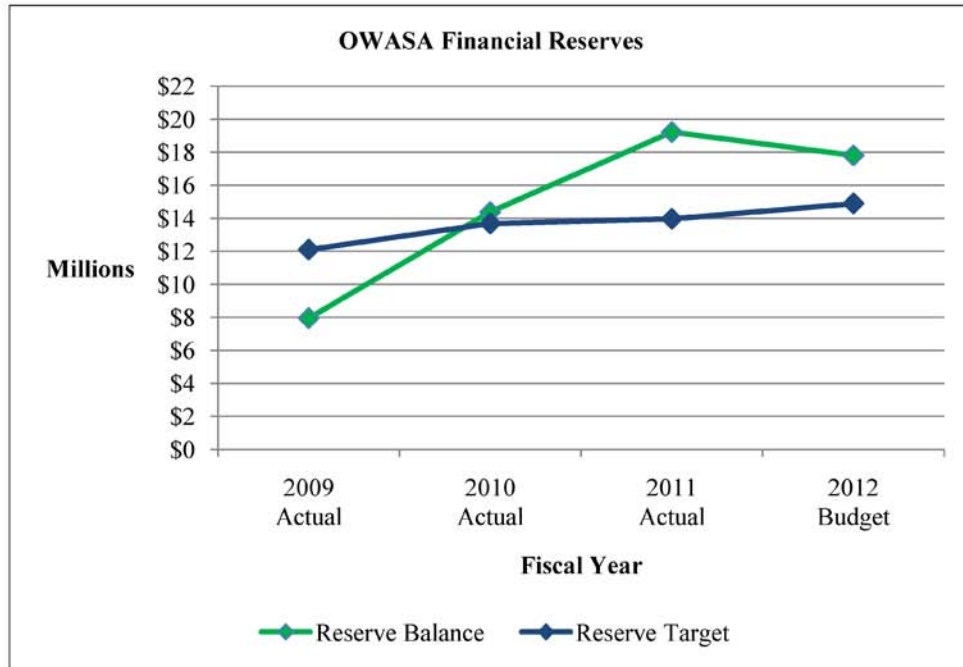
The Bond Service Fund is established by the Amended and Restated Bond Order, Series 2001 and serves as the mechanism for repaying the current portion of long-term debt. The Bond Order requires that the total of any principal and interest payments on long-term debt be transferred to the Bond Service Fund 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, and is expected to decrease by about \$780,000 resulting from the refinancing of certain outstanding debt and revised assumptions concerning the cost of variable rate interest bonds.

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 \$670,000 as a result of an increase in spending for capital equipment in FY 2012.



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



The Capital Improvements Reserve Fund and the Rate/Revenue Stabilization Fund were established during FY 2009.

**FUND BALANCE STATEMENTS**

**REVENUE FUND**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Fund Balance July 1, 2011</b>			-
<b>Receipts</b>			
<b>Operating Revenue</b>			
Customer Billings	\$18,326,317	\$16,587,023	\$34,913,340
Reclaimed Water	450,962	-	450,962
Service Initiation Fee	82,330	82,330	164,660
Other	741,794	741,794	1,483,587
Refunds and Adjustments	(121,180)	(121,180)	(242,360)
<b>Total Operating Revenue</b>	19,480,223	17,289,967	36,770,189
<b>Non-operating Revenue</b>			
Customer Fees	455,502	455,502	911,004
Interest Income	17,950	17,950	35,900
<b>Total Non-operating Revenue</b>	473,452	473,452	946,904
<b>Total Receipts</b>	19,498,173	17,307,917	37,717,093
<b>Expenditures</b>			
Current Expense	(9,955,575)	(9,189,762)	(19,145,337)
Debt Service	(7,722,831)	(1,053,113)	(8,775,944)
<b>Total Expenditures</b>	(17,678,406)	(10,242,875)	(27,921,281)
<b>Net Revenue</b>			9,795,812
<b>To General Fund</b>			(9,795,812)
<b>Fund Balance June 30, 2012</b>			-
<b>Change in Available Balance</b>			-

**FUND BALANCE STATEMENTS**

**BOND SERVICE FUND**

<b>Fund Balance July 1, 2011</b>		\$7,572,691
<b>Receipts</b>		
Transfers from Revenue Fund	8,764,815	
Interest	<u>11,129</u>	
<b>Total Receipts</b>		8,775,944
<b>Expenditures</b>		
Debt Service	9,560,663	
<b>Total Expenditures</b>		<u>(9,560,663)</u>
<b>Fund Balance June 30, 2012</b>		<u><u>\$6,787,972</u></u>
<b>Change in Available Balance</b>		\$784,719

This Fund is expected to decrease by about \$780,000 resulting from the refinancing of certain outstanding debt and revised assumptions concerning the cost of variable rate interest bonds.

**FUND BALANCE STATEMENTS**

**GENERAL FUND**

<b>Fund Balance July 1, 2011</b>		\$16,543,769
<b>Receipts</b>		
Transfer From Revenue fund	9,795,812	
Transfer From Construction Fund (Bond Proceeds)	-	
Interest	24,771	
Assessments	-	
Grants and contributions	-	
	<hr/>	
<b>Total Receipts</b>		<hr/> 9,820,583
<b>Total Balance Before Expenditures</b>		26,364,352
<b>Expenditures</b>		
Capital Equipment/Leases	600,000	
Project Resolutions	9,869,000	
Transfer to Revenue Fund	24,771	
	<hr/>	
<b>Total Expenditures</b>		<hr/> (10,493,771)
<b>Fund Balance June 30, 2012</b>		<hr/> <hr/> \$15,870,581
<b>Allocation of Fund Balance June 30, 2012</b>		
Project Funding	6,534,581	
Capital Reserves	9,336,000	
	<hr/>	
<b>Total Allocation</b>		<hr/> <hr/> \$15,870,581
<b>Unallocated General Fund Balance June 30, 2012</b>		<hr/> <hr/> -
<b>Change in Available Balance</b>		(\$673,188)

The Fund is projected to decrease by \$673,188 as a result of an increase in spending for capital equipment in FY 2012.



**PLANNED EXPENDITURES OVERVIEW**

**EXPENDITURES BY CATEGORY  
FISCAL YEAR 2012**

<b>Category</b>	<b>FY 10 Actual</b>	<b>FY11 Budget</b>	<b>FY11 Forecast</b>	<b>FY11 Forecast to FY11 Budget Variance Fav (Unfav)</b>	<b>FY12 Budget</b>	<b>FY12 Budget to FY11 Forecast Variance Increase (Decrease)</b>
Personnel	\$9,141,958	\$9,849,772	\$9,628,979	2.2%	\$10,124,332	5.1%
Chemicals	1,940,321	2,617,444	1,730,327	33.9%	2,154,447	24.5%
Materials & Supplies	534,880	584,097	581,397	0.5%	760,048	30.7%
Utilities	1,854,043	2,016,717	1,784,699	11.5%	1,942,258	8.8%
Maintenance	2,171,532	2,160,884	2,797,918	-29.5%	2,494,160	-10.9%
Professional Services	631,597	860,224	817,832	4.9%	1,081,891	32.3%
Insurance	292,246	281,954	219,305	22.2%	275,000	25.4%
Communication	120,927	173,790	164,195	5.5%	161,920	-1.4%
Printing & Reproduction	5,657	10,625	5,919	44.3%	10,975	85.4%
Education & Development	77,614	115,435	101,015	12.5%	135,625	34.3%
Other	151,086	184,815	150,632	18.5%	187,254	24.3%
<b>Total</b>	<b>16,921,861</b>	<b>18,855,757</b>	<b>17,982,218</b>	<b>4.6%</b>	<b>19,327,911</b>	<b>7.5%</b>
Construction Credits	(272,420)	(261,120)	(147,421)	43.5%	(182,574)	23.8%
<b>Net Expense</b>	<b>\$16,649,441</b>	<b>\$18,594,637</b>	<b>\$17,834,797</b>	<b>4%</b>	<b>\$19,145,337</b>	<b>7.3%</b>

**EXPENDITURES BY DIVISION  
FISCAL YEAR 2012**

	<b>General and Administrative</b>	<b>Operating Departments</b>	<b>Total FY 2012 Budget</b>
Personnel	\$4,025,239	\$6,099,094	\$10,124,332
Chemicals	-	2,154,447	2,154,447
Materials & Supplies	205,049	554,999	760,048
Utilities	140,760	1,801,498	1,942,258
Maintenance	248,944	2,245,216	2,494,160
Professional Services	987,375	94,516	1,081,891
Insurance	40,000	235,000	275,000
Communication	144,630	17,290	161,920
Printing & Reproduction	9,175	1,800	10,975
Education & Development	74,620	61,005	135,625
Other	136,211	51,043	187,254
<b>Total</b>	<b>6,012,003</b>	<b>13,315,908</b>	<b>19,327,911</b>
Construction Credits	(80,349)	(102,225)	(182,574)
<b>Net Expense</b>	<b>\$5,931,654</b>	<b>\$13,213,683</b>	<b>\$19,145,337</b>

**PLANNED EXPENDITURES OVERVIEW**

**GENERAL AND ADMINISTRATIVE  
FISCAL YEAR 2012**

<b>Category</b>	<b>FY 10 Actual</b>	<b>FY11 Budget</b>	<b>FY11 Forecast</b>	<b>FY11 Forecast to FY11 Budget Variance Fav (Unfav)</b>	<b>FY12 Budget</b>	<b>FY12 Budget to FY11 Forecast Variance Increase (Decrease)</b>
<b>Executive Director</b>						
Personnel Costs	\$719,800	\$835,078	\$787,627	5.7%	\$809,096	2.7%
Operating Expenditures	360,241	386,043	334,478	13.4%	442,920	32.4%
Total Expenditures	1,080,041	1,221,120	1,122,105	8.1%	1,252,016	11.6%
<b>Customer Service</b>						
Personnel Costs	381,793	409,467	400,633	2.2%	391,221	-2.3%
Operating Expenditures	158,790	211,855	163,000	23.1%	203,985	25.1%
Total Expenditures	540,582	621,322	563,633	9.3%	595,206	5.6%
<b>Engineering</b>						
Personnel Costs	1,124,404	1,180,436	1,178,731	0.1%	1,319,490	11.9%
Operating Expenditures	55,350	95,270	94,446	0.9%	95,062	0.7%
Total Expenditures	1,179,754	1,275,706	1,273,176	0.2%	1,414,552	11.1%
<b>Human Resources</b>						
Personnel Costs	358,095	424,389	362,029	14.7%	415,032	14.6%
Operating Expenditures	47,622	62,118	65,644	-5.7%	173,107	163.7%
Total Expenditures	405,717	486,507	427,673	12.1%	588,139	37.5%
<b>Finance</b>						
Personnel Costs	638,945	799,160	643,717	19.5%	702,522	9.1%
Operating Expenditures	284,742	418,995	447,273	-6.7%	417,125	-6.7%
Total Expenditures	923,687	1,218,155	1,090,989	10.4%	1,119,647	2.6%
<b>Information Technology</b>						
Personnel Costs	335,681	377,782	372,531	1.4%	387,878	4.1%
Operating Expenditures	387,196	461,190	452,411	1.9%	654,565	44.7%
Total Expenditures	722,877	838,972	824,942	1.7%	1,042,443	26.4%
<b>Total G&amp;A</b>	4,852,658	5,661,783	5,302,518	6.3%	6,012,003	13.4%
Construction Credit	(152,128)	(116,852)	(20,712)	82.3%	(80,349)	287.9%
<b>Net Expense</b>	\$4,700,530	\$5,544,931	\$5,281,806	4.7%	\$5,931,654	12.3%

**PLANNED EXPENDITURES OVERVIEW**

**OPERATING DEPARTMENTS  
FISCAL YEAR 2012**

	<b>FY 10 Actual</b>	<b>FY11 Budget</b>	<b>FY11 Forecast</b>	<b>FY11 Forecast to FY11 Budget Variance Fav (Unfav)</b>	<b>FY12 Budget</b>	<b>FY12 Budget to FY11 Forecast Variance Increase (Decrease)</b>
<b>Water Supply &amp; Treatment</b>						
Personnel Costs	\$1,669,926	\$1,705,131	\$1,716,762	-0.7%	\$1,763,330	2.7%
Operating Expenditures	2,181,316	2,627,027	2,509,359	4.5%	2,617,372	4.3%
Total Expenditures	3,851,242	4,332,157	4,226,121	2.4%	4,380,702	3.7%
<b>Water Distribution</b>						
Personnel Costs	1,649,593	1,784,477	1,772,142	0.7%	1,940,576	9.5%
Operating Expenditures	843,271	801,270	794,465	0.8%	889,110	11.9%
Total Expenditures	2,492,865	2,585,747	2,566,607	0.7%	2,829,686	10.3%
<b>Wastewater Treatment</b>						
Personnel Costs	1,572,220	1,686,334	1,707,329	-1.2%	1,759,092	3.0%
Operating Expenditures	3,090,841	3,304,303	2,868,723	13.2%	3,072,023	7.1%
Total Expenditures	4,663,061	4,990,637	4,576,052	8.3%	4,831,115	5.6%
<b>Sewer Collection</b>						
Personnel Costs	670,413	647,518	687,479	-6.2%	636,095	-7.5%
Operating Expenditures	475,975	637,916	623,441	2.3%	638,310	2.4%
Total Expenditures	1,146,388	1,285,433	1,310,919	-2.0%	1,274,405	-2.8%
<b>Total Operating Departments</b>	12,153,555	13,193,975	12,679,699	3.9%	13,315,908	5.0%
Construction Credit	(204,645)	(144,270)	(126,709)	12.2%	(102,225)	-19.3%
<b>Net Expense</b>	<u>\$11,948,910</u>	<u>\$13,049,705</u>	<u>\$12,552,991</u>	<u>3.8%</u>	<u>\$13,213,683</u>	<u>5.3%</u>



**DEBT SERVICE FOR FISCAL YEARS 2012-2032**

**Schedule of Existing Long-term Bonds**

	<b>Issue Dates</b>	<b>Interest Rates (Coupon)</b>	<b>Outstanding at 06/30/11</b>
Series 2001 Revenue Bonds	10/1/2001	3.5% to 5.0%	\$3,535,000
Series 2003 Revenue Refunding Bonds	4/9/2003	2.5% to 5.0%	5,805,000
Series 2004A Revenue Bonds	6/17/2004	3.0% to 5.25%	5,260,000
Series 2004B Revenue Bonds	6/17/2004	Variable	20,000,000
Series 2005 Revenue Refunding Bonds	6/9/2005	3.5% to 5.0%	17,895,000
Series 2006 Revenue Bonds	10/26/2006	3.5% to 4.5%	20,555,000
Series 2010 Revenue Refunding Bonds	9/30/2010	3.0% to 5.0%	21,645,000
<b>Total Bonded Debt</b>			<b><u>\$94,695,000</u></b>

**Schedule of Existing and Potential Annual Debt Service**

<b>Fiscal Year Ending June 30</b>	<b>Existing Debt Service</b>	<b>Potential Debt Service (Estimated)</b>	<b>Total Existing and Potential Debt Service</b>
2012	\$9,375,944	-	\$9,375,944
2013	8,935,375	-	8,935,375
2014	8,585,325	-	8,585,325
2015	8,588,875	\$628,158	9,217,033
2016	8,892,875	628,158	9,521,033
2017	7,550,175	1,634,344	9,184,519
2018	7,550,613	1,634,344	9,184,957
2019	7,564,838	2,679,897	10,244,735
2020	6,383,231	2,679,897	9,063,128
2021	6,241,925	3,869,771	10,111,696
2022	6,287,769	3,869,771	10,157,540
2023	6,276,444	4,940,004	11,216,448
2024	6,281,494	4,940,004	11,221,498
2025	6,276,344	6,324,368	12,600,712
2026	6,280,244	6,324,368	12,604,612
2027	4,313,450	6,324,368	10,637,818
2028	4,309,350	6,324,368	10,633,718
2029	4,303,450	6,324,368	10,627,818
2030	1,565,500	6,324,368	7,889,868
2031*	1,564,500	6,324,368	7,888,868
2032	-	6,324,368	6,324,368
<b>Total</b>	<b><u>\$127,127,721</u></b>	<b><u>\$78,099,292</u></b>	<b><u>\$205,227,013</u></b>

\* 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 water and sewer system infrastructure and other depreciable assets. Annually, the five-year CIP is reviewed and updated. The projects listed on the following pages have been identified for funding in FY 2012.

The FY 2012-2016 CIP annual totals are closely aligned with the amounts included in last year's financial plan for these same years. One difference from last year's budget is an increase in FY 2012 to reflect investments scheduled for FY 2011 that will not be expended until FY 2012. Overall, the total five-year CIP for FY 2012-2016 is approximately \$6 million less than projected last year for the same five-year period.

The FY 2012 CIP is better informed than programs in past years as a result of the completion of several major studies on OWASA's critical infrastructure. These studies included:

Drinking Water Distribution System Prioritization Model: This study provides a tool to prioritize water main replacement work. The information gained from the study was used extensively to develop the FY 2012-2016 CIP.

Water Distribution (Hydraulic) Model Update: This study evaluated and identified areas of capacity and/or pressure concerns that need to be addressed in OWASA's water distribution and storage system. The study indicates that OWASA's system has relatively few water distribution system hydraulic deficiencies and near-term investment requirements are not significant. The study also indicated that the Jones Ferry Water Treatment Plant will not need additional capacity improvements before 2030.

Mason Farm Wastewater Treatment Plant (WWTP) Hydraulic and Treatment Capacity Study: This study evaluated the hydraulic and treatment capacities of the WWTP. The study also included a thorough evaluation of the plant's treatment processes to identify opportunities to optimize processes using equipment and facilities already in place. This study concluded that OWASA requires an upgrade to the aeration system in the biological treatment portion of the treatment process, that 10 rather than eight aeration basins need to be covered in order to prevent objectionable odors from leaving the WWTP compound, and that the plant will require no additional capacity improvements before 2030. The process optimization portion of the study identified changes that can be made to save approximately \$300,000 per year through reduced chemical usage. These changes will also improve the quality of the plant's effluent, especially as it pertains to the reclaimed water being used by UNC.

Sewer Collection System Evaluation: This study evaluated and identified capacity deficiencies and areas where additional (physical) assessment and inspections should occur. The study confirmed that the Phase III project to upgrade the Bolin Creek Interceptor (that began in FY 2011) is a high priority and urgent requirement. The information gained through this study also allowed OWASA to revise the FY 2012 CIP to reflect that planned upgrades on the Morgan Creek, Meeting of the Waters and other interceptors can be postponed, while upgrade work on the Friday Center, Finley Golf Course, Dobbins Drive and other less significant interceptors should be accelerated.

This five-year CIP 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.

Overall, OWASA is confident that the FY 2012 CIP is well-informed and that it presents the appropriate level of future investment needed to ensure that OWASA's systems remain reliable in the near and long term.

**CAPITAL IMPROVEMENTS PROJECTS FUNDED IN FY 2012**

<u>Project Description</u>	<u>Amount</u>	<u>Annual O&amp;M Impact</u>
<b><u>Raw Water Supplies</u></b>		
Jordan Lake Raw Water Supply Intake and Pumping Facility - no infrastructure development planned at this time. The current-year funding is to preserve OWASA's Lake Jordan water supply storage allocation.	\$12,000	\$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 related to blasting at the quarry.	15,000	0
Cane Creek Reservoir Dam Repairs - repairs to roller gates and stop logs.	240,000	0
Watershed Protection - placeholder funds to acquire the remaining 1/3 interest in a parcel jointly owned by OWASA and a private individual in the Cane Creek watershed.	158,000	0
<b><u>Water Treatment Facilities</u></b>		
Water Treatment Plant Recapitalization/Rehabilitation Projects - phased rehabilitation or replacement of water treatment facilities that have exceeded their expected useful lives.	20,000	0
Water Treatment Plant Secondary Containment - additional chemical containment measures.	91,000	0
<b><u>Finished Water Pumping</u></b>		
Hillsborough Pump Station Improvements – Replacement or rehabilitation of pump station equipment that has reached the end of its useful life.	66,000	0
<b><u>Water Transmission and Distribution</u></b>		
Water Main Road Improvement Projects - various water main projects achieved in conjunction with planned town or NC Department of Transportation road projects.	310,000	0
Water Line Rehabilitation/Replacement Projects - rehabilitation of about two miles of water distribution lines.	1,706,000	0
Water Main Replacement – Replace existing water main along US 15-501 from Sage Road to Eastowne Drive to improve condition and capacity	769,000	0
Water Main Replacement – Completion of design and bidding for replacement and abandonment of existing mains along Cameron Avenue east of Columbia Street.	13,000	0
Water Distribution System Hydraulic Model – placeholder funds to run the calibrated pipe distribution system model to aid in system planning and design.	21,000	0
Water Main Replacements – Replacement of certain water mains in the Booker Creek Neighborhood to improve the condition of the distribution system.	605,000	0
<b><u>Wastewater Collection</u></b>		
Bolin Creek Interceptor - replacement of 6,100 linear feet of 15" and 18" pipes with a 30" interceptor to provide adequate capacity and to reduce inflow/infiltration, surcharge conditions and overflow potential.	3,210,000	0
Sanitary Service Condition Evaluation – Targeted evaluations of high priority gravity sewer assets to determine rehabilitation needs for sewer mains, manholes and laterals.	389,000	0
Friday Center Interceptor – Design and bidding for interceptor replacement to provide adequate capacity and to reduce inflow/infiltration, surcharge conditions and overflow potential.	200,000	0

**Wastewater Pump Stations and Force Mains**

Pump Station Rehabilitation/Recapitalization Projects - contingency funding for replacement of aging pump station components.	105,000	0
Heritage Hills Force Main Rehabilitation – replacement or rehabilitation of an existing force main to improve its condition.	258,000	0
Force Main Condition Evaluation – Funding for the evaluation of the condition of Rogerson Drive, Eubanks Road, and Eastowne force mains to prioritize their rehabilitation.	326,000	0
Force Main Rehabilitation – identified force mains that require minor rehabilitation.	32,000	0
Countryside Pump Station Improvements – improvements identified by pump station maintenance staff.	208,000	0
Forest Creek Pump Station Improvements – improvements identified by pump station maintenance staff.	69,000	0

**Wastewater Treatment and Disposal**

Mason Farm WWTP Flood Protection Enhancements – structural and geotechnical evaluation of the flood protection berm, access bridge and stormwater collection and pumping system.	200,000	0
Mason Farm WWTP Rehabilitation/Recapitalization Projects - contingency funding for rehabilitation of minor components at the WWTP.	165,000	0
Mason Farm WWTP Odor Improvements – Funding for design services for the Phase III odor improvements, which will cover and treat air from 10 of 16 aeration basins.	121,000	0
Mason Farm WWTP Digester Heat Exchangers - funding for upgraded equipment and improvements to the sludge-to-sludge heat exchanger.	150,000	0
Mason Farm WWTP Aeration System - Funding for a portion of the design of an upgraded aeration system, including conversion to fine-bubble aeration, blower replacements and piping modifications.	357,000	0

**Central Office and Administration**

Operations Center Rehabilitation/Recapitalization - contingency funding for operations center rehabilitation.	53,000	0
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<b>Total Capital Improvements Projects Funded in FY 2012</b>	<b>\$9,869,000</b>	<b>\$0</b>
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**REHABILITATION/REPLACEMENT PROJECTS (IN-HOUSE)**

These projects are performed by OWASA's staff to rehabilitate or replace existing portions of water and sewer mains. These in-house projects represent an investment in capital assets which extend the useful life of the systems and are therefore recorded as capital expenditures.

In-house projects are recorded as capital assets. 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 \$6,813,000 for water and sewer main rehabilitation and replacement projects are reflected in the CIP. Of this amount, \$6,404,100 is expected to be completed by contractors and \$408,900 to be completed by OWASA's construction crews. Below is a list of rehabilitation projects scheduled to be completed by OWASA's construction crews in FY 2012.

**In-house Rehabilitation / Replacement Projects FY 2012**

<b>Project Name</b>	<b>Size (in.)</b>	<b>Length (ft.)</b>	<b>Material</b>	<b>Equipment</b>	<b>Labor</b>	<b>Overhead</b>	<b>Total</b>
Buttons Lane	2	1,591	\$44,031	\$7,955	\$11,933	\$15,632	\$79,550
Carolina Avenue	2	100	5,535	1,000	1,500	1,965	10,000
Holloway Lane	2	280	7,749	1,400	2,100	2,751	14,000
Penny Lane	2	292	8,081	1,460	2,190	2,869	14,600
School Lane	2	250	4,151	750	1,125	1,474	7,500
Lindsay Street (Carrboro)	2	325	8,994	1,625	2,438	3,193	16,250
Briarbridge Lane	2	194	5,369	970	1,455	1,906	9,700
Evans Court	2	194	5,369	970	1,455	1,906	9,700
Sunset Drive	2	117	6,005	1,085	1,628	2,132	10,850
Iris Lane	6	740	45,055	8,140	12,210	15,995	81,400
South Greensboro Street (abandonment)	6	-	27,675	5,000	7,500	9,825	50,000
Milton Avenue	6	485	29,529	5,335	8,003	10,483	53,350
Elliott Road and Franklin Street	8	400	28,782	5,200	7,800	10,218	52,000
<b>Totals</b>		<b>4,968</b>	<b>\$226,326</b>	<b>\$40,890</b>	<b>\$61,335</b>	<b>\$80,349</b>	<b>\$408,900</b>

**OWASA CAPITAL IMPROVEMENTS PROGRAM FIVE-YEAR OVERVIEW FOR FY 2012-2016**<sup>1</sup>

PROJECT CATEGORY:	ANNUAL TOTALS					5-YEAR TOTAL FY 2012-16
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	
RAW WATER SUPPLY SOURCES	\$425,000	\$239,000	\$82,000	\$127,000	\$405,000	\$1,278,000
RAW WATER TRANSMISSION	-	-	-	23,000	-	23,000
WATER TREATMENT FACILITIES	111,000	148,000	395,000	2,037,000	2,015,000	4,706,000
FINISHED WATER PUMPING	66,000	-	-	-	527,000	593,000
FINISHED WATER STORAGE	-	-	-	-	-	-
WATER TRANSMISSION AND DISTRIBUTION	3,424,000	907,000	2,688,000	4,293,000	4,651,000	15,963,000
WASTEWATER COLLECTION LINES	3,799,000	2,389,000	2,154,000	3,559,000	3,704,000	15,605,000
WASTEWATER PUMP STATIONS	998,000	5,044,000	305,000	333,000	362,000	7,042,000
WASTEWATER TREATMENT AND DISPOSAL	993,000	2,349,000	5,503,000	3,761,000	3,887,000	16,493,000
CENTRAL OFFICE AND OPERATIONS	53,000	112,000	116,000	366,000	484,000	1,131,000
RECLAIMED WATER FACILITY REHABILITATION <sup>2</sup>	-	-	-	-	-	-
<b>FY 2012 - 2026 CIP PROJECTION</b>	<b>\$9,869,000</b>	<b>\$11,188,000</b>	<b>\$11,243,000</b>	<b>\$14,499,000</b>	<b>\$16,035,000</b>	<b>\$62,834,000</b>

<sup>1</sup> Budget amounts are escalated at 5% annually (with some exceptions)

<sup>2</sup> Reclaimed Water Facility Rehabilitation is a new category for FY 2012







**SECTION II**

**OVERVIEW OF OWASA DEPARTMENTS**

Orange Water and Sewer Authority Staff/Department Structure .....23

**General and Administrative Departments**

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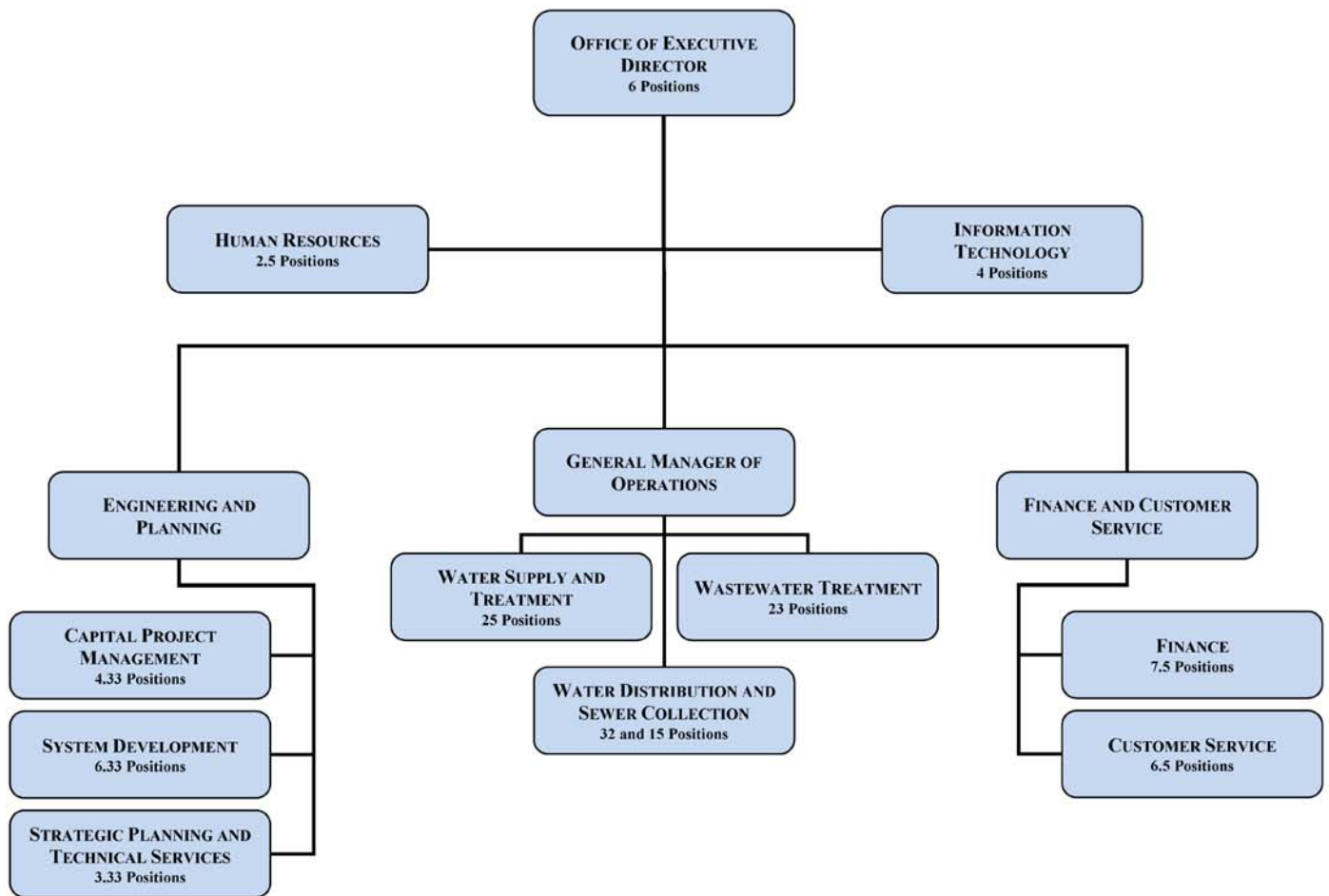
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**ORANGE WATER AND SEWER AUTHORITY STAFF/DEPARTMENT STRUCTURE**



**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.

Focus area for FY 2012

- Knowledge management and workforce sustainability.

**OFFICE OF THE EXECUTIVE DIRECTOR**  
**Three-year Comparison - Fiscal Years 2010 - 2012**

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>11 Budget to 10 Actual</b>	<b>FY 2011 Projected</b>	<b>11 Proj Variance to 11 Budg</b>	<b>FY 2012 Budget</b>	<b>12 Budget to 11 Projected</b>
<b>Personnel Costs</b>							
Salaries and Wages	\$633,433	\$637,004		\$586,716		\$618,011	
Fringe Benefits	86,367	198,073		200,911		191,085	
Total Personnel Costs	719,800	835,078	16%	787,627	-6%	809,096	3%
<b>Other Operating Expense</b>							
Materials and Supplies	8,946	7,230		2,892		7,385	
Utilities	66,448	66,500		39,904		56,900	
Maintenance	-	-		-		-	
Professional Services	204,507	204,200		197,670		278,700	
Insurance	40,896	43,483		43,483		40,000	
Communication	19,647	33,930		25,286		27,610	
Printing and Reproduction	139	875		292		875	
Education and Development	5,040	9,960		5,062		10,980	
Other	14,618	19,865		19,889		20,470	
Total Operating Expenditures	360,241	386,043	7%	334,478	-13%	442,920	32%
<b>Total Expenditures</b>	1,080,041	1,221,120	13%	1,122,105	-8%	1,252,016	12%
Construction Credit	(152,128)	(116,852)		(20,712)		(80,349)	
<b>Net Expense</b>	<u>\$927,913</u>	<u>\$1,104,268</u>	19%	<u>\$1,101,393</u>	0%	<u>\$1,171,667</u>	6%

<b>Personnel Summary</b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>
Positions	9	7	6

**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.

Focus areas for FY 2012

- Continue process improvement initiatives to improve efficiencies and reduce costs.
- Continue to promote customer use of online billing and account management.

**CUSTOMER SERVICE**  
**Three-year Comparison - Fiscal Years 2010 - 2012**

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>11 Budget to 10 Actual</b>	<b>FY 2011 Projected</b>	<b>11 Proj Variance to 11 Budg</b>	<b>FY 2012 Budget</b>	<b>12 Budget to 11 Projected</b>
<b>Personnel Costs</b>							
Salaries and Wages	\$286,042	\$295,630		\$284,196		\$282,092	
Fringe Benefits	95,751	113,837		116,437		109,129	
Total Personnel Costs	381,793	409,467	7%	400,633	-2%	391,221	-2%
<b>Other Operating Expense</b>							
Materials and Supplies	4,224	3,000		3,693		5,000	
Utilities	-	-		-		-	
Maintenance	805	1,255		1,255		1,200	
Professional Services	33,531	51,600		27,468		52,000	
Insurance	-	-		-		-	
Communication	77,709	110,000		110,000		100,000	
Printing and Reproduction	736	3,000		500		3,000	
Education and Development	4,592	7,000		7,062		6,785	
Other	37,192	36,000		13,022		36,000	
Total Operating Expenditures	158,790	211,855	33%	163,000	-23%	203,985	25%
<b>Total Expenditures</b>	540,582	621,322	15%	563,633	-9%	595,206	6%
Construction Credit	-	-		-		-	
<b>Net Expense</b>	<u>\$540,582</u>	<u>\$621,322</u>	15%	<u>\$563,633</u>	-9%	<u>\$595,206</u>	6%

	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>
<b>Personnel Summary</b>			
Positions	7.33	7	6.5
<b>Key Performance Measurements</b>			
<b>Workload</b>			
Customer accounts	20,137	20,241	20,373 <sup>1</sup>
Number of calls received	22,593	27,234	14,043 <sup>1</sup>
<b>Effectiveness</b>			
Percentage of bills issued on time	98	98	100 <sup>1</sup>
Average length of call (minutes)	1.82	1.91	1.87 <sup>1</sup>
Abandoned or lost calls	< 1%	3%	1% <sup>1</sup>

<sup>1</sup> Through 2<sup>nd</sup> quarter FY 2011

**ENGINEERING AND PLANNING**  
(General and Administrative)

**MISSION**

The Engineering and Planning Department is responsible for three primary functions:

- Management of third party projects – Prior to OWASA taking ownership and assuming operating and maintenance responsibility, the department reviews construction plans and inspects ongoing construction projects to ensure that all work accomplished by outside entities (private developers, etc.) is accomplished in accordance with OWASA's Standards and Specifications.
- Management of the Capital Improvement Program – Execution of design and construction for all large-scale repair, renovation, replacement and upgrade projects as necessary to maintain the reliable and efficient operations of OWASA's water and sewer infrastructure.
- Planning – Long-range and strategic master planning for 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.

**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.

Focus areas for FY 2012

- Continue to develop and validate Geographic Information System (GIS) about OWASA's infrastructure.
- Secure future access to OWASA's Jordan Lake Water Supply allocation.



**ENGINEERING AND PLANNING**  
**Three-year Comparison - Fiscal Years 2010 - 2012**

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>11 Budget to 10 Actual</b>	<b>FY 2011 Projected</b>	<b>11 Proj Variance to 11 Budg</b>	<b>FY 2012 Budget</b>	<b>12 Budget to 11 Projected</b>
<b>Personnel Costs</b>							
Salaries and Wages	\$870,924	\$890,583		\$890,583		\$996,782	
Fringe Benefits	253,480	289,853		288,148		322,708	
Total Personnel Costs	1,124,404	1,180,436	5%	1,178,731	0%	1,319,490	12%
<b>Other Operating Expense</b>							
Materials and Supplies	12,924	16,710		16,710		16,914	
Utilities	-	-		-		500	
Maintenance	706	1,535		1,535		2,344	
Professional Services	31,781	39,000		39,000		36,000	
Insurance	-	-		-		-	
Communication	359	600		600		600	
Printing and Reproduction	965	1,550		1,550		1,500	
Education and Development	6,905	8,250		8,250		26,950	
Other	1,710	27,625		26,801		10,254	
Total Operating Expenditures	55,350	95,270	72%	94,446	-1%	95,062	1%
<b>Total Expenditures</b>	<b>1,179,754</b>	<b>1,275,706</b>	<b>8%</b>	<b>1,273,176</b>	<b>0%</b>	<b>1,414,552</b>	<b>11%</b>
Construction Credit	-	-		-		-	
<b>Net Expense</b>	<b>\$1,179,754</b>	<b>\$1,275,706</b>	<b>8%</b>	<b>\$1,273,176</b>	<b>0%</b>	<b>\$1,414,552</b>	<b>11%</b>

<b>Personnel Summary</b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>
Positions	13.5	14	14
<b>Key Performance Measurements</b>	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>
Effectiveness			
Actual capital project expenditures as percentage of budget	79%	51%	12% <sup>1</sup>
Average plan review time (working days)	9	8	7.3 <sup>1</sup>
Rating by OWASA customers of our manhole rehabilitation program (scale of 1 to 5 with 5 the highest)	4.4	No projects	No projects <sup>1</sup>

<sup>1</sup> Through 2<sup>nd</sup> quarter FY 2011

**HUMAN RESOURCES**  
(General and Administrative)

**MISSION**

The Human Resources Department is responsible for the development and cultivation of human resources and safety and training initiatives including recruitment, selection, policy compliance and development, benefits administration, pay plan implementation, employee insurance management, and employee records management. The Human Resources Department monitors changes in State and Federal personnel regulations and laws to assure the timely update and compliance of OWASA's safety and personnel practices. The Human Resources Department reviews and proposes revisions to employee benefits, classification and pay plans to assure that OWASA remains competitive in the labor market. The role of the Department is to assure both management and the employees that personnel matters are being handled fairly, equitably, and without discrimination in accordance with good personnel practices and in compliance with applicable policies, regulations, and laws.

**SUMMARY OF ACTIVITIES**

- Promote responsive and courteous customer service in all activities.
- Administer the classification and pay plan for the organization and ensure the organization's pay and benefits package is competitive in the marketplace.
- Recruit candidates for vacant positions.
- Review employee training and development programs, especially related to enhancing competency for promotion.
- Encourage uniformity and timeliness in processing of performance appraisals.
- Actively promote equal employment action objectives.
- Promote good employee relations and a positive working environment.
- Review personnel policies and practices and make recommendations for revisions.
- Process employee claims for Life and Long-Term Disability insurance coverage in a timely and appropriate manner.
- Process and monitor employee timesheets to ensure timeliness and correctness.
- Provide a safety program to enhance safety awareness, prevent worker injuries, and promote safe work practices in all operations.
- 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 physically challenged job applicants are evaluated in accordance with the Americans with Disabilities Act.

Focus area for FY 2012

- Conduct study to analyze OWASA's total compensation and performance measurement system to ensure we attract and retain a diverse and high performing team of employees.

**HUMAN RESOURCES**  
**Three-year Comparison - Fiscal Years 2010 - 2012**

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>11 Budget to 10 Actual</b>	<b>FY 2011 Projected</b>	<b>11 Proj Variance to 11 Budg</b>	<b>FY 2012 Budget</b>	<b>12 Budget to 11 Projected</b>
<b>Personnel Costs</b>							
Salaries and Wages	\$172,646	\$194,541		\$129,556		\$158,174	
Fringe Benefits	185,449	229,848		232,473		256,858	
Total Personnel Costs	358,095	424,389	19%	362,029	-15%	415,032	15%
<b>Other Operating Expense</b>							
Materials and Supplies	6,349	5,311		5,479		4,300	
Utilities	-	-		-		1,600	
Maintenance	-	-		129		-	
Professional Services	17,846	21,500		24,271		128,200	
Insurance	-	-		-		-	
Communication	7,885	11,320		11,778		11,320	
Printing and Reproduction	357	800		800		800	
Education and Development	627	3,000		3,000		3,200	
Other	14,559	20,187		20,187		23,687	
Total Operating Expenditures	47,622	62,118	30%	65,644	6%	173,107	164%
<b>Total Expenditures</b>	405,717	486,507	20%	427,673	-12%	588,139	38%
Construction Credit	-	-		-		-	
<b>Net Expense</b>	<u>\$405,717</u>	<u>\$486,507</u>	20%	<u>\$427,673</u>	-12%	<u>\$588,139</u>	38%

<b>Personnel Summary</b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>
Positions	3.5	3	2.5
<b>Key Performance Measurements</b>	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>
Effectiveness			
Vacancies as a percentage of total funded positions	7.2%	7.1%	2.8% <sup>1</sup>
At fault EEOC complaints	0	0	0 <sup>1</sup>
Diversity percentages			
Racial	24%	25%	24% <sup>1</sup>
Gender	25%	23%	23% <sup>1</sup>
Number of injuries, illnesses or lost workdays compared to a common exposure base of 100 full-time workers	2.3	1.2	3.0 <sup>1</sup>

<sup>1</sup> Through 2<sup>nd</sup> quarter FY 2011

**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, the 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.

Focus areas for FY 2012

- Continue process improvement initiatives to improve efficiencies and reduce costs.
- Conduct rate study, analyze revenue requirements and adopt rate adjustments as necessary to ensure financial stability.

**FINANCE**

**Three-year Comparison - Fiscal Years 2010 - 2012**

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>11 Budget to 10 Actual</b>	<b>FY 2011 Projected</b>	<b>11 Proj Variance to 11 Budg</b>	<b>FY 2012 Budget</b>	<b>12 Budget to 11 Projected</b>
<b>Personnel Costs</b>							
Salaries and Wages	\$477,976	\$585,730		\$475,252		\$517,654	
Fringe Benefits	160,969	213,431		168,465		184,868	
Total Personnel Costs	638,945	799,160	25%	643,717	-19%	702,522	9%
<b>Other Operating Expense</b>							
Materials and Supplies	4,346	9,830		9,621		7,750	
Utilities	-	4,500		4,495		7,000	
Maintenance	-	3,000		2,918		-	
Professional Services	267,277	380,000		400,647		381,475	
Insurance	-	-		-		-	
Communication	2,851	4,300		4,408		5,100	
Printing and Reproduction	3,067	2,600		2,261		3,000	
Education and Development	6,196	12,650		20,837		10,800	
Other	1,005	2,115		2,085		2,000	
Total Operating Expenditures	284,742	418,995	47%	447,273	7%	417,125	-7%
<b>Total Expenditures</b>	923,687	1,218,155	32%	1,090,989	-10%	1,119,647	3%
Construction Credit	-	-		-		-	
<b>Net Expense</b>	<u>\$923,687</u>	<u>\$1,218,155</u>	32%	<u>\$1,090,989</u>	-10%	<u>\$1,119,647</u>	3%

<b>Personnel Summary</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Positions	6.33	9	7.5
<b>Key Performance Measurements</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
Effectiveness			
Working capital reserve	\$8.5M	\$9.4M	\$19.2M <sup>1</sup>
Debt service coverage ratio	1.63	2.13	2.6 <sup>1</sup>
Debt to asset value	37	35	30 <sup>1</sup>
Service affordability	1.4	1.6	1.8 <sup>1</sup>

<sup>1</sup> Through 2<sup>nd</sup> quarter FY 2011

**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 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.
- The Department establishes appropriate technology standards, specifications, security levels, and procedures for OWASA's information systems.

Focus areas for FY 2012

- Continue to support departmental initiatives to streamline processes to improve efficiencies and reduce costs.
- Support OWASA's Business Intelligence (decision-support) initiative.

**INFORMATION TECHNOLOGY**  
**Three-year Comparison - Fiscal Years 2010 - 2012**

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>11 Budget to 10 Actual</b>	<b>FY 2011 Projected</b>	<b>11 Proj Variance to 11 Budg</b>	<b>FY 2012 Budget</b>	<b>12 Budget to 11 Projected</b>
<b>Personnel Costs</b>							
Salaries and Wages	\$262,743	\$291,568		\$290,731		\$294,529	
Fringe Benefits	72,937	86,214		81,800		93,349	
Total Personnel Costs	<u>335,681</u>	<u>377,782</u>	13%	<u>372,531</u>	-1%	<u>387,878</u>	4%
<b>Other Operating Expense</b>							
Materials and Supplies	18,029	18,000		22,371		163,700	
Utilities	99,201	120,200		117,981		74,760	
Maintenance	204,021	218,400		230,113		245,400	
Professional Services	4,142	41,000		40,964		111,000	
Insurance	-	-		-		-	
Communication	174	-		51		-	
Printing and Reproduction		0		0			
Education and Development	17,723	15,390		15,390		15,905	
Other	43,906	48,200		25,541		43,800	
Total Operating Expenditures	<u>387,196</u>	<u>461,190</u>	19%	<u>452,411</u>	-2%	<u>654,565</u>	45%
<b>Total Expenditures</b>	<u>722,877</u>	<u>838,972</u>	16%	<u>824,942</u>	-2%	<u>1,042,443</u>	26%
Construction Credit	-	-		-		-	
<b>Net Expense</b>	<u><u>\$722,877</u></u>	<u><u>\$838,972</u></u>	16%	<u><u>\$824,942</u></u>	-2%	<u><u>\$1,042,443</u></u>	26%

	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>
<b>Personnel Summary</b>			
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 residuals processing and disposal 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.
- 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.
- Ensure continued compliance with the Natural Pollutant Discharge Elimination System's permit requirements for discharging process water generated by the water treatment processes.
- 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.

Focus areas for FY 2012

- Continue process improvement initiatives to improve efficiencies and reduce costs.
- Support project to develop a comprehensive asset management plan.



**WATER SUPPLY AND TREATMENT**  
**Three-year Comparison - Fiscal Years 2010 - 2012**

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>11 Budget to 10 Actual</b>	<b>FY 2011 Projected</b>	<b>11 Proj Variance to 11 Budg</b>	<b>FY 2012 Budget</b>	<b>12 Budget to 11 Projected</b>
<b>Personnel Costs</b>							
Salaries and Wages	\$1,167,472	\$1,197,573		\$1,198,146		\$1,237,315	
Fringe Benefits	502,454	507,557		518,616		526,015	
Total Personnel Costs	1,669,926	1,705,131	2%	1,716,762	1%	1,763,330	3%
<b>Other Operating Expense</b>							
Materials and Supplies	31,736	135,615		122,769		166,733	
Chemicals	1,020,007	1,150,000		877,160		1,004,917	
Utilities	384,416	441,594		406,421		431,072	
Maintenance	580,929	693,373		951,039		805,089	
Professional Services	48,735	67,000		54,745		71,000	
Insurance	94,126	98,734		72,550		97,500	
Communication	3,960	5,300		4,089		7,500	
Printing and Reproduction	-	-		-		-	
Education and Development	9,626	19,710		10,220		17,810	
Other	7,780	15,701		10,367		15,751	
Total Operating Expenditures	2,181,316	2,627,027	20%	2,509,359	-4%	2,617,372	4%
<b>Total Expenditures</b>	3,851,242	4,332,157	12%	4,226,121	-2%	4,380,702	4%
Construction Credits	(1,892)	-		-		-	
<b>Net Expense</b>	<u>\$3,849,350</u>	<u>\$4,332,157</u>	13%	<u>\$4,226,121</u>	-2%	<u>\$4,380,702</u>	4%

<b>Personnel Summary</b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>
Positions	24	24	25

<b>Key Performance Measurements</b>	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>
<b>Workload</b>			
Finished water pumped to the distribution system	2.9B	2.9B	1.5B <sup>1</sup>
Percent of solids removed from treatment process and recycled for beneficial use	100%	100%	100% <sup>1</sup>
<b>Effectiveness</b>			
Primary drinking water standards noncompliances	1	0	0 <sup>1</sup>
Secondary drinking water standards noncompliances	0	0	0 <sup>1</sup>
Average finished water turbidity (NTU)	0.03	0.03	0.05 <sup>1</sup>

<sup>1</sup> Through 2<sup>nd</sup> quarter FY 2011

**WATER DISTRIBUTION**  
(Operating)

**MISSION**

The Water Distribution Department is responsible for maintaining the drinking water distribution system from the Water Treatment Plant clearwell to the meters at customers' premises. The Water Distribution Department develops and implements efficient and effective measures for maintaining and repairing all components of the water distribution infrastructure. The Water Distribution Department is also 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.

Focus areas for FY 2012

- Continue process improvement initiatives to improve efficiencies and reduce costs.
- Support project to develop a comprehensive asset management plan.

**WATER DISTRIBUTION**  
**Three-year Comparison - Fiscal Years 2010 - 2012**

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>11 Budget to 10 Actual</b>	<b>FY 2011 Projected</b>	<b>11 Proj Variance to 11 Budg</b>	<b>FY 2012 Budget</b>	<b>12 Budget to 11 Projected</b>
<b>Personnel Costs</b>							
Salaries and Wages	\$1,121,612	\$1,187,467		\$1,175,132		\$1,296,951	
Fringe Benefits	<u>527,981</u>	<u>597,010</u>		<u>597,010</u>		<u>643,625</u>	
Total Personnel Costs	1,649,593	1,784,477	8%	1,772,142	-1%	1,940,576	10%
<b>Other Operating Expense</b>							
Materials and Supplies	165,877	66,250		73,104		68,150	
Utilities	173,769	221,400		135,527		242,300	
Maintenance	482,776	487,822		564,169		553,210	
Professional Services	-	-		-		-	
Insurance	9,551	9,998		8,008		10,000	
Communication	744	500		716		500	
Printing and Reproduction	261	1,300		145		1,300	
Education and Development	8,498	10,600		9,310		10,650	
Other	<u>1,795</u>	<u>3,400</u>		<u>3,487</u>		<u>3,000</u>	
Total Operating Expenditures	843,271	801,270	-5%	794,465	-1%	889,110	12%
<b>Total Expenditures</b>	2,492,865	2,585,747	4%	2,566,607	-1%	2,829,686	10%
Construction Credits	<u>(185,600)</u>	<u>(144,270)</u>		<u>(121,399)</u>		<u>(102,225)</u>	
<b>Net Expense</b>	<u>\$2,307,265</u>	<u>\$2,441,477</u>	6%	<u>\$2,445,208</u>	0%	<u>\$2,727,461</u>	12%

<b>Personnel Summary</b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>
Positions	32	32	32

<b>Key Performance Measurements</b>	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>
<b>Workload</b>			
Miles of finished water pipe maintained	390	391	391 <sup>1</sup>
<b>Effectiveness</b>			
Volume of water billed vs. volume pumped to the system	92%	92%	91% <sup>1</sup>
Number of main breaks per 100 miles of pipe	10	6	9 <sup>1</sup>
Meter reading accuracy	99%	99%	99% <sup>1</sup>

<sup>1</sup> Through 2<sup>nd</sup> quarter FY 2011

**WASTEWATER TREATMENT**  
(Operating)

**MISSION**

The Wastewater Plant is responsible for reliably providing efficient and effective treatment of wastewater and its residuals. 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.
- Effectively control odors and provide prompt response to public inquiries.
- 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.

Focus areas for FY 2012

- Continue process improvement initiatives to improve efficiencies and reduce costs.
- Support project to develop a comprehensive asset management plan.

**WASTEWATER TREATMENT**  
**Three-year Comparison - Fiscal Years 2010 - 2012**

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>11 Budget to 10 Actual</b>	<b>FY 2011 Projected</b>	<b>11 Proj Variance to 11 Budg</b>	<b>FY 2012 Budget</b>	<b>12 Budget to 11 Projected</b>
<b>Personnel Costs</b>							
Salaries and Wages	\$1,134,296	\$1,183,640		\$1,200,948		\$1,237,777	
Fringe Benefits	437,924	502,694		506,381		521,315	
Total Personnel Costs	1,572,220	1,686,334	7%	1,707,329	1%	1,759,092	3%
<b>Other Operating Expense</b>							
Materials and Supplies	235,294	262,651		264,838		262,616	
Chemicals	822,387	1,150,000		599,053		835,439	
Chemicals - Odor Control	84,353	91,444		28,505		88,091	
Utilities	1,007,141	1,028,213		950,140		991,517	
Maintenance	759,844	564,499		857,526		695,917	
Professional Services	23,777	34,424		33,067		23,516	
Insurance	114,460	120,044		88,340		117,500	
Communication	7,314	6,840		6,806		8,590	
Printing and Reproduction	-	-		-		-	
Education and Development	9,416	18,125		12,386		20,745	
Other	26,855	28,062		28,062		28,092	
Total Operating Expenditures	3,090,841	3,304,303	7%	2,868,723	-13%	3,072,023	7%
<b>Total Expenditures</b>	4,663,061	4,990,637	7%	4,576,052	-8%	4,831,115	6%
Construction Credits	-	-		-		-	
<b>Net Expense</b>	<u>\$4,663,061</u>	<u>\$4,990,637</u>	7%	<u>\$4,576,052</u>	-8%	<u>\$4,831,115</u>	6%

<b>Personnel Summary</b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>
Positions	24	24	23
<b>Key Performance Measurements</b>			
<b>Workload</b>			
Number of gallons of wastewater treated	2.9B	2.8B	1.3B <sup>1</sup>
<b>Effectiveness</b>			
Events of permit noncompliance	1	0	0 <sup>1</sup>
Wastewater overflows	1	0	0 <sup>1</sup>
Odor events	47	17	13 <sup>1</sup>

<sup>1</sup> Through 2<sup>nd</sup> quarter FY 2011

**SEWER COLLECTION**  
(Operating)

**MISSION**

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

**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.

Focus areas for FY 2012

- Continue process improvement initiatives to improve efficiencies and reduce costs.
- Support project to develop a comprehensive asset management plan.

**SEWER COLLECTIONS**  
**Three-year Comparison - Fiscal Years 2010 - 2012**

	<b>FY 2010 Actual</b>	<b>FY 2011 Budget</b>	<b>11 Budget to 10 Actual</b>	<b>FY 2011 Projected</b>	<b>11 Proj Variance to 11 Budg</b>	<b>FY 2012 Budget</b>	<b>12 Budget to 11 Projected</b>
<b>Personnel Costs</b>							
Salaries and Wages	\$472,380	\$446,098		\$476,157		\$426,844	
Fringe Benefits	198,033	201,419		211,322		209,251	
Total Personnel Costs	670,413	647,518	-3%	687,479	6%	636,095	-7%
<b>Other Operating Expense</b>							
Materials and Supplies	47,155	59,500		59,919		57,500	
Chemicals	97,926	200,000		199,865		200,000	
Chemicals - Odor Control		26,000		25,745		26,000	
Utilities	123,124	134,310		130,231		136,610	
Maintenance	187,442	191,000		189,235		191,000	
Professional Services	-	1,500		-		-	
Insurance	9,255	9,696		6,924		10,000	
Communication	285	1,000		462		700	
Printing and Reproduction	132	500		371		500	
Education and Development	8,991	10,750		9,498		11,800	
Other	1,665	3,660		1,191		4,200	
Total Operating Expenditures	475,975	637,916	34%	623,441	-2%	638,310	2%
<b>Total Expenditures</b>	1,146,388	1,285,433	12%	1,310,919	2%	1,274,405	-3%
Construction Credits	(17,153)	-		(5,310)		-	
<b>Net Expense</b>	<u>\$1,129,235</u>	<u>\$1,285,433</u>	14%	<u>\$1,305,610</u>	2%	<u>\$1,274,405</u>	-2%

<b>Personnel Summary</b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>
Positions	15	15	15

<b>Key Performance Measurements</b>	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>
<b>Workload</b>			
Miles of wastewater collection piping maintained from the customers' service laterals to the Mason Farm Wastewater Treatment Plant	322	322	322
<b>Effectiveness</b>			
Number of reportable wastewater overflows	7	2	4 <sup>1</sup>
Total number of sewer blockages per 100 miles of Sewer pipe	0.6	1.2	1.5 <sup>1</sup>

<sup>1</sup> Through 2<sup>nd</sup> quarter FY 2011

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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, 2011 THROUGH JUNE 30, 2012**

**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, 2011 through June 30, 2012.

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 9<sup>th</sup> day of June, 2011.



Alan Rimer, Vice Chair

ATTEST:



Braxton Foushee, Secretary

**BUDGET RESOLUTION AND ORDINANCE**

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

		<b><u>FY 2012 Annual Budget</u></b>
<b>Operating Revenue</b>		
Water	\$18,326,317	
Sewer	16,587,023	
Reclaimed Water	450,962	
Service Initiation Fee	164,660	
Other	1,483,587	
Refunds and Adjustments	<u>(242,360)</u>	
<b>Total Operating Revenue</b>		<b>\$36,770,189</b>
<b>Operating Expense</b>		
General and Administrative	5,931,654	
Operations	<u>13,213,683</u>	
<b>Total Operating Expense</b>		<b><u>19,145,337</u></b>
<b>Net Operating Income</b>		<b>17,624,852</b>
<b>Non-operating Revenue</b>		
Customer Fees		911,004
Interest		<u>35,900</u>
<b>Total Net Income</b>		<b><u>\$18,571,756</u></b>
<b>Debt Service</b>		
Existing		8,775,944
New		<u>0</u>
<b>Total Debt Service</b>		<b><u>8,775,944</u></b>
<b>Net Income Less Debt Service</b>		<b><u>\$9,795,812</u></b>
<b>Debt Coverage Ratio</b>		<b>2.12</b>

**BUDGET RESOLUTION AND ORDINANCE**

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

		<b><u>FY 2012 Annual Budget</u></b>
<b>General Fund</b>		
Resources		
Transfer From Revenue	<u>\$9,795,812</u>	
<b>Annual Income Available for Capital</b>		<b>9,795,812</b>
Transfer from Construction Fund (Bond Proceeds)		<u>-</u>
<b>Total Available for Capital</b>		<b><u>9,795,812</u></b>
<b>Capital Expenditures</b>		
Project ordinances		
General Fund Contribution	9,869,000	
Funded by Bond Proceeds	<u>-</u>	
Total Project Resolutions		<b>9,869,000</b>
Capital Equipment		<u>600,000</u>
<b>Total Capital Outlay</b>		<b><u>10,469,000</u></b>
<b>Annual General Fund Balance</b>		<b>(673,188)</b>
<b>General Fund Beginning Balance</b>		<b><u>16,543,769</u></b>
<b>General Fund Ending Balance</b>		<b>15,870,581</b>
Project Funding	6,534,581	
Reserves		
Rate Stabilization	750,000	
CIP	1,200,000	
Operating Balance	<u>7,386,000</u>	<b><u>15,870,581</u></b>
<b>Unallocated General Fund Balance</b>		<b><u>-</u></b>

**BUDGET RESOLUTION AND ORDINANCE**

**REVENUE FUND**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Fund Balance July 1, 2011</b>			-
<b>Receipts</b>			
<b>Operating Revenue</b>			
Customer Billings	\$18,326,317	\$16,587,023	\$34,913,340
Reclaimed Water	450,962	-	450,962
Service Initiation Fee	82,330	82,330	164,660
Other	741,794	741,794	1,483,587
Refunds and Adjustments	(121,180)	(121,180)	(242,360)
	<u>19,480,223</u>	<u>17,289,967</u>	<u>36,770,189</u>
<b>Total Operating Revenue</b>	19,480,223	17,289,967	36,770,189
<b>Non-operating Revenue</b>			
Customer Fees	455,502	455,502	911,004
Interest Income	17,950	17,950	35,900
	<u>473,452</u>	<u>473,452</u>	<u>946,904</u>
<b>Total Non-operating Revenue</b>	473,452	473,452	946,904
<b>Total Receipts</b>	19,498,173	17,307,917	37,717,093
<b>Expenditures</b>			
Current Expense	(9,955,575)	(9,189,762)	(19,145,337)
Debt Service	(7,722,831)	(1,053,113)	(8,775,944)
	<u>(17,678,406)</u>	<u>(10,242,875)</u>	<u>(27,921,281)</u>
<b>Total Expenditures</b>	(17,678,406)	(10,242,875)	(27,921,281)
<b>Net Revenue</b>			9,795,812
<b>To General Fund</b>			(9,795,812)
<b>Fund Balance June 30, 2012</b>			<u>-</u>
<b>Change in Available Balance</b>			-

**BUDGET RESOLUTION AND ORDINANCE**

**BOND SERVICE FUND**

<b>Fund Balance July 1, 2011</b>		\$7,572,691
<b>Receipts</b>		
Transfers from Revenue Fund	8,764,815	
Interest	<u>11,129</u>	
<b>Total Receipts</b>		8,775,944
<b>Expenditures</b>		
Debt Service	<u>9,560,663</u>	
<b>Total Expenditures</b>		<u>(9,560,663)</u>
<b>Fund Balance June 30, 2012</b>		<u><u>\$6,787,972</u></u>
<b>Change in Available Balance</b>		784,719



**BUDGET RESOLUTION AND ORDINANCE**

**GENERAL FUND**

<b>Fund Balance July 1, 2011</b>		\$16,543,769
<b>Receipts</b>		
Transfer From Revenue fund	9,795,812	
Transfer From Construction Fund (Bond Proceeds)	-	
Interest	24,771	
Assessments	-	
Grants and contributions	-	
	<hr/>	
<b>Total Receipts</b>		<hr/> 9,820,583
<b>Total Balance Before Expenditures</b>		26,364,352
<b>Expenditures</b>		
Capital Equipment/Leases	600,000	
Project Resolutions	9,869,000	
Transfer to Revenue Fund	24,771	
	<hr/>	
<b>Total Expenditures</b>		<hr/> (10,493,771)
<b>Fund Balance June 30, 2012</b>		<hr/> <hr/> \$15,870,581
<b>Allocation of Fund Balance June 30, 2012</b>		
Project Funding	6,534,581	
Capital Reserves	9,336,000	
	<hr/>	
<b>Total Allocation</b>		<hr/> <hr/> \$15,870,581
<b>Unallocated General Fund Balance June 30, 2012</b>		<hr/> <hr/> -
<b>Change in Available Balance</b>		(\$673,188)

**PERSONNEL AUTHORIZATIONS BY DEPARTMENT**

<b>Office of the Executive Director<sup>1</sup></b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
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	1	0
<b>Totals</b>	<b>7</b>	<b>7</b>	<b>6</b>

<b>Customer Service<sup>2</sup></b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Customer Service Manager	1	1	0
Senior Customer Service Representative	1	1	1
Customer Service Representative	2	2	5
Clerk/Cashier	3	3	0
Administrative Assistant	0	0	0
Customer Service Specialist	0	0	0.5
<b>Totals</b>	<b>7</b>	<b>7</b>	<b>6.5</b>

<b>Engineering and Planning</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
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	1
<b>Totals</b>	<b>14</b>	<b>14</b>	<b>14</b>

<b>Human Resources<sup>3</sup></b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Director of Human Resources	1	1	0
Human Resources and Safety Manager	0	0	1
Safety and Training Administrator	1	0	0
Human Resources Generalist	1	1	1
Administrative Assistant	0	0	0.5
<b>Totals</b>	<b>3</b>	<b>2</b>	<b>2.5</b>

**PERSONNEL AUTHORIZATIONS BY DEPARTMENT**

<b>Finance <sup>2,3</sup></b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Director of Finance and Customer Service	1	1	1
Finance Manager	2	2	0
Finance and Customer Service Manager	0	0	1
Finance and Procurement Manager	0	0	1
Procurement Manager	0	1	0
Accounting Technician II	2	2	3
Accounting Technician I	2	2	0
Financial Analyst	0	0	1
Administrative Assistant	1	1	0.5
<b>Totals</b>	<b>8</b>	<b>9</b>	<b>7.5</b>

**Information Technology <sup>4</sup>**

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

**Water Supply and Treatment <sup>5</sup>**

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	3	4 <sup>6</sup>
Laboratory Supervisor	1	1	1
Laboratory Analyst	3	3	3
Administrative Assistant	1	1	1
<b>Totals</b>	<b>24</b>	<b>24</b>	<b>25</b>

**PERSONNEL AUTHORIZATIONS BY DEPARTMENT**

<b>Water Distribution</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Distribution and Collections Systems Manager	1	1	1
Assistant Distribution & Collection System Manager	1	1	1
Senior Crew Leader	1	0	0
Crew Leader	2	3	3
Utility Mechanic III	3	3	3
Utility Mechanic II	8	6	6
Utility Mechanic I	14	16	16
Administrative Assistant	0	0	0
Field Service Representative	1	1	1
Service Technician	1	1	1
<b>Totals</b>	<b>32</b>	<b>32</b>	<b>32</b>

**Wastewater Treatment <sup>7</sup>**

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 <sup>8</sup>
Senior Maintenance Mechanic	2	2	1
Instrumentation Control Technician	1	1	1
Maintenance Mechanic	2	2	2
Laboratory Manager	1	1	1
Laboratory Analyst	3	3	3 <sup>9</sup>
Administrative Assistant	0	0	0
<b>Totals</b>	<b>24</b>	<b>24</b>	<b>23</b>

**Sewer Collections**

Crew Leader	3	3	3
Utility Mechanic II	5	2	5 <sup>10</sup>
Utility Mechanic I	6	9	6 <sup>11</sup>
Administrative Assistant	1	1	1
<b>Totals</b>	<b>15</b>	<b>15</b>	<b>15</b>

**Total Positions** 139      139      135.5

<sup>1</sup> Reflects the elimination of an Administrative Assistant through attrition.

<sup>2</sup> Reflects restructuring of the Finance and Customer Service Department which includes the elimination of an Accounting Technician, the Procurement Manager and Customer Service Manager. It also reflects the addition of a Financial Analyst and a part-time Customer Service

Specialist and the reclassification of the Finance Manager positions to Finance and Customer Service Manager and Finance and Procurement Manager.

3 Reflects a shared Administrative Assistant between the Finance and Human Resources Departments.

4 Reflects the elimination of a vacant Information Services Technical Specialist position.

5 Reflects funding of an additional Maintenance Mechanic position.

6 One Maintenance Mechanic position authorized but not funded for FY 2012.

7 Reflects elimination of a Senior Maintenance Mechanic position.

8 Plant Maintenance Supervisor position authorized but not funded for FY 2012.

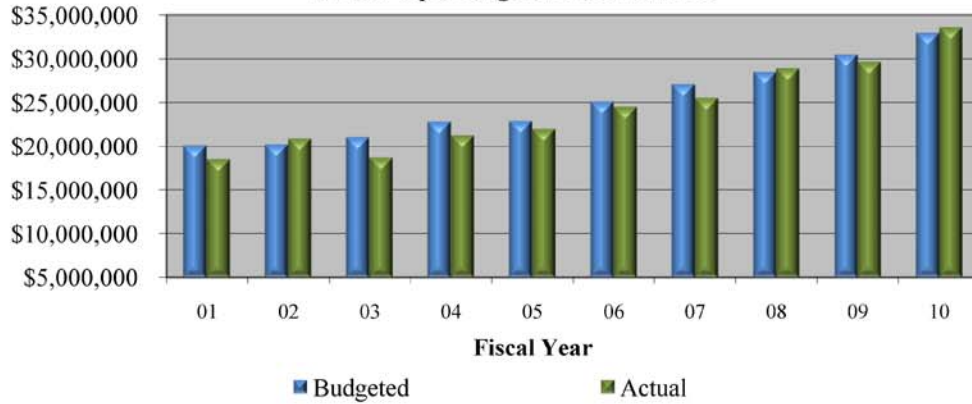
9 Laboratory Analyst position authorized but not funded for FY 2012.

10 Three Utility Mechanic II positions authorized but not funded for FY 2012.

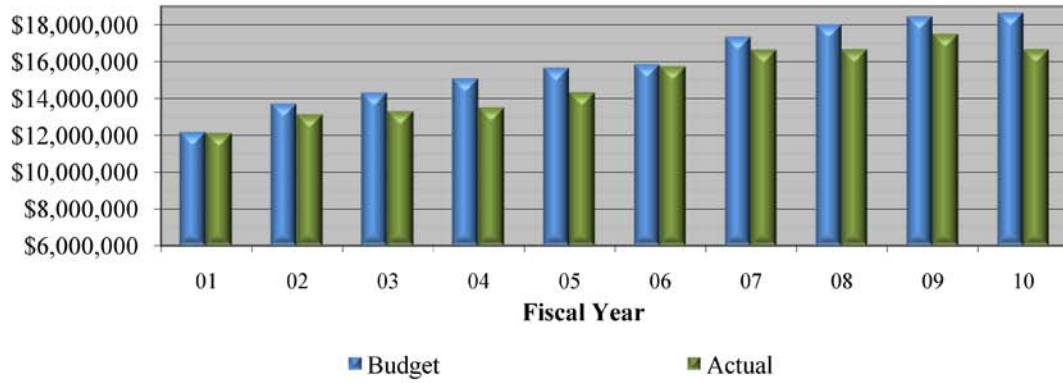
11 Two Utility Mechanic I positions authorized but not funded for FY 2012.

**10-YEAR HISTORICAL PERFORMANCE**

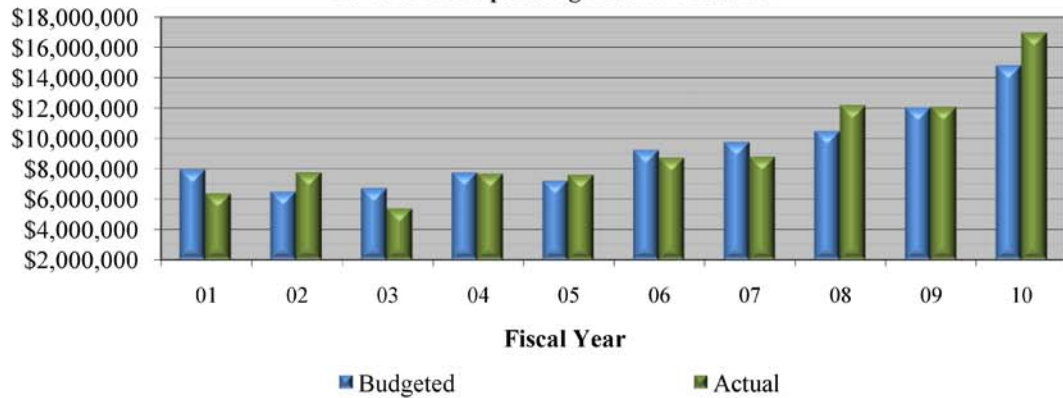
**10-Year Operating Revenue Variance**



**10-Year Operating Expense Variance**



**10-Year Net Operating Income Variance**



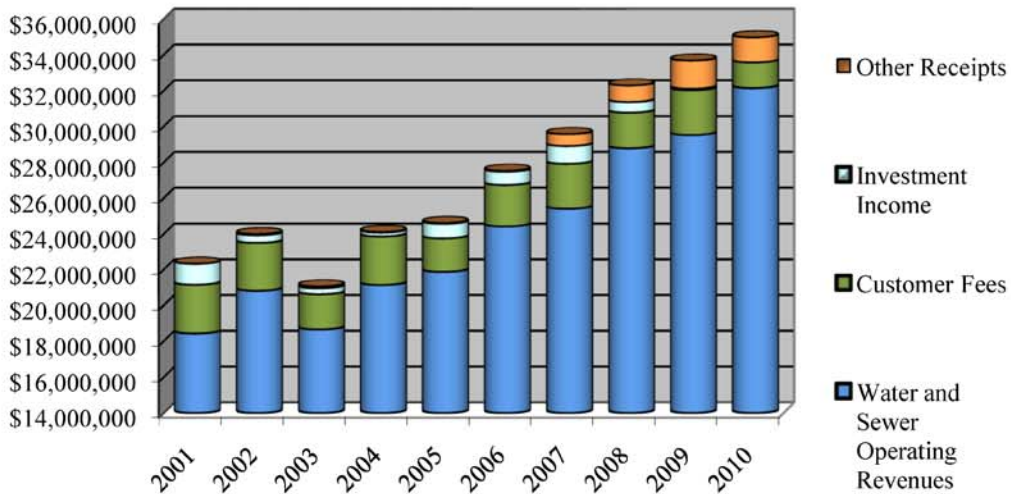
**10-YEAR HISTORICAL PERFORMANCE**

**ORANGE WATER AND SEWER AUTHORITY**

**Revenues By Source  
Last 10 Fiscal Years**

<b>Fiscal Year</b>	<b>Water and Sewer Operating Revenues</b>	<b>Customer Fees</b>	<b>Investment Income</b>	<b>Other Receipts</b>	<b>Total</b>
2001	\$18,453,564	\$2,716,765	\$1,174,852	\$3,079	\$22,348,260
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

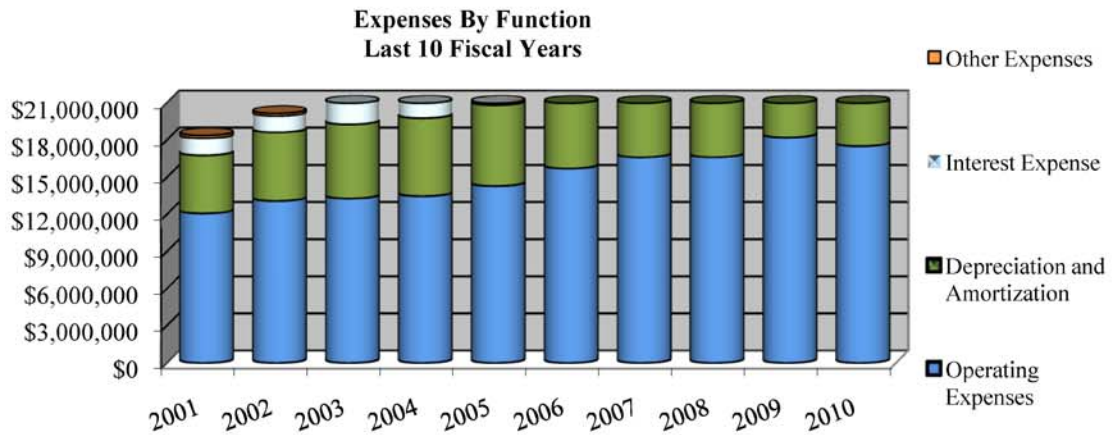
**Revenue By Source  
Last 10 Fiscal Years**



**10-YEAR HISTORICAL PERFORMANCE**

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

<b>Fiscal Year</b>	<b>Operating Expenses</b>	<b>Depreciation and Amortization</b>	<b>Interest Expense</b>	<b>Other Expenses</b>	<b>Total</b>
2001	\$12,093,072	\$4,708,114	\$1,361,218	\$224,566	\$18,386,970
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



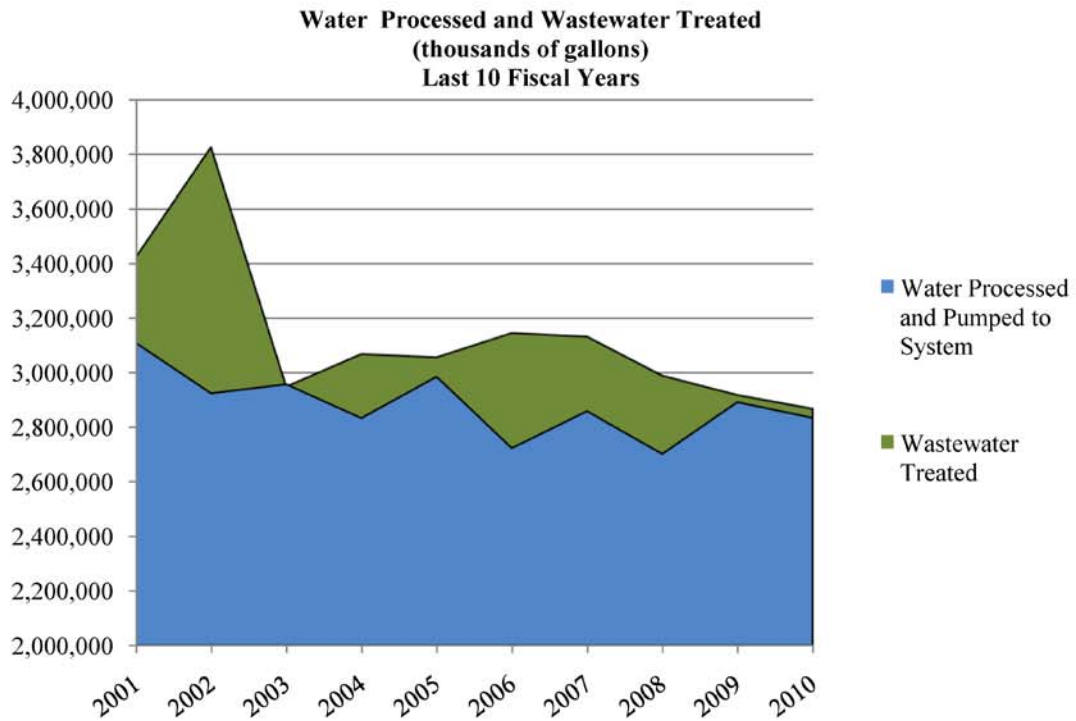


**10-YEAR HISTORICAL PERFORMANCE**

**ORANGE WATER AND SEWER AUTHORITY**

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

<b>Fiscal Year</b>	<b>Water Processed and Pumped to System</b>	<b>Wastewater Treated</b>
2001	3,418,741	3,107,328
2002	3,822,000	2,922,000
2003	2,945,900	2,955,127
2004	3,065,522	2,831,033
2005	3,053,400	2,982,831
2006	3,142,494	2,721,662
2007	3,129,160	2,856,672
2008	2,986,150	2,700,270
2009	2,915,405	2,889,705
2010	2,865,000	2,832,000



**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
2001	8.5	211	312	19.3	6.4	4.0	5	0.7	0.1
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	< 1	0.1	0.3
2010	7.8	268	322	29.3	7.4	< 2.0	< 1	0.1	0.4

Effluent Maximum Limits Set in NPDES Permit

	Winter (Nov. – Mar.)	Summer (Apr. – 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

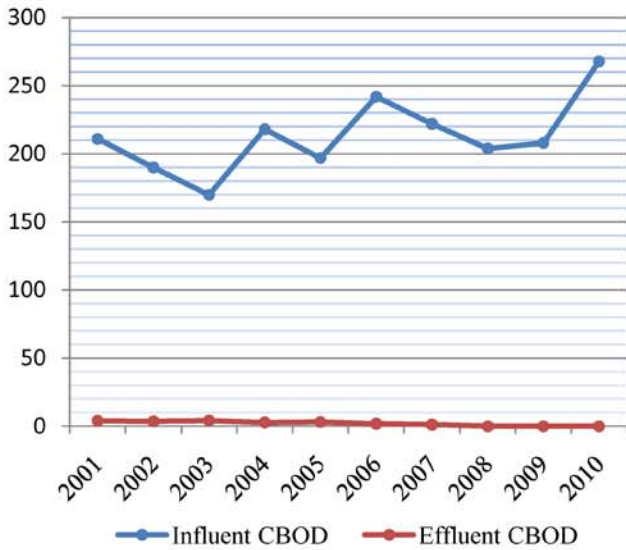
See graphs on next page.

**10-YEAR HISTORICAL PERFORMANCE**

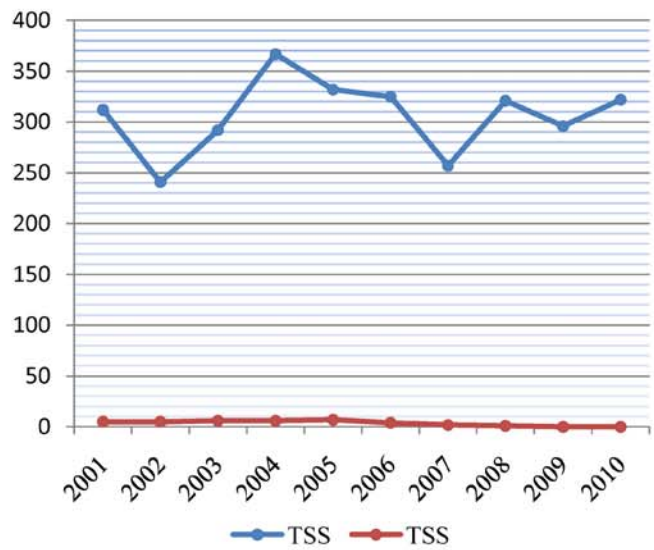
**ORANGE WATER AND SEWER AUTHORITY**

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

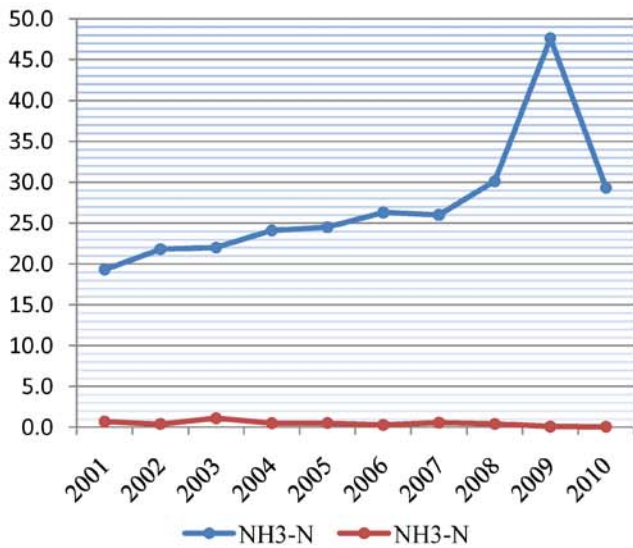
**Carbonaceous Biochemical Oxygen Demand  
(Milligrams per Liter)**



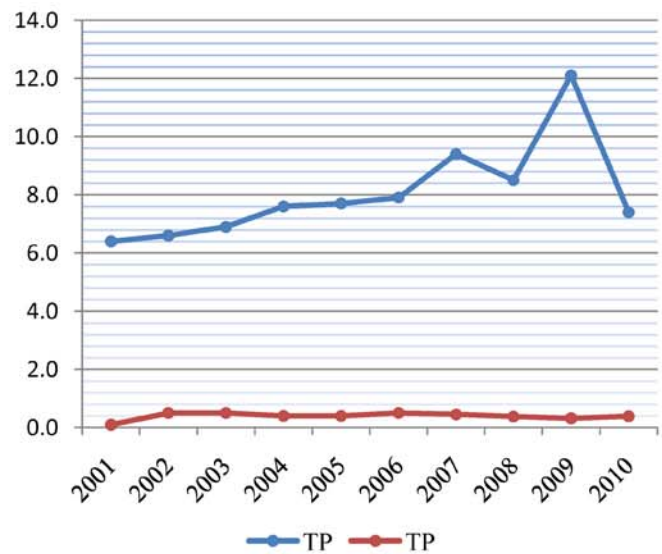
**Total Suspended Solids  
(Milligrams per Liter)**



**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, 2011**

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)	409
Miles of Wastewater Collection Pipe (includes 13 miles of force main)	334
Customer Accounts	20,241
Full-time Equivalent Employees:	
Approved Positions	135.5
Budgeted Positions	127.5
Water Treatment Plant Capacity (millions of gallons per day (MGD)):	
Capacity	20.0
Production Average Day	7.8
Production Peak Day	10.6
Wastewater Treatment Plant Capacity (MGD):	
Capacity	14.5
Average Daily Flow	8.0
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	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

After years of stabilizing growth at UNC at a low rate, the increase in student enrollment reflects significant rise in campus development during the past decade.

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, 107 master’s, 69 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. Ranked one of the eight best in the country, UNC’s Honors program enables students to choose from more than 120 honors courses in 30 disciplines.

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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
January	4.6%	4.6%	4.1%	3.8%	3.2%	3.2%	3.4%	5.8%	7.1%
February	4.2	4.2	3.8	3.9	3.6	3.3	3.6	6.5	7.1
March	4.4	4.2	3.8	3.5	3.1	3.0	3.2	6.1	6.8
April	4.1	4.2	3.8	3.7	3.0	2.9	3.2	6.0	6.4
May	4.1	4.3	4.1	3.8	3.3	3.1	4.0	6.9	6.5
June	4.6	5.0	4.5	4.4	3.8	3.7	4.5	7.3	6.9
July	4.6	4.7	4.1	4.4	3.9	3.6	4.8	7.4	6.9
August	4.5	4.4	3.9	4.1	3.6	3.3	4.3	7.2	6.7
September	3.9	4.0	3.0	3.2	3.0	3.0	4.0	6.6	5.9
October	4.1	4.0	3.4	3.3	3.0	3.1	4.0	6.5	5.7
November	4.4	4.2	3.9	3.6	3.2	3.1	4.7	6.6	6.0
December	4.3	3.7	3.6	3.2	2.9	3.0	4.4	6.6	5.9

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	1000+
UNC Healthcare System	Hospital	1000+
Chapel Hill/Carrboro City Schools	Education	1000+
Blue Cross Blue Shield	Health/Medical Insurer	1000+
Orange County Schools	Education	1000+
Orange County Government	Local Government	500 - 999
Town of Chapel Hill	Local Government	500 - 999
Eurosport	Trade	500 - 999
Employer Resource	Professional & Business Service	500 - 999
Harris Teeter, Inc.	Supermarket	500 - 999

Source: Orange County Economic Development Commission (May, 2011).

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	1,201,013,563	29.6

Source: Orange County Economic Development Commission (May, 2011).

**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		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
2001	\$16,598,182	\$16,453,207	99.27%	*	*	*	*
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%	\$377,589 (1)
2007	28,558,565	28,409,166	99.48%	111,769	28,520,935	99.87%	21,087
2008	30,412,485	30,240,782	99.44%	115,691	30,356,473	99.82%	45,041
2009	33,972,050	33,779,873	99.43%	122,393	33,902,077	99.79%	54,108
2010	35,119,150	34,836,717	99.20%	-	34,836,717	99.20%	282,432

\* 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 Service 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)
2001	*	*	\$2,589,768,417	\$388,087,936	\$61,660,255	\$3,039,516,608	0.578	\$3,145,846,210	96.62%
2002	(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)	\$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		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		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		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		1,667,252,143	6,522,895,710	455,030,840	67,647,776	7,045,574,326	0.494	7,141,991,207	98.65%

\* 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) Per \$100 of value. Includes taxes for general fund, debt service fund and transportation fund.
- (5) 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.
- (6) 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)
2001	48,902	\$3,583,041	\$24,133	24.8	14.72	34,462	1.8
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	24.2	15.82	39,428	6.5

- (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, June 2010 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.*

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

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

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

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

#### **SECTION A. GENERAL FINANCIAL POLICIES**

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

#### **SECTION B. ASSET MANAGEMENT POLICIES**

- B.1. ***Capital Improvements Reserve Fund:*** OWASA shall maintain a Capital Improvements Reserve Fund with a minimum fund balance target of 2% of the annual depreciated capital costs. The Capital Improvements Reserve Fund shall be an unrestricted reserve that is a component of the General Fund balance. The purpose of this reserve fund is to: ensure more sustainable funding for rehabilitation and replacement of the water and sewer systems and capital equipment; cover major unplanned increases in capital project costs; pay for previously unplanned capital needs; and provide funding flexibility needed in the Annual Budget to adjust for CIP costs carry-over adjustments.
- B.2. The annual budget shall provide 100% funding for maintenance activities required to ensure the operational integrity and safety of facilities and facility components.
- B.3. OWASA shall use a comprehensive approach to properly maintain all capital facilities, equipment, vehicles, etc.
- B.4. An amortization schedule shall be established for each physical asset to reflect the reasonable useful life of the asset.
- B.5. The costs of this comprehensive maintenance and rehabilitation program shall be reflected in OWASA’s annual budget and five-year CIP budget.

#### **SECTION C. INVESTMENT MANAGEMENT POLICIES**

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

#### **SECTION D. DEBT MANAGEMENT POLICIES**

- D.1. ***Debt Service Coverage Ratio:*** OWASA’s Bond Order requires a minimum annual required Debt Service Coverage Ratio of 1.2. The minimum annual debt service coverage ratio shall be 2.0; provided, however, that the minimum coverage ratio for any single year when severe weather anomalies or other unforeseen

circumstances occur which negatively impact revenues and/or expenses shall not be less than 1.5 during the Fiscal Year.

- D.2. ***Debt Burden to Asset Value:*** The comparison of outstanding debt to infrastructure value is a reasonable indicator of debt capacity. OWASA's debt to plant ratio (outstanding debt divided by the book value of fixed assets) shall not exceed 0.5 (50%).
- D.3. ***Sufficiency of Revenues above Debt Requirements:*** OWASA shall maintain debt service as a percent of revenue at or below 35% of revenues.
- D.4. ***Credit Ratings:*** OWASA shall maintain Credit Ratings of at least Aa2, AA+ and AA+ from Moody's, Standard & Poor's and Fitch, respectively.
- D.5. Debt issuance shall be limited to financing the costs of capital asset project planning and design, land acquisition, buildings, permanent structures, attached fixtures and equipment, and the cost of debt issuance and capital reserves as may be required by creditors.
- D.6. The repayment of debt shall be structured in such a manner that the repayment period does not exceed the expected useful life of the assets acquired with the debt proceeds.

#### **SECTION E. RATES, FEES AND CHARGES POLICIES**

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

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

#### **SECTION F. CUSTOMER CARE**

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

#### **SECTION G. ANNUAL BUDGETING PROCESS**

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

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

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

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

**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.

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

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

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

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

<b>Task</b>	<b>Time Frame</b>	<b>Rationale</b>
Review strategic issues, policies and economic assumptions	November/December	Staff, the Finance Committee and Board shall review strategic issues, policies, and economic assumptions that are expected to impact and the preparation of budgets (O&M and CIP) and rates. The identification of these key issues will help shape the annual budgeting process.
Cost containment and efficiency review	January/February	Staff will present for the Finance Committee’s review cost containment and/or efficiency opportunities that may impact the O&M or CIP budgets.
Capital Improvements 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.
Financial Modeling and Rate Review	April	Upon completion of CIP and O&M budgets, this information and other planning assumptions shall be entered into the 15-year financial planning model. The model shall be used to interactively generate various scenarios to find an appropriate balance between spending, debt, rate adjustments and fund balance. The effectiveness of each scenario shall be measured by various targets and ratio analyses.
Adopt Preliminary Budget	April	A preliminary budget represents budgeting work in progress and shall serve as a “back-up” budget should a final budget not be adopted by July 1 <sup>st</sup> of each year.
Conduct Public Hearings	May	The OWASA Board shall hold public hearings on the draft O&M budget; CIP budget; and proposed rates, fees and charges for the coming year.
Adopt Budgets and Rates	June	The OWASA Board shall adopt the O&M budget, CIP budget and rate schedule for the coming year.

## 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).

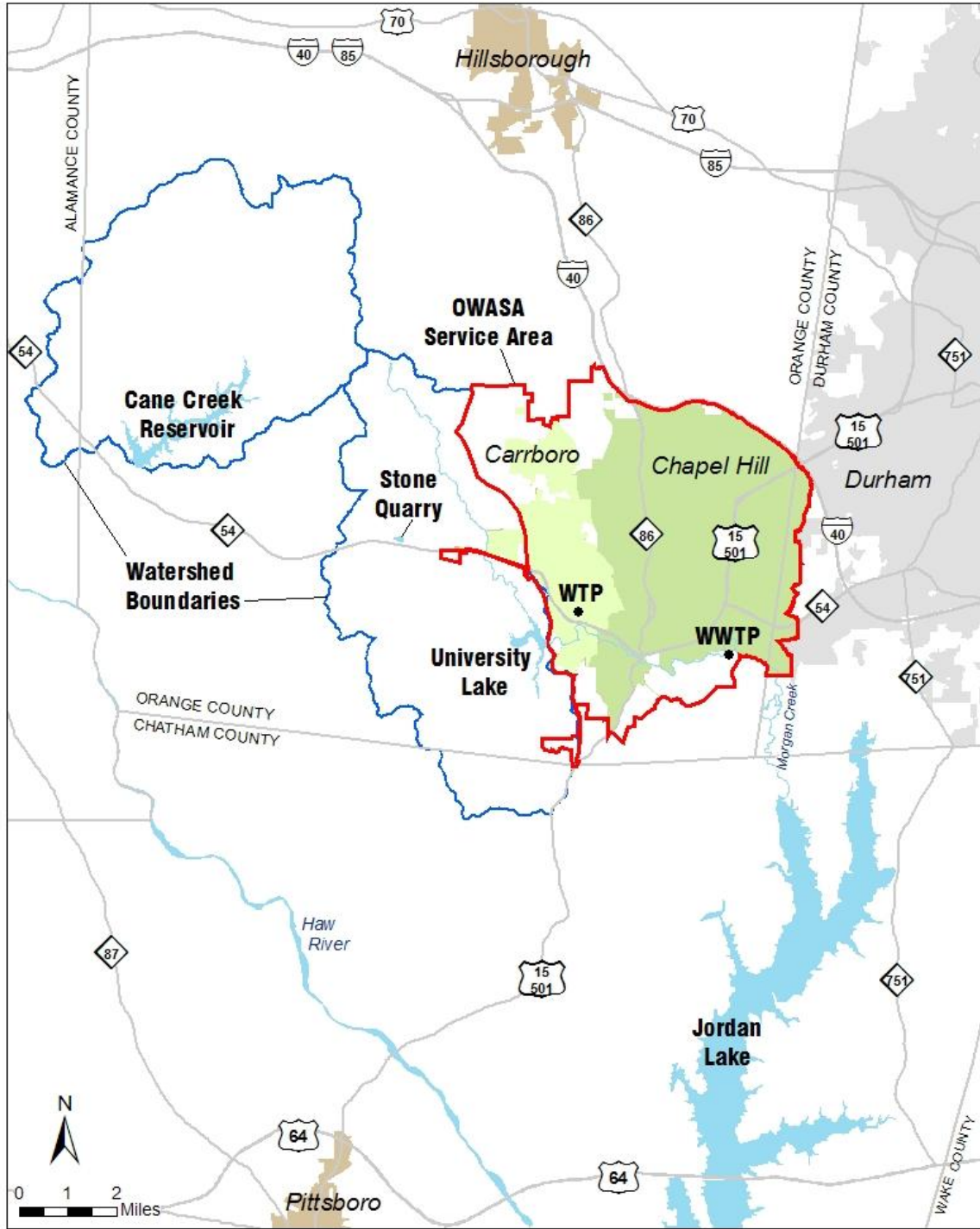
**REVENUE BONDS** – The primary method used by OWASA for long-term debt; they are repaid from user fees over the life of the assets. In general, these bonds have no claim on money derived from property taxes or special assessments.

**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.*